ANNUAL REPORT 2007

Growing our value

LIFE INSURANCE | PENSIONS | INVESTMENTS

AEGON

ABOUT AEGON

AEGON is one of the world's largest life insurance and pension groups, and a strong provider of investment products. AEGON empowers local business units to identify and provide products and services that meet the evolving needs of our customers, using distribution channels best suited to local markets. AEGON takes pride in balancing a local approach with the power of an expanding global operation.

With headquarters in The Hague, the Netherlands, AEGON companies employ more than 30,000 people worldwide. AEGON's businesses serve millions of customers in over twenty markets throughout the Americas, Europe and Asia, with major operations in the United States, the Netherlands and the United Kingdom.

Respect, quality, transparency and trust constitute AEGON's core values as the company continually strives to meet the expectations of customers, shareholders, employees and business partners. AEGON is driven to deliver new thinking and our ambition is to be the best in the industry.

Local knowledge. Global power.

AT A GLANCE

NET OPERATING EARNINGS
Amounts in EUR million

'07	**2,047**
'06	2,139
'05	1,824

NET UNDERLYING EARNINGS
Amounts in EUR million

'07	**2,033**
'06	1,959
'05	1,743

NET INCOME
Amounts in EUR million

'07	**2,551**
'06	3,169
'05	2,147

NEW LIFE SALES
Amounts in EUR million

'07	**3,274**
'06	3,051
'05	2,539

TOTAL DEPOSITS
Amounts in EUR million

'07	**44,528**
'06	39,165
'05	36,317

VALUE OF NEW BUSINESS
Amounts in EUR million

'07	**927**
'06	775
'05	550

REVENUE GENERATING INVESTMENTS
Amounts in EUR billion

'07	**371**
'06	363
'05	358

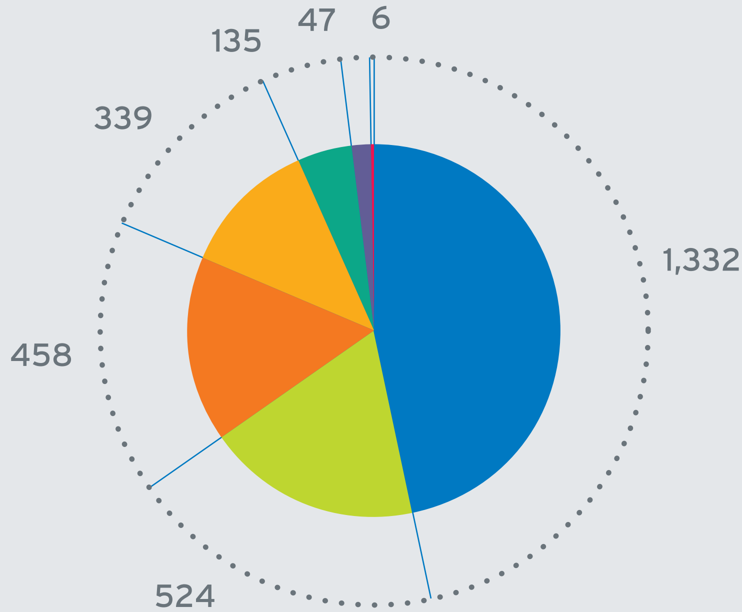
INTERNAL RATE OF RETURN
In percentages

'07	**18.40**
'06	14.50
'05	12.40

Alex Wynaendts named new chairman
AEGON announces that Alex Wynaendts, the Group's Chief Operating Officer, will take over as Executive Board chairman when Don Shepard retires in April 2008. *November 2007*

New partner in Japan
AEGON forms partnership with Japanese insurer Sony Life, focusing initially on variable annuities.
January 2007

OPERATING EARNINGS BEFORE TAX
BY LINES OF BUSINESS
Amounts in EUR million

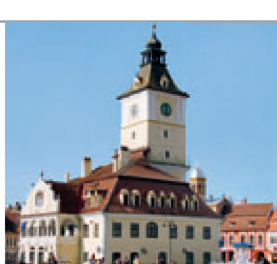


NET INCOME PER SHARE
Amounts in EUR

DIVIDEND PER SHARE
Amounts in EUR

NET UNDERLYING EARNINGS PER SHARE
Amounts in EUR

NET OPERATING EARNINGS PER SHARE
Amounts in EUR



AEGON launches Romania Fund

AEGON's joint venture in Romania gets green light to launch Vital, its new pension fund, just ahead of a planned reform of the country's retirement services system. *September 2007*

AEGON upgrades VNB target

AEGON raises its 2010 value of new business target by 14% to EUR 1.25 billion after better-than-expected performance from the Group's country units. *November 2007*

HIGHLIGHTS 2007

JANUARY

- AEGON forms partnership with Japanese insurer Sony Life, focusing initially on variable annuities.

MARCH

- AEGON completes acquisition of Clark Inc, further strengthening the Group's commercial reach in the United States.

- AEGON buys Dutch life insurer OPTAS N.V., further expanding its Group pension business in the Netherlands.

APRIL

- AEGON completes acquisition of PTE Ergo Hestia, strengthening its pension fund management operations in Poland.

- Former Dutch government minister Karla Peijs joins AEGON's Supervisory Board along with retired Unilever Chairman Antony Burgmans.

MAY

- AEGON says embedded value, a key measure of the Group's underlying worth, rose 8% in 2006 to just over EUR 21 billion.

- AEGON forms new distribution partnership with Barclays, one of the United Kingdom's leading high street banks.

- AEGON announces new asset management joint venture with China's Industrial Securities, underscoring the Group's commitment to the Chinese market.

JUNE

- AEGON-CNOOC secures operating license for the Zhejiang province in eastern China. The joint venture now has businesses in provinces covering more than 200 million people.

- AEGON announces new life insurance and pension joint venture with leading Taiwanese financial services group Taishin.

JULY

- AEGON supports European Commission proposals for new solvency regulations, saying, if adopted, they will further strengthen Europe's insurance industry.

AUGUST

- AEGON announces a EUR 1 billion share repurchase program as part of its capital management strategy. At the same time, the Group increases interim dividend by 25% to EUR 0.30 a share.

SEPTEMBER

- AEGON's joint venture in Romania gets green light to launch Vital, its new pension fund – just over four months ahead of the official introduction of the country's new retirement savings system.

OCTOBER

- AEGON agrees a new seven-year sponsorship deal with Ajax, one of the best-known names in world soccer.

NOVEMBER

- AEGON announces that Alex Wynaendts, the Group's Chief Operating Officer, will take over as Executive Board Chairman when Don Shepard retires in April 2008.

- AEGON raises its 2010 value of new business target by 14% to EUR 1.25 billion after better-than-expected performances from the Group's country units.

DECEMBER

- AEGON finalizes agreement with Merrill Lynch, further widening the Group's distribution network in the United States. As part of the agreement, AEGON also buys Merril Lynch's two life insurance businesses.

Merrill Lynch agreement finalized

AEGON's agreement with Merrill Lynch further widens the Group's distribution network in the United States. AEGON also buys the US finance company's two life insurance businesses. *December 2007.*

UK bank alliance

AEGON forms new distribution partnership with Barclays, one of the United Kingdom's leading high street banks. *May 2007.*

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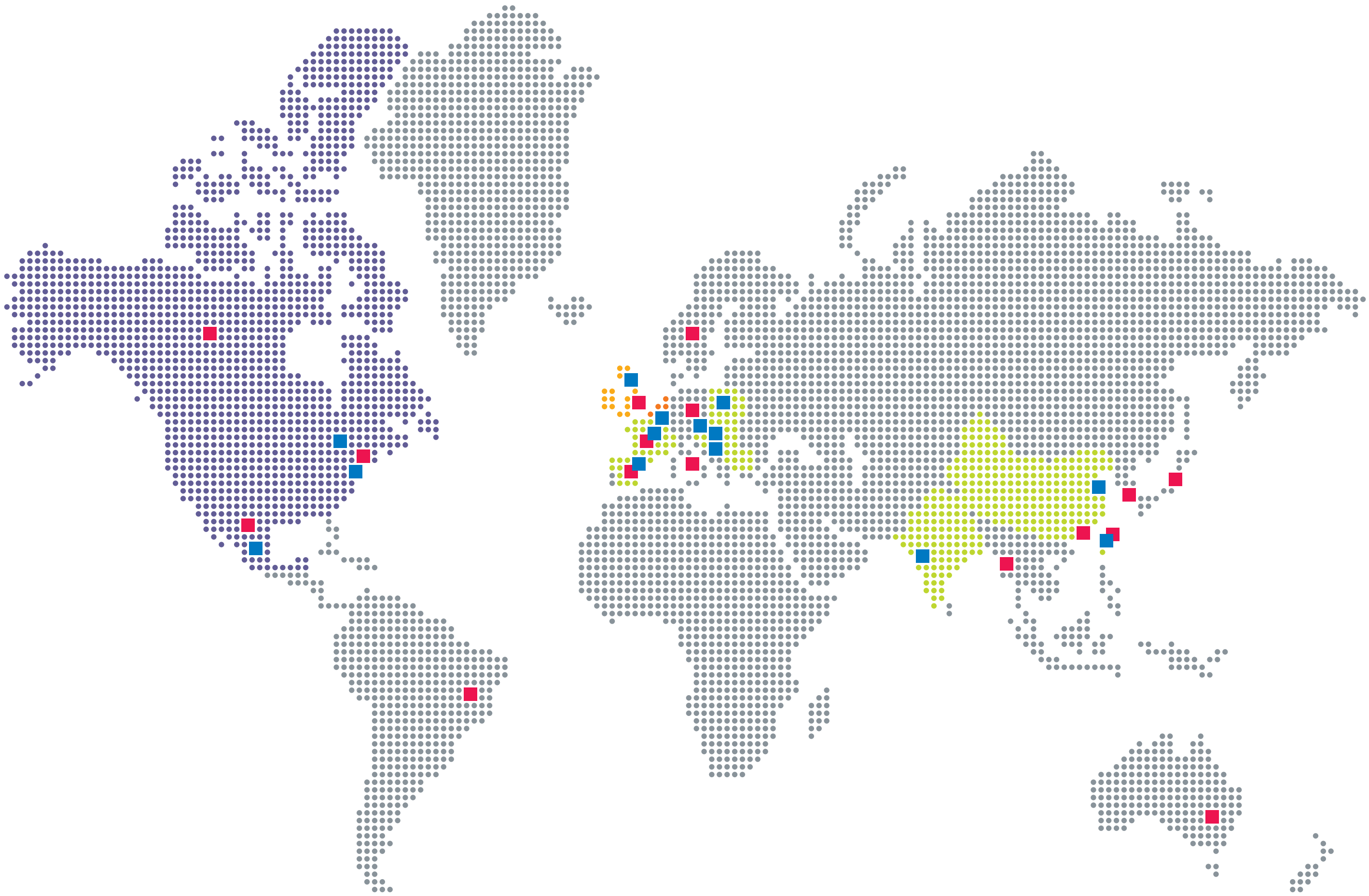
01 Chapter one
LOCAL KNOWLEDGE. GLOBAL POWER.

Creating long-term value for all our stakeholders

AEGON AROUND THE WORLD

BY COUNTRY UNIT



AEGON OFFICES

United States – Baltimore, Cedar Rapids
Canada – Toronto
The Netherlands – The Hague
United Kingdom – Edinburgh
China – Shangai
Czech Republic – Prague
Hungary – Budapest
India – Mumbai
Mexico – Mexico City
Poland – Warsaw
Slovakia – Bratislava
Spain – Madrid
Taiwan – Taipei

AEGON DIRECT MARKETING SERVICES (ADMS)

Australia
Brazil
Canada
France
Germany
Hong Kong
Italy
Japan
Mexico
Scandinavia
South Korea
Spain
Taiwan
Thailand
United Kingdom
United States

TRANSAMERICA RE

AEGON's reinsurance business, is present in twelve locations: Bermuda, Brazil, Chile, France, Hong Kong, Ireland, Japan, Mexico, South Korea, Spain, Taiwan, United States.

AMERICAS

Net operating earnings	1,533 million
Revenue generating investments	221.60 billion
Employees	15,157

THE NETHERLANDS

Net operating earnings	283 million
Revenue generating investments	65.78 billion
Employees	6,200

AMERICAS

HISTORY: AEGON companies can trace their roots back to the mid-nineteenth century. Transamerica Life, meanwhile, has been present in the Canadian market since 1927, while in 2006 AEGON agreed a new joint venture with the Mexican life insurer, Seguros Argos.

LEADING COMPANIES: Transamerica Life, Transamerica Occidental Life, Stonebridge Life, Life Investors, Monumental Life, Western Reserve Life, Transamerica Life Canada, Seguros Argos.

MAIN BUSINESS LINES: Life and protection, individual savings and retirement, pensions and asset management, institutional products, reinsurance.

www.aegonins.com, www.transamerica.com, www.transamerica.ca

CENTRAL AND EASTERN EUROPE

HISTORY: AEGON first entered Central and Eastern Europe in 1992 when it bought the former state-owned Hungarian insurer Állami Biztosító. Since then, the Group has expanded into four other countries – Poland, the Czech Republic, Slovakia and Romania.

LEADING COMPANIES: AEGON Czech Republic, AEGON Hungary, AEGON Poland, AEGON Slovakia, BT-AEGON (Romania)

MAIN BUSINESS LINES: Life and protection, individual savings and retirement, pensions and asset management, general insurance.

www.aegon.cz, www.aegon.hu, www.aegon.pl, www.aegon.sk, www.btaegon.ro

THE NETHERLANDS

HISTORY: AEGON's history in the Netherlands stretches back to the burial funds of the mid-nineteenth century. Today, AEGON The Netherlands is one of the country's leading providers of life insurance and pensions.

LEADING COMPANIES: AEGON Levensverzekering, AEGON Schadeverzekering, AEGON Bank, TKP Pensioen, Unirobe Meeùs, OPTAS.

MAIN BUSINESS LINES: Life and protection, individual savings and retirement, pensions and asset management, distribution, general insurance.

www.aegon.nl

OTHER EUROPEAN COUNTRIES

HISTORY: AEGON has had businesses in Spain since 1980 while the Group's partnership with French insurer La Mondiale goes back to 2002. In Spain, AEGON now has distribution partnerships in place with four regional savings banks.

LEADING COMPANIES: AEGON Seguros de Vida, AEGON Seguros Salud, CAM AEGON Holding Financiero, CAN Vida y Pensiones, Caja Badajoz Vida y Pensiones, La Mondiale Participations (35%)

MAIN BUSINESS LINES: Life and protection, pensions and asset management.

www.aegon.es, www.lamondiale.com

UNITED KINGDOM

HISTORY: Scottish Equitable, acquired by AEGON in 1994, was founded in 1831.

LEADING COMPANIES: AEGON Scottish Equitable, AEGON Asset Management, Guardian Assurance.

MAIN BUSINESS LINES: Life and protection, pensions and asset management, distribution.

www.aegon.co.uk

ASIA

HISTORY: AEGON launched Taiwan as a greenfield operation in 1992. Since then, AEGON has opened businesses in China, Japan and India.

LEADING COMPANIES: AEGON-CNOOC (China), AEGON Life Insurance (Taiwan).

MAIN BUSINESS LINES: Life and protection, pensions and asset management.

www.aegon-cnooc.com, www.aegon.com.tw

UNITED KINGDOM

Net operating earnings	275 million
Revenue generating investments	72.56 billion
Employees	4,990

OTHER COUNTRIES

Net operating earnings	60 million
Revenue generating investments	10.92 billion
Employees	3,876

AEGON AROUND THE WORLD

BY LINES OF BUSINESS[1]

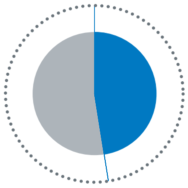
LIFE AND PROTECTION	AEGON is one of the world's leading providers of life insurance and financial protection products, serving millions of customers across the globe. AEGON companies offer a broad range of traditional, term, universal, permanent life insurance, as well as individual and group financial protection, including accident and health cover. Last year, AEGON's life and protection business reported operating profit before tax of EUR 1.33 billion, up 15% from 2006 and accounting for more than 49% of the Group's overall operating earnings before tax.
INDIVIDUAL SAVINGS AND RETIREMENT PRODUCTS	AEGON helps individuals and families around the world save for their retirements, increasingly important as people in many countries live longer, healthier lives. In the United States and elsewhere, AEGON provides a wide variety of savings and retirement products, including retail mutual funds and fixed and variable annuities. In 2007, AEGON's individual savings and retirement products business accounted for approximately 19% of the Group's operating earnings before tax.
PENSIONS AND ASSET MANAGEMENT	Pensions are an important part of AEGON's businesses, not only in the United States, the Netherlands and the United Kingdom, but also in new, emerging markets like the countries of Central and Eastern Europe. In 2007, pensions and asset management accounted for approximately 17% of the Group's operating earnings before tax.
INSTITUTIONAL PRODUCTS	AEGON's businesses cater to the needs not only of individuals, but also of institutional customers, such as banks, pension funds, municipalities and private companies. AEGON companies provide institutional guaranteed products, such as guaranteed investment contracts and funding agreements, as well as management, administration and risk services for off-balance sheet items and bank-owned and corporate-owned life insurance. In 2007, AEGON's institutional products accounted for 13% of the Group's operating earnings before tax.
REINSURANCE	AEGON USA provides a range of life and annuity reinsurance products. The company's core product – mortality risk transfer – is offered primarily through coinsurance, but is also available under yearly renewable term arrangements. In 2007, AEGON's reinsurance business contributed 5% to the Group's operating earnings before tax.
GENERAL INSURANCE	As part of its overall corporate strategy, AEGON focuses on its main businesses: life insurance, pensions and long-term savings and investment products. However, the Group does offer some limited general insurance in the Netherlands and in Hungary – primarily car, liability, household insurance and fire protection. General insurance contributed 2% to the Group's 2007 operating earnings before tax.

SALES AND DISTRIBUTION

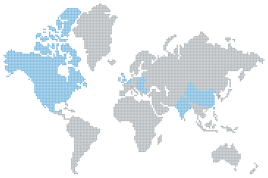
AEGON works through many different distribution channels, including brokers, agents and independent financial advisors. AEGON companies also provide products and services online and use worksite and direct marketing channels. In many countries, banks also play an important role in selling insurance products, particularly in parts of Europe, such as Spain, France, as well as the United States and China. For this reason, in the past few years, AEGON has expanded its web of bank distribution agreements, signing new partnerships in China, Spain and the United Kingdom.

[1] 2006 figures are on a pro forma basis. For further details, please see page 26.

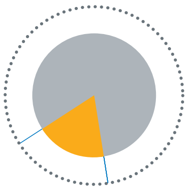
49%



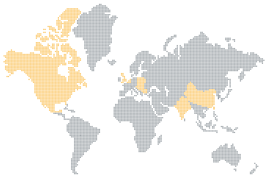
AEGON offers life insurance and financial protection products at its operations around the world. The Group has leading life insurance businesses in the United States, the Netherlands and the United Kingdom as well as a rapidly growing presence in emerging markets in Asia, the Americas and Central and Eastern Europe. AEGON insurance companies include some of the best-known brands in the insurance sector. They include Transamerica in the United States, AEGON Scottish Equitable in the United Kingdom and AEGON itself in the Netherlands.



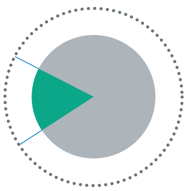
19%



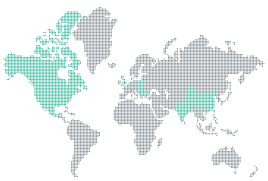
AEGON provides individual savings and retirement products in its established markets: the United States, the Netherlands and the United Kingdom. The Group's variable annuities, savings and mutual fund business is growing rapidly in other countries, too. A combination of strong economic growth and rising levels of personal wealth in recent years has supported an expansion of AEGON's businesses in Asia, the Americas and Central and Eastern Europe.



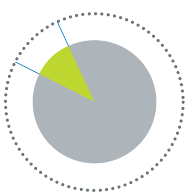
17%



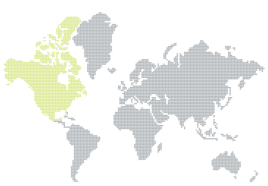
Pensions are a core part of AEGON's businesses across the world. With people living longer lives, and governments increasingly shifting responsibility for retirement provisioning to the private sector, AEGON believes demand for pensions will continue to grow in the years ahead. AEGON has a strong and expanding pension business in the United States, the Netherlands and the United Kingdom. Demand is growing in other regions, too, including China and the countries of Central and Eastern Europe, opening up new opportunities for the Group.



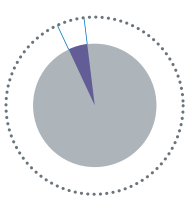
13%



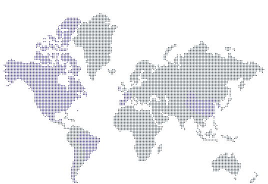
AEGON USA markets a range of institutional products to pension and retirement funds, money market funds and US municipalities as well as investors outside the United States. These products include bank-owned and corporate-owned life insurance.



5%



AEGON USA offers reinsurance services not only in the United States, but also in Asia and Latin America, through its Transamerica Reinsurance business unit. Transamerica Reinsurance has operations in Bermuda, Brazil, Chili, France, Spain, Hong Kong, Ireland, Japan, Mexico, South Korea, Taiwan and the United States.



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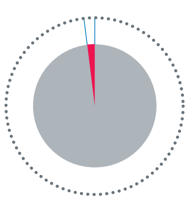


AEGON offers a range of property and casualty insurance in both the Netherlands and Hungary. Generally, AEGON offers non-life insurance cover only when to do so it serves the Group's distribution objectives.

CHAIRMAN'S LETTER

Donald J. Shepard

CHAIRMAN OF
THE EXECUTIVE BOARD

DEAR READER,

The past year was one of significant progress for AEGON. We pursued a consistent strategy of profitable growth, strengthening distribution, increasing scale and capitalizing on key international expansion opportunities.

On behalf of the Executive Board, I am pleased to present this, my final Annual Report, which summarizes the progress we made during 2007 to strengthen AEGON's position as a leading international provider of life insurance, pensions and related investment products.

Like you, we have kept a close eye on the recent turmoil in the world's financial markets, brought on by the subprime crisis in the United States and the subsequent adverse effects on global credit markets. Keeping in mind that AEGON's exposure to subprime mortgage-backed investments represents just over 2% of its general account investment portfolio, the Group experienced no material impairments to its portfolio during the year. The majority of AEGON's subprime exposure continues to be rated either AAA or AA.

SOLID PERFORMANCE

The solid performance of AEGON's businesses in the Americas, Europe and Asia resulted in a 4% increase in net underlying earnings for the year. New life sales showed an increase of 7% over the previous year. The better-than-expected progress our businesses made toward AEGON's 2010 value of new business (VNB) target led us to increase that target by 14% to EUR 1.25 billion. In 2007, we reported a record VNB of EUR 927 million, AEGON's fourth consecutive year of VNB growth.

The completion of a EUR 1 billion share repurchase plan in November and a 13% increase in AEGON's full year dividend to EUR 0.62 per common share are evidence of our continued strong cash flows and solid capital position. We continue to have sufficient capital to support the organic growth of our businesses while at the same time pursuing acquisition opportunities consistent with our disciplined approach to pricing.

SERVING THE GROWING RETIREMENT MARKET

We believe that AEGON is taking the right steps to serve the developing retirement needs of our customers by providing innovative, need-specific products and services in both our established and developing markets. The introduction of our '5 for Life' variable annuity product in the United Kingdom, first developed in the United States, is a clear example of how we use AEGON's expertise to capture the opportunities presented by the reality of longer retirement in nearly every market we serve. As a further example, AEGON USA is supporting our new partnership with Sony Life to develop variable annuity products for the Japanese market, fulfilling AEGON's ambition to enter the world's second largest market for life insurance and related products. Similarly, AEGON UK is lending its support to the launch of our new business in India, where we will soon be providing life insurance and asset management products with our partner Religare. We believe this approach to cross-border coordination gives us a distinct competitive advantage and helps AEGON maximize the opportunities of today's rapidly evolving markets.

In Central and Eastern Europe, AEGON further strengthened its position in the emerging pension markets with the acquisition of PTE Ergo Hestia in Poland and with our new joint venture in Romania where we have formed a pension fund management company with Banca Transilvania. In the Netherlands, we enhanced our group pension business with the acquisition of OPTAS, a pension provider to port employees in Rotterdam and Amsterdam.

ENHANCED DISTRIBUTION

Also during 2007, we further strengthened AEGON's broad distribution network, a key growth driver in both our established and developing markets. In May, AEGON formed a new partnership with Barclays in the United Kingdom to distribute its products through the bank's network of more than 900 financial planners. In June, we announced a new partnership with Taiwan's leading banking conglomerate, Taishin, a group with more than four million customers and over 200 outlets across the country. In China, AEGON is in the process of forming a new asset management joint venture with Industrial Securities, further underscoring the Group's commitment to this important growth market. In Spain, AEGON entered into a new partnership agreement with regional savings bank Caja Cantabria - the fourth such partnership which together provide access to approximately 3.5 million customers through over 1,800 bank branches across the country.

One of AEGON's ambitions in the United States is to maintain its position as a leading provider of life insurance and variable annuity products to the brokerage channel. In line with this goal, AEGON formed a strategic partnership in 2007 with Merrill Lynch, the world's leading brokerage house with over 16,000 advisors. As part of the new partnership - announced in August and completed at the end of 2007 - AEGON also acquired Merrill Lynch's two life insurance companies. Meanwhile, the acquisition of Clark in March was an important step in enhancing AEGON's position in the bank-owned and corporate-owned life insurance market.

STEADY EXPANSION

The international expansion of AEGON's businesses into areas where we believe we can achieve long-term sustainable and profitable growth continues to be an important strategic objective for the Group. In addition to expanding further in Central and Eastern Europe, and entering the markets of Japan and India, AEGON-CNOOC secured another license to operate in the burgeoning coastal provinces of eastern China. With the addition of the Zhejiang province, AEGON-CNOOC's businesses now have the potential to serve more than 200 million people in one of the world's fastest growing economies.

CONCLUSION

Finally, on a personal note, as announced last November, I will step down as Chairman of the Executive Board on April 23, 2008, in accordance with the terms of my contract to retire in the year I turn 62. I welcome the Supervisory Board's selection of Alex Wynaendts to succeed me in building on the progress we have made over the past several years. It has been my pleasure to serve with Alex and our Executive Board colleague Jos Streppel to improve AEGON's balance sheet, strengthen the Group's distribution network and expand AEGON's footprint in both our established markets and the fast developing emerging economies of Asia and Central and Eastern Europe. AEGON today is in an even stronger position to capture growth in the world's most important markets for life insurance and pensions.

I wish to express my gratitude to the Supervisory Board for having given me the opportunity to lead AEGON during what continues to be an exciting time for our business. I also want to thank the senior management in Europe, the Americas and Asia, along with our dedicated employees who work daily to generate long-term value for AEGON's shareholders and create the better futures the Group's many customers have come to expect and deserve.

Donald J. Shepard

CHAIRMAN OF
THE EXECUTIVE BOARD

MANAGEMENT BOARD

FROM LEFT TO RIGHT

Donald J. Shepard
Joseph B.M. Streppel
Alexander R. Wynaendts

DONALD J. SHEPARD
Chief Executive Officer
Chairman, Executive Board
(1946, Nationality: US citizen)

Don Shepard began his career in 1970 with Life Investors Inc., an insurance holding company based in Cedar Rapids, Iowa. He held various management and executive positions before becoming Life Investors' Executive Vice-President and Chief Operating Officer in 1985. In 1989, when Life Investors was consolidated with AEGON's other US businesses, Mr. Shepard was appointed President and CEO of the newly created AEGON USA. In 1992, he became a member of AEGON's Executive Board and in April 2002 was appointed Chairman. In addition to his position at AEGON, Mr. Shepard also serves as a member of the boards of directors at CSX Corporation and PNC Financial Services Group.

JOSEPH B.M. STREPPEL
Chief Financial Officer
Member, Executive Board
(1949, Nationality: Dutch)

Jos Streppel started his career in 1973, occupying treasury and investment positions at one of AEGON's predecessor companies in the Netherlands. In 1986, he became the Chief Financial Officer of FGH Bank, joining the bank's Executive Board the following year. In 1991, Mr. Streppel was appointed Chairman and CEO of the merchant bank Labouchère. Four years later, he also became Chairman of FGH Bank. Mr. Streppel was named as AEGON's Chief Financial Officer in 1998. In 2000, he was appointed to the Group's Executive Board. In addition to his positions at AEGON, Mr. Streppel is a member of the Supervisory Boards of both Royal KPN N.V and Van Lanschot Bankiers N.V.

ALEXANDER R. WYNAENDTS
Chief Operating Officer
Member, Executive Board
(1960, Nationality: Dutch)

Alex Wynaendts began his career in 1984 with ABN Amro, working in Amsterdam and London in the Dutch bank's capital markets, asset management, corporate finance and private banking operations. In 1997, Mr. Wynaendts joined AEGON as Senior Vice-President for Group Business Development. Since 2003, he has been a member of AEGON's Executive Board, overseeing the Group's international growth strategy. In April 2007, Mr. Wynaendts was named AEGON's new Chief Operating Officer and in April 2008, Mr. Wynaendts will take over from Mr. Shepard as Chairman of AEGON's Executive Board.

FROM LEFT TO RIGHT

Patrick S. Baird
Otto Thoresen

PATRICK S. BAIRD
President and CEO of AEGON USA
(1954, Nationality: US citizen)

Pat Baird began his career at AEGON USA in 1976. He has served as Executive Vice-President and Chief Operating Officer, Chief Financial Officer and Director of Tax and was appointed to his current position in March 2002. Mr. Baird has been a member of AEGON's Management Board since the beginning of 2007. Mr. Baird is also a member of the board of directors at QCR Holdings in the United States.

OTTO THORESEN
CEO of AEGON UK
(1956, Nationality: British)

Otto Thoresen joined Scottish Equitable in 1978, where he qualified as an actuary and worked in a number of roles including marketing manager. He left Scottish Equitable in 1988 to take up various management and executive roles at UK insurers Abbey Life and Royal Insurance before returning to AEGON UK in 1994 as Development Director. In 2002, Mr. Thoresen was appointed Finance Director of AEGON UK before becoming the company's CEO three years later. Mr. Thoresen has been a member of AEGON's Management Board since the beginning of 2007.

AEGON MANAGEMENT BOARD
AEGON's Management Board was established at the beginning of 2007 to further strengthen the management of the Group's worldwide business activities. Working alongside the Executive Board, the Management Board oversees a broad range of issues that impact AEGON's international growth objectives. While the Executive Board remains AEGON's sole statutory executive body, the Management Board provides vital support and expertise in pursuit of the Group's strategic goals.

AEGON AND THE FINANCIAL COMMUNITY

As one of the world's largest financial services companies, AEGON has many trusted relationships within the global investment community. These relationships play an important role in helping AEGON manage its businesses effectively and profitably.

AEGON has shareholders and bondholders in countries around the world. AEGON's investor relations program seeks to provide the Group's investors with the clear, transparent, accurate and timely information they require to make sound investment decisions.

During 2007, AEGON made significant progress both in implementing its corporate strategy and in improving communication with shareholders and the broader financial community:

- AEGON returned a total of EUR 1.9 billion to shareholders through repurchases of 99.77 million shares and increased dividends;
- AEGON increased investment in its core businesses, strengthened its distribution networks and expanded its international presence;
- AEGON raised its 2010 value of new business target to EUR 1.25 billion;
- AEGON enhanced the transparency of its financial communications by launching a new measure of operating earnings and a new lines of business reporting format, as well as publishing a quarterly financial supplement and introducing new accounting rules in the Netherlands;
- AEGON introduced underlying earnings to provide additional information on the expected long-term performance of certain investment classes.

CLEAR, TRANSPARENT, ACCURATE AND TIMELY INFORMATION

AEGON is committed to ensuring that all shareholders, bondholders and other investors in the company have the information they need to make the right investment decisions.

The Group's new lines of business format for operating earnings more closely reflects the way AEGON's businesses are managed within the Group's country units.

As part of this format, the following lines of business were established:

- Life and protection
- Individual savings and retirement products
- Pensions and asset management
- Institutional products
- Reinsurance
- Distribution
- General insurance

In July, AEGON announced that it was changing the accounting principles the Group uses to value guarantees on certain products in the Netherlands. The change was aimed at increasing the transparency of AEGON's financial results and enhancing the ability of investors, analysts and other interested parties to assess the economic performance of the Group's Dutch businesses. Alongside this change, AEGON also began publication of 'underlying earnings', an additional measure of operating profit,

AEGON COMMON SHARES ARE INCLUDED IN A NUMBER OF THE MAJOR EQUITY MARKET INDICES, AMONGST OTHERS, IN THE FOLLOWING KEY INDICES:

AEX	MSCI Euro Index
FTSE Eurotop 100	S&P Euro Index
FTSE Eurotop 300	DJ Euro Stoxx 50
FTSE4Good Index	DJ Sustainability Index

LISTINGS

Amsterdam	:	Euronext Amsterdam
London	:	London Stock Exchange
New York	:	New York Stock Exchange
Tokyo	:	Tokyo Stock Exchange

designed effectively to exclude the impact of excess volatility on earnings from certain of the Group's fair-value financial investments.

In addition to its regular quarterly disclosures, AEGON believes that a balanced assessment of its underlying economic performance can be made using the financial measures the Group publishes regularly, in particular:

- Value of new business
- Embedded value

As part of efforts to improve financial disclosure, AEGON publishes details of its value of new business, along with its internal rate of return, each quarter. In addition, the Group also provides additional information on its country unit operations in its quarterly financial supplement.

As a measure of business performance, embedded value is an indicator in the insurance industry. AEGON supports and endorses the European Embedded Value Principles. These principles, introduced in 2004, provide a sound and responsible common method for calculating embedded value, enabling investors to compare the relative performance of Europe's leading insurance companies.

AEGON regularly calculates and publishes its embedded value life insurance, EVLI, as well as a figure for total embedded value. EVLI is also used internally for performance assessment and business planning. Like other insurance companies, AEGON focuses its embedded value calculations on life insurance because of the long-term nature of this business. Non-life business, which tends to be shorter term, is included in the Group's total embedded value calculation, published every year.

EQUAL ACCESS TO INFORMATION

AEGON strives to ensure equal access to all relevant financial and non-financial information. As such, the Group actively maintains contact with the financial community, largely through its Investor Relations staff in the Netherlands and the United States. AEGON regularly organizes investor road shows in the United States, Europe and Asia. The Group also issues regular press releases and hosts web-cast presentations to ensure all investors and shareholders are fully informed of the latest developments. Regulary, AEGON also organizes Analyst & Investor conferences.

In addition, AEGON encourages shareholders, bondholders and other potential investors to learn more about the Group's businesses, its strategy for long-term growth and its expansion into new markets and emerging countries around the world.

SHAREHOLDING STRUCTURE

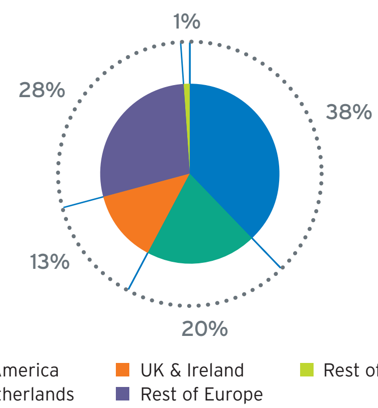
AEGON has an international shareholder base, a reflection of the international spread of the Group's businesses. Approximately 86% of AEGON's common shares are held by institutional investors (including Vereniging AEGON), with the remaining 14% in the hands of retail shareholders. Based on information publicly available as of December 31, 2007, only one shareholder holds more than 5% of the Group's outstanding shares: Vereniging AEGON, an association set up to safeguard the long-term interests of all AEGON stakeholders (for further information on Vereniging AEGON, please refer to page 215 of this Annual Report). To AEGON's knowledge there are no other parties holding a capital/voting interest in AEGON N.V. in excess of the thresholds established under Dutch securities law.

A STRONG CAPITAL BASE

AEGON's common shares are listed on four stock exchanges: Amsterdam, London, New York and Tokyo. These listings give AEGON access to global capital markets, a vital part of the Group's overall corporate and financial management strategies.

In addition, AEGON is active on world debt markets, using its strong credit ratings to issue debt instruments in various currencies. These issues are part of broader efforts aimed at strengthening the Group's capital base and reducing its overall funding costs.

SHAREHOLDER BASE
Estimated



In 2007, AEGON completed a number of transactions designed to ensure more efficient management of the Group's capital and reserve requirements.

- In January, AEGON announced a 30-year, USD 1.54 billion AXXX financing transaction with HSBC Bank USA;
- Also in January, AEGON UK completed a private value-inforce securitization, adding approximately GBP 90 million to the Group's total core capital;
- In May, AEGON closed an offering of USD 550 million worth of 30-year securities on behalf of its wholly owned US subsidiary LIICA Holdings LLC;
- In September, AEGON issued a USD 1.05 billion issuance of a 7.25% perpetual capital security.

SHARE REPURCHASES

Due to its strong capital position, AEGON was able to initiate a share repurchase program in August 2007, as part of the Group's capital management strategy. By mid-November, AEGON had completed this program, repurchasing a total of 74.6 million common shares for a total consideration of EUR 1 billion. In addition, AEGON repurchased 25.2 million shares as part of the Group's policy of repurchasing stock dividends distributed during the year to neutralize their dilution effect. Another 8 million common shares were repurchased in order to hedge granted option rights. A resolution proposing these shares to be cancelled will be presented to the Annual General Meeting (AGM) on April 23, 2008. In 2007, AEGON's AGM approved the cancellation of 11.6 million shares bought in 2006 as part of repurchased stock dividend.

DIVIDEND POLICY

AEGON recognizes the importance of a clear, stable and coherent dividend policy, supported by the Group's strong cash flows and capital position.

AEGON's total dividend for the year is composed of two parts:

- An interim dividend, announced at the same time as the Group publishes its second quarter results in August;
- A final dividend, proposed at the same time as the Group publishes its fourth quarter results in March and voted on at the Annual General Meeting, usually in April.

Payment of the interim and final dividend is made either in cash or stock. Stock dividends are generally paid from AEGON's paid-in surplus fund, tax free in the Netherlands, or, from the Group's net income. If necessary, AEGON management may alter the relative attractiveness of a cash versus a stock dividend.

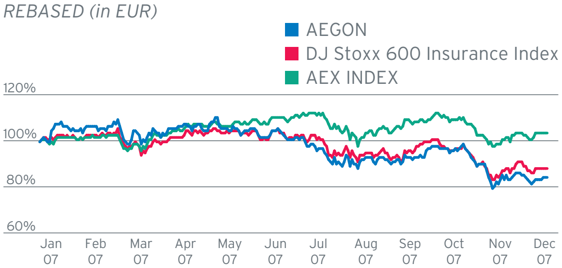
For dividend payments in shares, AEGON uses a stock fraction, based on the average share price over a period of five trading days. There is no trading in dividend rights on either the Amsterdam or any other stock exchange. In 2007, AEGON declared an interim dividend of EUR 0.30 per common share.

Shareholders who elected to receive their interim dividend in AEGON shares were entitled to one new common share for every 47 common shares they already held. The value of the stock dividend was 5.6% lower than the cash dividend. The final dividend for the year, as proposed to the General Meeting of Shareholders, will be EUR 0.32 per common share. In total, AEGON's 2007 dividend of EUR 0.62 per share represents an increase of 13% compared with the previous year.

AEGON's objective is to continue increasing dividend payments to shareholders, subject to the development of the Group's cash flows and capital position.

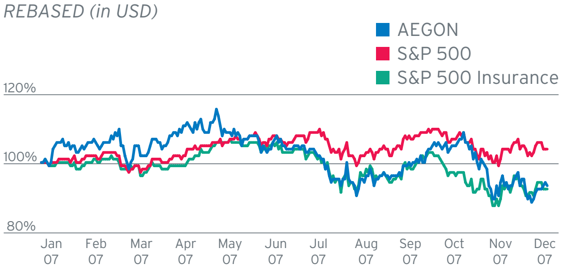
AEGON SHARE PRICE DEVELOPMENT VERSUS INDICES

REBASED (in EUR)



AEGON SHARE PRICE DEVELOPMENT VERSUS INDICES

REBASED (in USD)



SHARE PRICE DEVELOPMENTS

In 2007, AEGON's share price fell by 16.3%, from EUR 14.44 on December 31, 2006, to EUR 12.09 on December 31, 2007. Including the dividends paid during 2007, the total return for holders of AEGON common shares amounted to minus 12.7%, down from plus 8.7% in 2006. This compares[1] with total returns for the DJ Stoxx 600 Insurance Index, a leading industry benchmark, of minus 9% in 2007 (+20.7% in 2006). The total return on AEGON's New York-listed shares came to minus 3.5% in 2007, down from plus 20% the previous year. This compares with shareholder returns from the S&P 500 Insurance Index of minus 6.3% (+10.9% in 2006).

INVESTOR RELATIONS AEGON N.V.

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Toll free: + 1 877 548 9668 (US only)
E-mail: ir@aegon.com

Share price information

In EUR	2007	2006	2005	2004	2003
Price - high	16.06	15.56	14.25	12.98	13.47
Price - low	11.46	12.17	9.63	8.24	5.87
Price - year-end	12.09	14.44	13.75	10.03	11.73
Price/earnings ratio[2]	8.22	7.72	11.00	8.22	

Share price information

In USD	2007	2006	2005	2004	2003
Price - high	21.90	18.97	16.78	16.12	14.80
Price - low	16.75	15.24	12.19	10.41	6.76
Price - year-end	17.53	18.95	16.32	13.71	14.80

[1] Source: Bloomberg. Calculations assume reinvestment of AEGON's dividend payment in either the stock or the market.
[2] 2004 - 2006 based on adjusted data.

FINANCIAL CALENDAR

2008

MARCH

6 Full year 2007 results
25 Record date for attending/voting at the April 23 AGM
28 Annual Report 2007 available on corporate website

APRIL

23 Annual General Meeting
25 Ex-dividend date final dividend 2007
28 Start of the final dividend 2007 election period
29 Final dividend 2007 record date

MAY

7 First quarter 2008 results and Embedded Value Report 2007
16 End of final dividend 2007 election period
23 Final dividend 2007 payment date

JUNE

2-3 Analyst and Investor conference - London

AUGUST

7 Second quarter 2008 results
8 Ex-dividend date interim dividend 2008
8 Start of interim dividend 2008 election period
12 Interim dividend 2008 record date
29 End of interim dividend 2008 election period

SEPTEMBER

15 Interim dividend 2008 payment date

NOVEMBER

6 Third quarter 2008 results

2009

MARCH

12 Full year 2008 results

APRIL

24 Annual General Meeting

MAY

14 First quarter 2009 results and Embedded Value Report 2008

AUGUST

13 Second quarter 2009 results

NOVEMBER

12 Third quarter 2009 results

02 Chapter two
OUR STRATEGY

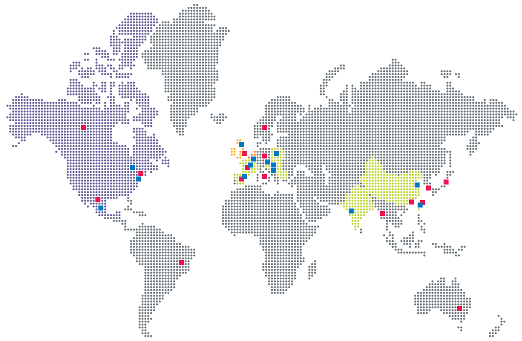
Seizing opportunities for growth around the world

STRATEGY IN ACTION

AEGON is one of the world's largest life insurance and pension companies and a leading provider of long-term savings and investment products.

Headquartered in The Hague, the Netherlands, AEGON has businesses in more than twenty countries worldwide, employing more than 30,000 people and serving approximately 40 million customers. AEGON's corporate structure places great importance on combining local knowledge and local expertise with the resources of an expanding global company.

AEGON was formed in 1983 – the result of a merger between two Dutch insurance companies, AGO and Ennia. But AEGON can trace its roots back to the mid-nineteenth century when the Group's predecessors provided modest burial funds to customers wishing to ensure a proper funeral for their loved ones. In the United States and the United Kingdom, the history of AEGON companies also stretches back more than 150 years.



Today, AEGON is a global company, with revenue-generating investments of over EUR 370 billion and major operations in the United States, the Netherlands and the United Kingdom, as well as other new, emerging markets in Asia, the Americas and Central and Eastern Europe.

AEGON'S STRATEGIC FRAMEWORK

AEGON has a focused strategy, aimed at creating long-term value for all its stakeholders – its employees, business partners, customers and shareholders, as well as the wider communities around the world in which the Group operates.

AEGON IS COMMITTED TO ITS CORE BUSINESSES

AEGON believes that by focusing on what it does best it can provide lasting value for customers and shareholders alike. AEGON remains focused on three core markets: life insurance, pensions and other long-term savings and investment products.

AEGON SERVES LOCAL NEEDS WITH GLOBAL RESOURCES

AEGON stresses the importance of combining local management and local decision-making with the expanding resources of one of the world's leading life insurance and pension companies.

AEGON PURSUES SUSTAINABLE, PROFITABLE GROWTH

AEGON believes its core markets will deliver significant growth in the years ahead. But AEGON wants that growth to be sustainable and profitable. AEGON's aim is to achieve long-term average earnings growth of 10% a year.

AEGON AIMS TO BE A MARKET LEADER

Whatever business it's in and wherever that business is located, AEGON strives always to be a market leader. This is essential to realize benefits of scale and to attract and retain talented managers and strong local business partners.

AEGON WANTS TO EXPAND INTO NEW, HIGH-GROWTH MARKETS

AEGON wants to strengthen its international presence by expanding into new markets that offer prospects for profitable, above-average, long-term growth. To achieve this, the Group seeks out opportunities both to grow existing businesses and to branch out into new areas through carefully selected acquisitions and partnerships.

GROWING OUR VALUE

AEGON believes its core markets offer significant prospects for growth in the years ahead. In many parts of the world, people are living longer, healthier lives. Workforces available to fund pension systems are shrinking and governments, particularly those in Europe, are shifting more responsibility for funding retirement to the private sector. In Europe, it is estimated that by 2050 the working-age population will have declined by 20%. At the same time, the population of over-65's will have risen by a staggering 80%. In the United States, average life expectancy for men and women, according to the US Center for Health Statistics, has increased from 50 at the turn of the twentieth century to almost 78 today.

These changes are driving increased demand for life insurance, pensions and other long-term savings and investment products. But longer life expectancy rates also mean many people are having to manage their pension assets for longer periods than in the past. In the more mature markets of western Europe, North America and Japan, this is leading to a fundamental shift away from simply saving for retirement to managing those savings for an increasingly costly old age. Moreover, in the next few years, millions of 'baby boomers' around the world will enter retirement, releasing billions of euros in accumulated pension assets and savings. In Japan, for example, an estimated JPY 50 trillion – approximately EUR 320 billion – will be released from long-term savings over the next three years as around 8 million people enter retirement.

Prospects for strong, sustainable growth are not confined to AEGON's established markets. In places such as China, India and Central and Eastern Europe, recent economic growth, rising levels of personal wealth and the emergence of new, ambitious middle classes are also expected to fuel demand over the coming years.

To capitalize on these opportunities, AEGON has built up a considerable international presence. Aside from its three largest markets – the United States, the Netherlands and the United Kingdom – AEGON today has businesses in five countries in Central and Eastern Europe, has recently signed partnerships in India and Japan and, through its joint venture with China National Offshore Oil Corporation (CNOOC), has representative offices in provinces in China covering some 200 million people.

AMBITIOUS GROWTH TARGET

In November 2007, AEGON raised its value of new business (VNB) target for 2010, a reflection of the confidence the Group has in the growth potential of its core businesses. AEGON wants to increase its value of new business by 2010 to EUR 1.25 billion, up from its 2005 level of EUR 550 million. In 2007, VNB rose 20% to a record EUR 927 million, AEGON's fourth consecutive year of VNB growth.

AEGON VNB target

In millions	Currency	VNB 2005	Previous target 2010 [1]	New target 2010	New vs old % change
AEGON Group	EUR	550	1,100	1,250	+14%
Americas	USD	340	625	730	+17%
The Netherlands	EUR	39	82	82	No change
United Kingdom	GBP	67	158	213	+35%
Asia	EUR	83	98	105	+7%
Central and Eastern Europe	EUR	27	74	100	+35%
Other European countries	EUR	30	111	147	+32%

[1] Originally published in November 2006.

HOW AEGON MET ITS STRATEGIC GOALS IN 2007

AEGON expanded its international presence by investing in markets that offer above-average growth.

Over the past several years, AEGON has expanded its international presence significantly, pushing out into new, high-growth emerging markets such as China, Mexico, India and the countries of Central and Eastern Europe. Today, AEGON is present in more than twenty markets in the Americas, Europe and Asia.

AEGON EXTENDS POLISH PENSION BUSINESS

In 2007, AEGON further strengthened its Polish pension business. In April, the Group completed its acquisition of pension fund PTE Ergo Hestia, later announcing a separate agreement to merge PTE Ergo Hestia with fellow pension fund manager PTE Skarbiec Emerytura. Together, the two companies will rank as the fifth largest pension fund manager in Poland, with more than 800,000 members and some EUR 1.7 billion in assets under management.

AEGON CONTINUES CHINA EXPANSION

In May, AEGON announced a joint venture with Industrial Securities, one of China's leading financial securities firms. Under the agreement, AEGON is acquiring a 49% stake in Industrial Securities' subsidiary, Industrial Fund Management Company. The new partnership gives AEGON an entry into the rapidly growing Chinese asset management market.

AEGON-CNOOC secured an operating license for Zhejiang province in eastern China. The license means that AEGON-CNOOC is now present in nine different locations in the country with a potential market of more than 200 million people.

AEGON STARTS ROMANIAN PENSION FUND

In August, authorities gave the go-ahead for BT AEGON's new pension fund in Romania. BT AEGON – a joint venture between AEGON and Banca Transilvania, the country's fourth largest commercial bank – is launching the new fund as Romania prepares to introduce new mandatory, privately run pension plans at the beginning of 2008.

AEGON strengthened its cooperation with the world's banks to ensure its products reach as many customers as possible.

For AEGON, banks are an extremely important means of distribution. In some countries, indeed, they are the Group's leading sales channel. AEGON has been working for many decades with banks in the United States and elsewhere, but the past few years have seen the Group extend its network of bank distribution agreements in countries such as Spain, Taiwan, China and Central and Eastern Europe.

AEGON BUYS US DISTRIBUTOR CLARK INC.

In February, AEGON increased its tender offer price for Clark Inc., a distributor of bank-owned and corporate-owned life insurance in the United States. The acquisition was completed three weeks later, further strengthening AEGON's commercial reach in the United States.

AEGON FORMS PARTNERSHIP WITH BARCLAYS

In May, AEGON formed a new partnership with Barclays Bank, one of the United Kingdom's leading high street banks. The Group's most significant bank distribution agreement in the United Kingdom to date, the partnership sees AEGON products made available to Barclays customers through the bank's network of over 900 financial planners across the country.

AEGON AGREES TAIWAN JOINT VENTURE

In June, AEGON announced a life insurance and pension distribution joint venture in Taiwan, with Taishin Financial Holdings, one of the country's largest financial services companies. The agreement is a boost for AEGON's businesses in the region: Taishin has more than four million customers and some 300 outlets across Taiwan. As part of the joint venture, AEGON also acquired a 2.5% interest in Taishin's Chang Hwa Bank, the country's eighth largest retail bank.

AEGON EXTENDS SPANISH BANK NETWORK

In July, AEGON unveiled its fourth bank distribution agreement in Spain, with Caja Cantabria, a regional savings bank in the north of the country. Together, AEGON and Caja Cantabria will sell life insurance and pensions through the Spanish bank's network of some 170 branches, serving more than 500,000 customers. With this latest agreement, AEGON will have access to some 1,800 bank branches across Spain and more than 3.5 million potential customers.

AEGON capitalized on new opportunities opening up in life insurance, pensions and long-term investment products.

AEGON believes that its core products – life insurance, pensions and long-term savings and investment products – offer significant potential for growth in the years ahead. AEGON has sought to further broaden its range of products and services and strengthen its presence in strategic markets, such as pensions and variable annuities. Four years after it was first set up, AEGON Global Pensions, the Group's international pension unit, now serves customers throughout the Americas, Europe and Asia.

AEGON AND SONY LIFE TEAM UP IN JAPAN

In January, AEGON formed a partnership with Sony Life, one of Japan's leading life insurers. The partnership gives AEGON a presence in the world's second largest life insurance market. Together, AEGON and Sony Life will focus initially on the rapidly growing variable annuities market, but the new joint venture will also provide a platform in the future for closer cooperation in other areas.

AEGON BUYS DUTCH LIFE INSURER OPTAS

In March, AEGON bought Dutch life insurer OPTAS. The acquisition further strengthened AEGON's group pension business in the Netherlands, where AEGON became the number one player. OPTAS has a total of 60,000 policyholders, most of them working in Rotterdam, one of Europe's busiest ports.

AEGON SIGNS NEW MERRILL LYNCH PARTNERSHIP

In August, AEGON entered a strategic business relationship with US investment bank Merrill Lynch. Under the agreement, AEGON acquired Merrill Lynch's two US life insurance companies. In addition, Transamerica, AEGON's US subsidiary, will have access to Merrill Lynch's distribution network for variable annuities. In 2007, Merrill Lynch, the United States' largest wirehouse, sold more than USD 800 million in variable annuities.

AEGON returned a total of EUR 1.9 billion to shareholders as part of an efficient capital management strategy.

In August 2007, AEGON announced it would repurchase EUR 1 billion worth of its own shares. The repurchase, part of the Group's overall capital management strategy, was aimed at improving returns for its shareholders. By the end of 2007, AEGON had repurchased a total of 99.8 million of its own shares, including 25.2 million bought as part of the Group's policy of repurchasing stock dividends distributed during the year. Another 8 million common shares were repurchased in order to hedge granted option rights.

In addition, AEGON also increased its 2007 dividend by 13% to EUR 0.62 per share. AEGON had already increased its 2006 dividend to EUR 0.55 per share, up from EUR 0.45 the year before.

Alexander R. Wynaendts

CHIEF OPERATING OFFICER AND MEMBER EXECUTIVE BOARD

"Expansion is the culmination of months, sometimes years of hard work and preparation."

Over the past several years, Chief Operating Officer and Executive Board member Alex Wynaendts has been instrumental in helping further strengthen AEGON's operations, spearheading the Group's international growth strategy and leading efforts to bring about greater and more effective integration of its worldwide insurance, pension and bank distribution businesses.

"The past few years we've achieved very rapid growth. We've expanded our businesses in Central and Eastern Europe; we've signed new partnerships in India and Japan, further strengthened our presence in China, and extended our commercial reach in places such as Spain, the Netherlands, the United States and the United Kingdom.

This expansion is the culmination of months, sometimes years of hard work and preparation. We believe our core markets will continue to grow in the years ahead. We want to capitalize on these growth opportunities, making sure we're in the right markets and making sure, too, that our businesses – our insurance, pension and bank distribution businesses – work together as efficiently and effectively as possible.

NEW OPPORTUNITIES

"We believe the prospects for our more established markets are very positive. But there are other opportunities as well opening up in the new, emerging economies of Asia and Central and Eastern Europe. In China, with the addition of Zhejiang last year, we now have offices in provinces that cover more than 200 million people. In Central and Eastern Europe, we now have businesses in five countries: Hungary, Poland, the Czech Republic, Slovakia and, most recently, Romania. In India, we are launching new life insurance and asset management businesses with our partner, the Ranbaxy Promoter Group.

LASTING VALUES

"For AEGON, however, there's no such thing as growth for growth's sake. Of course, we want to grow. But if we are to create lasting value for our shareholders and our customers, this growth has to be profitable and sustainable over the long term. From this viewpoint, our recent performance has been excellent. Our value of new business – the best measure we have of future profitability – has risen in each of the past four years. In 2007, our VNB rose 20% to a record EUR 927 million, putting us firmly on track to meet our upgraded 2010 target.

BETTER FINANCIAL FUTURES

"Moreover, strong earnings growth has enabled us, in the past few months, to return more than EUR 1.9 billion in surplus capital to our shareholders by increasing our dividend payments and by repurchasing approximately 100 million of our own shares.

Naturally, we are ambitious for our businesses. We know we can go much further. In the years ahead, we want to expand into new markets where we believe AEGON's expertise, its knowledge of international markets and local situations and its product innovation can make a real difference and help people build better financial futures for themselves and their families."

AEGON GLOBAL PENSIONS

AEGON recognized some time ago that as companies become more international so do their pension requirements. First set up in 2005 as AEGON Pension Network, AEGON Global Pensions is one of the few pension providers worldwide dedicated to helping multinational companies improve management of their international retirement and employee benefit plans. AEGON Global Pensions now serves customers in Europe, the Americas and Asia, helping them make the most of an increasingly global business environment.

"What strikes you first is the sheer scale. In India, you need 'feet on the street'. That's the big thing here."

JOHN MUNGALL, HEAD OF AEGON UK'S PROJECT TEAM FOR INDIA

At the end of 2006, AEGON signed a new partnership in India with the Ranbaxy Promoter Group. Together, the two companies are setting up joint ventures in life insurance and asset management. For AEGON, the Indian market offers exciting prospects: a young, growing population and a new economic vibrancy that is driving demand for life insurance and other long-term savings and investment products. John Mungall, head of AEGON UK's project team for India, talks about the opportunities opening up for AEGON and some of the challenges facing the Group as it expands its presence in one of the world's fastest-developing economies.

"One of the first things that strikes you when you first come here is the sheer scale. India is a huge market, not necessarily in terms of dollars or euros perhaps, but in terms of the potential demand and the number of policies we're writing. You can't really call yourself a player unless you've got a hundred branches. A lot of the work we've been doing has been focused on putting a solid distribution network in place. Since we announced we were going into India, we've been hiring like crazy. I think we've done more hiring here in the past few months than we would do in ten years in Edinburgh. We're putting in place a 'hub and spoke' model – a strong central office, running various agencies, which might be nothing more than the room in someone's house. We want to reach not only the cities but also the rural areas where there are also pockets of wealth. 'Feet on the street' is a big thing here – having the salesmen in the right places across the country selling your products for you. Consumers in India are just like those anywhere else in this respect. They want to see the whites of your eyes before making a major financial commitment.

The prospects for the Indian market are tremendous. The thing you have to bear in mind is that India has a very young population, more so than in China, for example. That means there's a huge supply of labor feeding economic growth. In recent years, the Indian economy has been expanding at a rate of more than 8%. With that growth you're getting the emergence of a new middle class and more nuclear families, rather than the traditional, extended families. Increasingly, the attitude now is that people have to do more than in past to look after themselves. So, people have more to save and they have more reason to save.

There are ten of us in all from AEGON UK working in India, plus another two from the Netherlands. We do six weeks in the country, then ten days back at home. What we've been doing is putting the whole chain in place from the products, to the sales, to the back office. We want our legacy in India to be one of quality. We want all the right processes and controls in place, so we know where every rupee belongs, where it comes from and where it's going. So, eventually, when we hand over to new management, we will have laid down a foundation for an effective, well-run business.

This is an essential part of AEGON's strategy for international expansion – taking the expertise we have in one place and applying it to another. While AEGON UK is working in India, our colleagues from AEGON USA have been working to get our new partnership with Sony Life in Japan off the ground."

OBJECTIVES FOR 2010

AEGON has set itself very clear targets for 2010 with regard to both its financial performance and its strategic objectives.

FINANCIAL AND STRATEGIC OBJECTIVES	OBJECTIVES 2010	PERFORMANCE 2007
Group	Increase value of new business to EUR 1.25 billion from its 2005 level of EUR 550 million.	Value of new business +20% at EUR 927 million.
AEGON Americas	Increase value of new business to USD 730 million.	Value of new business USD 581 million.
AEGON The Netherlands	Double value of new business to EUR 82 million.	Value of new business EUR 51 million.
	Grow life production by between 8% and 10% a year.	New life sales +5%.
AEGON UK	Increase value of new business to GBP 213 million.	Value of new business GBP 157 million.
	Increase new business margins to 22%.	Business margins 20.5%.
	Achieve a market share of 10%.	Market share 7.9% (Q3 2007)
AEGON Other countries	Minimum 30%-35% share of overall value of new business.	'Other countries' accounted for 24% of overall value of new business.
Central and Eastern Europe	Increase value of new business to EUR 100 million.	Value of new business EUR 72 million.
Other European countries	Increase value of new business from Spain and France to EUR 147 million.	Value of new business EUR 71 million.

OTHER STRATEGIC OBJECTIVES

- AEGON will continue to invest in core products to capitalize on opportunities opening up in the life insurance, pensions and long-terms savings and investment markets;
- AEGON will seek ways of strengthening and expanding its distribution network, particularly through the world's banks;
- AEGON will seek opportunities to expand its international presence by investing in markets that offer above-average long-term growth;
- AEGON's main objective will be to grow its businesses organically, but it will pursue a selective acquisition policy aimed at strengthening the Group's position in certain key markets, such as Ukraine, Turkey, Germany and South Korea.

03 Chapter three
OUR BUSINESSES

Maintaining trust; building partnerships

Joseph B.M. Streppel

CHIEF FINANCIAL OFFICER
AND MEMBER EXECUTIVE BOARD

"AEGON delivered another very solid performance in 2007 despite difficult conditions in world markets and a weaker US dollar. Our continued strong financial position is testimony to the Group's effective risk and capital management during the year."

"Thanks to better-than-expected performances from our businesses in the Americas, Europa and Asia, AEGON also reported a fourth straight year of value of new business growth in 2007, putting the Group firmly on track to meet its target for 2010."

OVERVIEW

AEGON's businesses delivered a solid performance in 2007, as demonstrated by increased sales, deposits and a further growth in underlying earnings. In addition, AEGON continues to maintain its strong financial position. Despite turbulence in world financial markets, AEGON experienced no material impairments to its investment portfolio during the year. AEGON's subprime portfolio, valued at EUR 2.9 billion, continues to be very high quality, with more than 99% rated either AAA or AA.

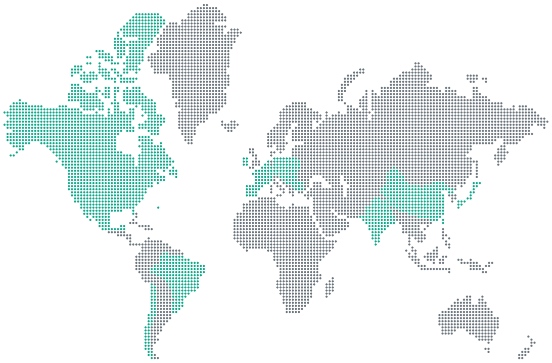
AEGON's net operating earnings and net underlying earnings declined as a result of a weaker US dollar and the impact of significant one-time tax benefits which had lifted earnings for 2006. Underlying earnings before tax increased 9% in 2007, a reflection of solid growth across AEGON's business and country units. Net income was down 20%, mainly due to the impact of exceptional gains in the Netherlands in 2006. During the year, revenue generating investments grew by 2% (or 11% at constant currency exchange rates), reflecting a continued overall expansion of the Group's businesses.

Net operating earnings geographically	2007	2006	2006	%
In EUR million		adjusted [1]	pro forma [2]	to pro forma
Americas	1,533	1,574	1,574	(3)
The Netherlands	283	868	437	(35)
United Kingdom	275	206	206	33
Other countries	60	20	20	–
Holding and other activities	(104)	(98)	(98)	6
NET OPERATING EARNINGS	2,047	2,570	2,139	(4)

[1] 2006 information has been adjusted to reflect the retrospective application of the change in accounting principles relating to guarantees in the Netherlands, the change in definition of operating earnings to include AEGON's share in the net results of associates and a new line of business format. Refer to note 2 in the financial statements for more information.

[2] For purposes of comparison, AEGON has provided pro forma operating earnings for 2006. These pro forma figures assume that hedges and guarantees had no effect on operating earnings in 2006. The pro forma figures exclude the effect of any movements in the fair value of guarantees as would have been the case had AEGON The Netherlands' hedge program been in place.

The terms adjusted and pro forma are being used throughout this chapter.



AEGON HAS BUSINESSES IN MORE THAN 20 COUNTRIES AROUND THE WORLD

Earnings overview	2007	2006	%	2006	%
In EUR million		adjusted	to adjusted	pro forma	to pro forma
By product segment					
Life and protection	1,332	1,284	4	1,159	15
Individual savings and retirement	524	630	(17)	630	(17)
Pensions and asset management	458	1,024	(55)	501	(9)
Institutional products	339	383	(11)	383	(11)
Reinsurance	135	163	(17)	163	(17)
Distribution	6	12	(50)	12	(50)
General insurance	47	55	(15)	55	(15)
Interest charges and other	(185)	(242)	24	(242)	24
Share in net results of associates	36	32	13	32	13
Operating earnings before tax	**2,692**	**3,341**	**(19)**	**2,693**	**(0)**
Gains/(losses) on investments [1]	421	569	(26)		
Impairment charges [1]	(76)	(25)			
Other non-operating income/(charges) [1]	40	86	(53)		
Income before tax	**3,077**	**3,971**	**(23)**		
Income tax	(526)	(802)	(34)		
NET INCOME [2]	**2,551**	**3,169**	**(20)**		
NET OPERATING EARNINGS	**2,047**	**2,570**	**(20)**	**2,139**	**(4)**
REVENUE GENERATING INVESTMENTS	**370,941**	**362,651**	**2**		

[1] Together non-operating earnings before tax.
[2] Net income attributable to equity holders of AEGON N.V.

The completion of a EUR 1 billion share repurchase plan in November 2007 and a proposed 13% increase in the Group's full year dividend are further evidence of AEGON's continued strong cash flows and solid capital position. AEGON continues to have sufficient capital to support the organic growth of its businesses while at the same time pursuing acquisition opportunities consistent with the Group's disciplined approach to pricing.

During the year, AEGON took steps to further strengthen its distribution network, agreeing new partnerships with Barclays Bank in the United Kingdom, Taishin in Taiwan, Industrial Securities in China and the regional savings bank Caja Cantabria in Spain. In addition, AEGON's new partnership with Merrill Lynch in the United States will further enhance the Group's position as a leading provider of life insurance and variable annuity products to US brokers.

INVESTMENT PORTFOLIO AEGON USA

AEGON has a culture of strong and effective risk management. There are robust processes and controls in place throughout the Group's asset management organization. Credit risks are mainly concentrated in AEGON USA's general account portfolio. Over the last few years, AEGON has repositioned investments for its general account insurance portfolio, structuring them defensively in order to weather a stressed credit environment. The relative low level of impairments in the fourth quarter of 2007 demonstrates the high quality of AEGON's investment portfolio and the limited impact the current stressed credit environment is having on expected cash flows from AEGON's fixed income assets.

Net impairments on investments for the Americas amounted to EUR 48 million. The current dislocation of credit markets, however, is characterized by price and/or spread volatility, low liquidity and, for certain segments of the market, may result in changes to credit ratings. Most assets contained in AEGON's general account portfolio are accounted for as 'Available for Sale' under IFRS, and thus are held at fair value on the balance sheet. Any changes to the fair value of these assets are recorded on an after tax-basis in shareholders' equity.

AEGON USA's subprime mortgage-backed securities (subprime ABS) portfolio of EUR 2.9 billion experienced no impairments. The portfolio is currently valued at approximately 88%, or a fair value of EUR 2.5 billion. Total negative pre-tax revaluations on this portfolio amounted to EUR 348 million in 2007. The pricing of certain parts of this portfolio, such as AA-rated floating rate 2006 and 2007 securities, reflects developments in the subprime ABS indices (ABX). AEGON's subprime ABS portfolio consists of 70% AAA-rated securities and 29% AA-rated securities. AEGON does not originate subprime mortgages.

AEGON USA's residential mortgage-backed securities (RMBS) portfolio includes securities of near prime residential mortgage loans, such as so-called Alt-A and negative amortization floaters. AEGON's EUR 862 million in Alt-A holdings are backed by fixed-rate loans. Ninety-nine percent of these securities are rated AAA. At the end of 2007 the Group's Alt-A portfolio had total negative pre-tax revaluations of EUR 18 million, bringing the fair value of this portfolio to EUR 844 million, or approximately 98%. The negative amortization, or Option ARM floaters, are collateralized by affordability-type loan structures that allow for flexible monthly repayments. This EUR 1.6 billion portfolio is entirely AAA-rated and consists of super-senior AAA exposure. This means that subordination levels in the securitizations are four to five times what is typically required by rating agencies for a AAA rating. Total negative pre-tax revaluation of this portfolio amounted to EUR 73 million bringing the fair value on the portfolio to EUR 1.5 billion, or approximately 95%.

DIVIDEND PER SHARE

Amounts in EUR

NET OPERATING EARNINGS PER SHARE

Amounts in EUR

AEGON's collateralized debt obligations (CDO) portfolio totals EUR 1.0 billion. Total negative pre-tax revaluations on AEGON's CDO portfolio amounted to EUR 48 million at the end of 2007, with a fair value of approximately 95%. The majority of these investments is backed by leveraged bank loans, of which 92% was rated AAA or AA at the end of 2007. The portfolio includes an investment of EUR 21 million in CDOs backed by subprime mortgages assets purchased before 2002. At the end of 2007, total negative pre-tax revaluations on subprime ABS, Alt-A RMBS, negative amortization floaters and CDOs totaled EUR 487 million, bringing the fair value of the portfolio to approximately 92%.

For a fee, AEGON USA takes on credit exposure on a credit index, i.e. super-senior tranches of the CDX index, via a synthetic collateralized debt obligation program (synthetic CDO). This index is composed of a reference portfolio of 125 investment grade corporate credits. Eighty-four percent of the exposure is to the most senior of the super-senior tranches, i.e. the 30%-100% tranche. This means that losses to AEGON occur only if cumulative net losses on the CDX index exceed 30%, where cumulative net loss is defined as bond defaults net of recoveries. The average duration of the outstanding transactions is 4.7 years. AEGON considers the probability of losses at these levels to be extremely remote and hence does not expect any cash losses to occur from these synthetic CDO positions. As these derivatives are marked to market through earnings, they may however cause substantial operating earnings volatility prior to maturity due to movements in credit spreads, but will not affect underlying earnings. Assuming there are no cash losses from these positions, any mark to market effect on operating earnings will be reversed by maturity. At December 31, 2007, the notional amount of this program was EUR 4.5 billion with a negative market value of EUR 30 million.

RESULTS

AEGON's operating earnings before tax amounted to EUR 2,692 million in 2007, virtually unchanged from pro forma operating earnings before tax of EUR 2,693 million for the previous year (constant currency figures show a 6% increase). Lower operating earnings from the Americas and the Netherlands in 2007 offset increases in the United Kingdom and from 'Other countries'. AEGON Americas saw its operating earnings before tax fall 3% to EUR 2,102 million (or increase of 5% at constant currency rates).

Operating earnings can be significantly affected by movements in the value of financial assets carried at fair value, as well as total return annuity products and segregated fund guarantees. Earnings from these items in AEGON Americas exceeded expected returns by EUR 110 million in 2007, less than half the EUR 243 million seen in 2006. The decrease in operating earnings from AEGON The Netherlands was primarily due to movements in fair value items. AEGON UK's operating earnings before tax rose as a result of a growth in profits from annuity products and increases in fund-related fees on pension business. The rise in operating earnings from 'Other countries' mainly reflected continued growth in AEGON's businesses in both Central and Eastern Europe and Asia.

AEGON's net operating earnings declined to EUR 2,047 million in 2007, down from a pro forma figure of EUR 2,139 million the previous year, due mainly to an increase in the Group's effective tax rate. In addition, net operating earnings in 2006 included significant one-off gains relating to tax payments in the Netherlands.

In 2007, AEGON's effective tax rate on operating earnings rose to 24%, up from 21% in 2006. The Group's effective tax rate was higher in the Netherlands and Other countries (primarily as a result of an increase in Taiwan), while it decreased in both the Americas and the United Kingdom.

Gains/(losses) on investments and impairment charges, totaled EUR 345 million in 2007, down from EUR 544 million the previous year. This decline was primarily the result of a decrease in the fair value of derivatives used to hedge guarantee provisions in the Netherlands, partly offset by a rise in net gains from the sale of bonds and shares in the Americas and the Netherlands.

Other non-operating income/(charges) amounted to EUR 40 million in 2007, compared with EUR 86 million in 2006. In 2007, this figure included a one-time gain related to the acquisition of the Dutch life insurer OPTAS as well as the negative effect of a decision to refine the method for calculating unit-linked guarantees. As part of its acquisition of OPTAS, completed during the second quarter of 2007, AEGON gained net assets amounting to EUR 1.7 billion. This was higher than the original acquisition price of EUR 1.5 billion, resulting in a one-off gain for the Group of EUR 212 million.

At the beginning of the second quarter of 2007, AEGON refined the method it uses to calculate the fair value of guarantees included in its unit-linked products to align them with existing group pension contracts and traditional products. The impact of this change on net income before tax (recognized in the second quarter of 2007) was a negative EUR 181 million.

AEGON's net income decreased by 20% in 2007 to EUR 2,551 million as a result primarily of lower gains from investments and hedging operations. The Group's effective tax rate declined to 17% in 2007, down from 20% the previous year. Net income per share is EUR 1.47, down from EUR 1.87.

Commissions and expenses, fell 2% to EUR 5,939 million (an increase of 3% at constant currency exchange rates), reflecting a change in AEGON's overall business mix and lower DPAC amortization, offset partly by the underlying growth in the Group's businesses.

At the end of December 2007, total revenue generating investments stood at EUR 371 billion, up from EUR 363 billion twelve months previously. On a constant currency basis, the increase was 11%, reflecting net growth in AEGON's in-force portfolio (both deposits and premium business), improved market performance and the inclusion for the first time of OPTAS and two former Merrill Lynch life insurance companies in the United States, acquired in 2007.

SALES

AEGON's overall new life sales increased 7% in 2007 to EUR 3,274 million (an increase of 11% at constant currency rates).

In the Americas, new life sales rose 2% to USD 1,276 million. Figures for 2006 had been lifted by USD 56 million from sales of investor-owned life insurance and a further USD 50 million from an assumed block of retail credit life insurance. In the course of 2006, sales of investor-owned life insurance were discontinued.

In the Netherlands, total new life sales increased by 5% in 2007, driven by a growth in pension sales, particularly via corporate and other financial institutions.

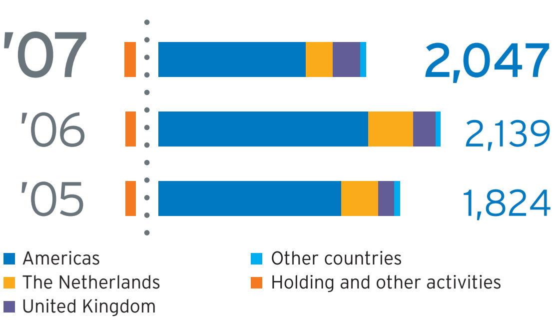
New life sales in the United Kingdom, rose 12% to GBP 1,183 million, following exceptionally strong sales in 2006 as a result of 'Pension A-Day'.

New life sales in 'Other countries' totaled EUR 353 million in 2007, an increase of 37% due mainly to continued strong growth in Central and Eastern Europe and higher sales of unit-linked products in Taiwan.

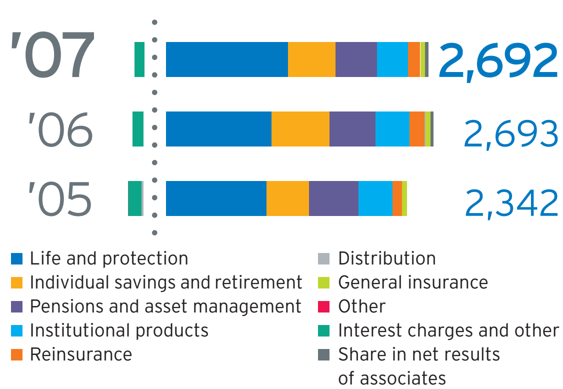
Deposits rose 14% in 2007. In the Americas, deposits from the Group's pension business were 28% higher than in 2006, while deposits from both fixed and variable annuities and mutual funds increased 8%. An overall increase in sales of institutional guaranteed products was driven by USD 6.6 billion in sales of synthetic CDOs, a new product in 2007.

In Central and Eastern Europe, deposits of pensions and asset management products, as well as retail mutual funds, showed continued strong growth. In the United Kingdom, sales of both retail and institutional asset management products increased, as did savings deposits in the Netherlands.

NET OPERATING EARNINGS - Pro forma '05 and '06
Amounts in EUR million



OPERATING EARNINGS BEFORE TAX BY LINES OF BUSINESS - Pro forma '05 and '06
Amounts in EUR million



Revenues geographically 2007 In EUR million (except for number of employees)	Americas	The Netherlands	United Kingdom	Other countries	Holdings, other activities and eliminations	Total
Total life insurance gross premiums	7,955	3,175	10,811	2,269	0	24,210
Accident and health insurance premiums	1,848	203	0	71	0	2,122
General insurance premiums	0	432	0	136	0	568
Total gross premiums	9,803	3,810	10,811	2,476	0	26,900
Investment income	5,471	2,120	2,560	241	65	10,457
Fees and commission income	1,056	443	321	80	0	1,900
Other revenues	10	0	0	1	3	14
TOTAL REVENUES	16,340	6,373	13,692	2,798	68	39,271
Number of employees, including agent-employees	15,157	6,200	4,990	3,876	191	30,414

In EUR million	2007	2006	%
Commission and expenses	5,939	6,085	(2)
Of which operating expenses	3,237	3,057	6
New life sales			
Life	1,294	1,168	11
Saving products	1	7	(86)
Pensions	1,589	1,465	8
BOLI/COLI	151	160	(6)
Reinsurance	239	251	(5)
TOTAL LIFE PRODUCTION	3,274	3,051	7
New premium production accident and health	680	811	(16)
New premium production general insurance	58	56	4

The Group uses net operating earnings in its segment reporting as an important indicator of its financial performance. The reconciliation of this measure to the income before tax is shown below. AEGON believes that net operating earnings, together with the other information included in this report, provides a meaningful measure for the investing public to evaluate AEGON's business relative to the businesses of its peers.

In EUR million	2007	2006
Net operating earnings pro forma	n.a.	2,139
Full hedging assumption of guarantees before tax	n.a.	648
Income tax on full hedging assumption of guarantees	n.a.	(217)
Net operating earnings adjusted	2,047	2,570
Income tax on operating earnings	645	771
Operating earnings before tax	2,692	3,341
Gains/(losses) on investments	421	569
Impairment charges	(76)	(25)
Other income/(charges)	40	86
INCOME BEFORE TAX	3,077	3,971

Patrick S. Baird

PRESIDENT AND CEO
AEGON USA

"AEGON Americas is profitable and well-positioned to capitalize on new opportunities opening up, particularly in the pensions and retirement market in the United States."

"We retain a very strong focus on cost control, risk management and profitability. That – along with ensuring a wide range of both products and distribution channels – has been one of the secrets of our success in the past few years."

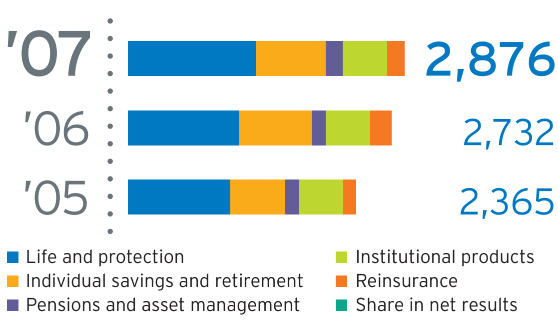
OPERATING EARNINGS BEFORE TAX

AEGON Americas reported operating earnings before tax of USD 2,876 million in 2007, an increase of 5% compared with the previous year, as a result of continued growth from most lines of business. Higher returns from hedge funds, as well as limited partnerships and convertible bond assets, also contributed significantly to the overall growth in earnings. There was, however, a decline in earnings from segregated funds in Canada and a significant decrease in the value of certain structured products.

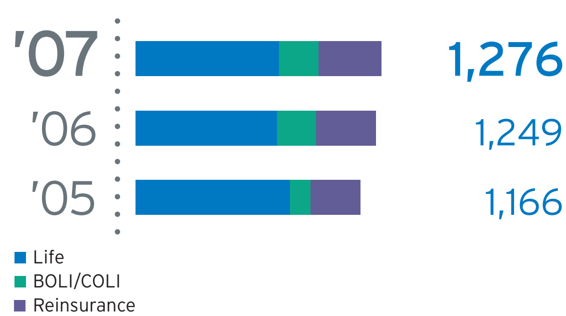
LIFE AND PROTECTION

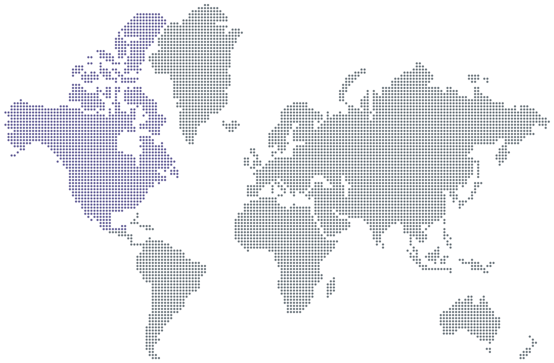
Operating earnings before tax from AEGON Americas' life and protection business rose 15% in 2007 to USD 1,326 million. This increase was due mainly to the continued growth of existing in-force business, an update of mortality assumptions and reserve adjustments in Canada. Assets held at fair value through profit or loss (hedge funds and limited partnerships) again exceeded long-term performance expectations, contributing USD 51 million, unchanged from 2006.

OPERATING EARNINGS BEFORE TAX
BY LINES OF BUSINESSES
Amounts in EUR million



NEW LIFE SALES
Amounts in USD million





AEGON SERVES SOME 28 MILLION POLICYHOLDERS ACROSS THE UNITED STATES AND CANADA

	2007	2006	%	2007	2006	%
Income by product segment	In USD million	adjusted	to adjusted	In EUR million	adjusted	to adjusted
Life and protection						
Life	883	741	19	645	589	10
Accident and health	443	417	6	324	331	(2)
Individual savings and retirement						
Fixed annuities	486	477	2	355	380	(7)
Variable annuities	205	266	(23)	150	213	(30)
Retail mutual funds	22	5		16	4	
Pensions and asset management	188	139	35	138	111	24
Institutional products						
Institutional guaranteed products	379	408	(7)	277	325	(15)
BOLI/COLI	85	74	15	62	58	7
Reinsurance	185	205	(10)	135	163	(17)
Operating earnings before tax	**2,876**	**2,732**	**5**	**2,102**	**2,174**	**(3)**
Gains/(losses) on investments	376	(28)		275	(22)	
Impairment charges	(65)	(15)		(48)	(12)	
Income before tax	**3,187**	**2,689**	**19**	**2,329**	**2,140**	**9**
Income tax	(1,003)	(738)	36	(733)	(587)	25
Minority interest	0	0		0	0	
NET INCOME	**2,184**	**1,951**	**12**	**1,596**	**1,553**	**3**
NET OPERATING EARNINGS	**2,098**	**1,978**	**6**	**1,533**	**1,574**	**(3)**
REVENUE GENERATING INVESTMENTS	**326,216**	**287,099**	**14**	**221,599**	**217,995**	**2**

INDIVIDUAL SAVINGS AND RETIREMENT

Operating earnings before tax from AEGON Americas' individual savings and retirement business declined by 5% in 2007 to USD 713 million mainly due to fluctuations in fair value items during the year. Underlying earnings, which exclude the effect of fair value items, increased 7% in 2007 to USD 674 million. Earnings from variable annuities fell by USD 61 million as a result of lower returns from segregated funds in Canada.

PENSIONS AND ASSET MANAGEMENT

AEGON Americas' pensions and asset management business reported operating earnings before tax of USD 188 million in 2007, an increase of 35%, due mainly to positive net cash flows and favorable equity markets during the year.

INSTITUTIONAL PRODUCTS

Operating earnings before tax from institutional products decreased by 4% in 2007 to USD 464 million. During the year, the decrease in the value of certain structured products more than offset the solid underlying growth of the business and the inclusion for the first time of Clark Inc., a distributor of bank-owned and corporate-owned life insurance. Overall earnings in both 2007 and 2006 reflect the strong outperformance of AEGON hedge funds and other fair value investments.

REINSURANCE

Operating earnings before tax from AEGON Americas' reinsurance business fell by 10% in 2007 to USD 185 million. This decrease was primarily the result of a decision to strengthen reserves on a closed book of variable annuity guarantees by USD 25 million, combined with less favorable mortality results.

LONG TERM RETURN EXPECTATIONS FOR FAIR VALUE ASSETS IN OPERATING EARNINGS

AEGON Americas holds certain fair value assets, which can have a notable impact on operating earnings. These assets, valued at approximately USD 4.5 billion, include certain hedge funds, real estate limited partnerships and convertible bonds. The valuation of these assets contributed USD 571 million to AEGON Americas' operating earnings before tax in 2007, an increase from USD 524 million in 2006. The expected return before tax totaled USD 364 million, up from USD 260 million. The impact of these assets is particularly significant for the life, fixed annuity and institutional guaranteed products lines of business.

NET OPERATING EARNINGS

AEGON Americas' net operating earnings totaled USD 2,098 million in 2007, an increase of 6% compared with the previous year. The effective tax rate on operating earnings declined from 28% in 2006 to 27% in 2007.

NET INCOME

Net income, which includes both impairment charges and net gains or losses on investments, rose 12% in 2007 to USD 2,184 million. Net gains on investments amounted to USD 376 million, compared with losses in 2006 of USD 28 million.

Net impairment charges, which totaled USD 66 million in 2007, continue to run well below long-term expectations, but were less favorable than the USD 15 million reported for 2006. The effective tax rate on net income rose to 31% in 2007, up from 27% the previous year.

REVENUES

AEGON Americas reported revenues in 2007 of USD 22.4 billion, an increase of 9% compared with 2006. Life insurance gross premiums rose 12% to USD 10.9 billion. Recurring premiums were up 5%, due mainly to growth in the reinsurance business. Single premiums, meanwhile, grew by 30% compared with 2006, as a result of higher terminal funding sales. At USD 2.5 billion, accident and health premiums were stable compared with 2006. Investment income rose 4%, thanks to an increase in short-term rates and changes in AEGON Americas' asset mix, while fees and commissions were 18% higher, due principally to the inclusion for the first time of Clark Inc.

COMMISSIONS AND EXPENSES

AEGON Americas' commissions and expenses decreased by 1% in 2007 to USD 4,569 million. Operating expenses were 9% higher at USD 2,124 million – a result of extra costs associated with the acquisition of Clark Inc. and the restructuring of AEGON Americas' Kansas City-based life insurance operations.

Revenues	2007 In USD million	2006	%	2007 In EUR million	2006	%
Total life insurance gross premiums	10,885	9,687	12	7,955	7,709	3
Accident and health insurance	2,529	2,490	2	1,848	1,981	(7)
Total gross premiums	**13,414**	**12,177**	**10**	**9,803**	**9,690**	**1**
Investment income	7,486	7,185	4	5,471	5,718	(4)
Fee and commission income	1,445	1,220	18	1,056	971	9
Other revenues	13			10		
TOTAL REVENUES	**22,358**	**20,582**	**9**	**16,340**	**16,379**	**(0)**
Commissions and expenses	**4,569**	**4,614**	**(1)**	**3,339**	**3,672**	**(9)**
Of which operating expenses	**2,124**	**1,956**	**9**	**1,552**	**1,557**	**(0)**
New life sales						
Life	742	733	1	542	583	(7)
BOLI/COLI	207	201	3	151	160	(6)
Reinsurance	327	315	4	329	251	31
TOTAL LIFE PRODUCTION	**1,276**	**1,249**	**2**	**932**	**994**	**(6)**
New premium production accident and health	**898**	**954**	**(6)**	**656**	**759**	**(14)**
Gross deposits (on and off balance sheet)						
Fixed annuities	1,567	1,366	15	1,145	1,087	5
Variable annuities	3,723	3,395	10	2,721	2,702	1
Pensions	11,862	9,299	28	8,669	7,400	17
Institutional guaranteed products	32,097	25,128	28	23,458	19,997	17
Reinsurance	3	4	(25)	2	3	(33)
Retail mutual funds	2,865	2,776	3	2,094	2,209	(5)
Managed assets	1,813	1,642	10	1,325	1,307	1
TOTAL GROSS DEPOSITS	**53,930**	**43,510**	**24**	**39,414**	**34,705**	**14**

Exchange rate	Weighted average		Year-end	
Per 1 EUR	2007	2006	2007	2006
USD	1.3683	1.2566	1.4721	1.3170
CAD	1.4681	1.4236	1.4449	1.5281

PRODUCTION

New life sales increased 1% in 2007 to USD 742 million. Production in 2006 included USD 50 million from an unassumed block of retail credit life insurance and USD 56 million in sales of investor-owned life insurance, discontinued in the third quarter. Excluding these items, retail life sales improved 18% in 2007.

Sales of accident and health cover fell USD 56 million in 2007, largely because of lower international sales from AEGON Americas' direct marketing business.

Fixed annuity sales, meanwhile, were 15% higher at USD 1,567 million, as a result of a steepening in the yield curve that helped make annuity credit rates more attractive towards the end of the year. Variable annuity sales also rose, up 10% at USD 3,723 million thanks to an increase towards the end of the year in overall wholesale capacity and the launch of a new product 'Income Select for Life'.

Pension deposits totaled USD 11,862 million in 2007, 28% higher than the previous year. The increase was due primarily to higher single premium group annuities production, growth in terminal funding sales and the inclusion of significant takeover amounts received in 2007 against sales made in 2006. Managed assets were 10% higher in 2007 at USD 1,813 million.

Sales of institutional guaranteed spread-based products totaled USD 13,892 million in 2007, an increase of 11% compared with the previous year. This increase was the result mainly of higher medium-term note sales. Production of synthetic GICs and other off-balance sheet items grew 44%, due to the inclusion of synthetic CDOs. BOLI-COLI standardized production was 3% higher in 2007 at USD 207 million. Reinsurance standardized life production was 4% higher in 2007 at USD 327 million.

BACKGROUND AEGON AMERICAS

AEGON Americas comprises AEGON USA, AEGON Canada, AEGON Direct Marketing Services and Transamerica Reinsurance, as well as the Group's joint venture in Mexico.

AEGON USA is one of the leading life insurance organizations in the United States. It has more than twenty million customers and employs over 14,000 people. AEGON USA companies can trace their roots back as far as the mid-nineteenth century. AEGON USA includes some of the best known names in the US insurance business, including Transamerica and Monumental Life. AEGON USA's main offices are in Cedar Rapids, Iowa, and Baltimore, Maryland, but with many associate companies' offices located throughout the United States.

Based in Toronto, AEGON Canada offers a range of insurance products and financial services, primarily through its Transamerica Life Canada subsidiary, first established in 1927.

In 2006, AEGON acquired a 49% interest in Seguros Argos, one of Mexico's leading life insurance companies. As part of their joint venture, AEGON and Seguros Argos have set up a jointly-owned pension fund management company, Afore Argos.

ORGANIZATIONAL STRUCTURE

AEGON's operating companies in the United States are grouped together under a single financial services holding company, AEGON US Holding. Business is conducted through subsidiaries of two companies: AEGON USA Inc. and Commonwealth General. AEGON has operating licenses in every US state, the District of Columbia, Puerto Rico, the Virgin Islands and Guam.

AEGON USA's primary insurance subsidiaries include:

- Transamerica Life Insurance Company, Transamerica Occidental Life Insurance Company and Transamerica Financial Life Insurance Company
- Life Investors Insurance Company of America
- Monumental Life Insurance Company
- Stonebridge Life Insurance Company and Stonebridge Casualty Insurance Company
- Western Reserve Life Assurance Co. of Ohio

AEGON USA companies are present in five lines of business:

- Life and protection
- Individual savings and retirement
- Pensions and asset management
- Institutional
- Reinsurance

AEGON Canada's main operating subsidiary is Transamerica Life Canada.

SALES AND DISTRIBUTION

Like other AEGON companies around the world, AEGON USA uses a variety of distribution channels to ensure customers can access the Group's products in a way that best suits them. AEGON USA's main distribution channels include:

- Independent and career agents, financial planners and other registered representatives;
- Independent marketing organizations, banks, broker-dealers, consultants, wirehouses, affinity groups and other institutional partners.

AEGON USA also provides a range of products and services online and uses direct and worksite marketing. In addition, AEGON Canada also uses agencies owned by Transamerica Life Canada and operates through the World Financial Group, part of AEGON Americas.

BUSINESS OVERVIEW UNITED STATES

LIFE AND PROTECTION

AEGON USA provides permanent life (or whole life), universal life, term life and variable universal life insurance and protection products. A number of the company's subsidiaries also offer life insurance products tailored to specific segments of the US market. In 2007, life and protection accounted for more than 46% of AEGON America's overall operating earnings before tax, making it the unit's most important single line of business.

INDIVIDUAL SAVINGS AND RETIREMENT

AEGON USA offers a wide range of savings and retirement products, including mutual funds, investment advice as well as fixed and variable annuities. In 2007, this business accounted for 25% of AEGON's total operating earnings before tax.

PENSIONS AND ASSET MANAGEMENT

AEGON USA offers a variety of individual and group pensions, as well as retirement planning, investment, administration and technical services. Pension and pension-related products are generally offered through four subsidiaries: Diversified Investment Advisors, Transamerica Retirement Services, Transamerica Retirement Management and Transamerica Investment Management.

INSTITUTIONAL PRODUCTS

AEGON USA has a strong position in the US market for institutional products, providing a range of specialized financial products for banks as well as pension and investment funds. These products include traditional fixed rate guarantee investment contracts, or GICs, funding agreements and medium-term notes, as well as other management, administration and risk services. AEGON USA also provides structured products and bank-owned and corporate-owned life insurance.

REINSURANCE

AEGON USA's Transamerica Reinsurance unit has been providing reinsurance to the life insurance and financial services industry for the past thirty years. In the United States, Transamerica Reinsurance provides traditional reinsurance solutions for term, universal, variable universal and whole life mortality and morbidity risks. Transamerica Reinsurance also provides products and services to clients in Europe, the Asia-Pacific and Latin America.

BUSINESS OVERVIEW CANADA

LIFE AND PROTECTION

Transamerica Life Canada, AEGON Canada's principal operating unit, offers a variety of universal and traditional life insurance products, predominantly term and permanent life insurance, as well as accidental death and out-of-the-country medical cover, serving both individual and corporate customers.

INDIVIDUAL SAVINGS AND RETIREMENT

AEGON Canada offers a range of segregated funds, mutual funds, guaranteed investment accounts, single premium annuities and leverage-lending programs. Some of these are offered through strategic alliances either with banks and trusts or with investment management companies.

THE NETHERLANDS

REPORT OF THE EXECUTIVE BOARD

Johan van der Werf

CEO
AEGON THE NETHERLANDS

"The Dutch market is a particularly competitive one. But, thanks to the changes introduced over the past few years, AEGON The Netherlands has a much stronger organization in place."

In January 2008, Johan van der Werf stepped down as Chief Executive Officer of AEGON The Netherlands. A successor will be announced in due course. In the interim, the Management Board of AEGON The Netherlands will report directly to the Group's Executive Board.

OPERATING EARNINGS BEFORE TAX

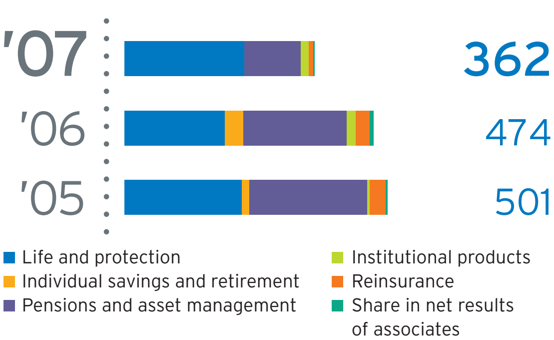
AEGON The Netherlands' operating earnings before tax fell by 24% to EUR 362 million in 2007, compared with pro forma operating earnings of EUR 474 million 2006. This decrease was due mainly to losses of EUR 40 million from financial assets carried at fair value (with no offsetting changes in the fair value of liabilities). In 2006, these fair value items had generated a gain of EUR 39 million. In addition, higher investment income was offset by losses on derivatives.

Operating earnings in 2007 also included a one-off charge of EUR 27 million related to two separate non-recurring items. Meanwhile, OPTAS, acquired at the end of June 2007, contributed EUR 11 million to operating earnings before tax. Earnings in 2006 included EUR 17 million in depreciation costs related to AEGON The Netherlands' group pension business – the result of a change in Dutch pension law no longer allowing surrender charges.

LIFE AND PROTECTION

Operating earnings before tax from AEGON The Netherlands' life business amounted to EUR 189 million in 2007, up from a pro forma figure of EUR 157 million the previous year thanks to higher investment income. Accident and health operating earnings totaled EUR 39 million, up from EUR 34 million – the result of an improved claim experience and lower expenses.

OPERATING EARNINGS BEFORE TAX BY LINES OF BUSINESSES - Pro forma '05 and '06
Amounts in EUR million



NEW LIFE SALES - Pro forma '05 and '06
Amounts in EUR million

AEGON IS NETHERLANDS' FIFTH LEADING LIFE INSURANCE AND PENSION COMPANY AND THE COUNTRY'S LARGEST PROVIDER OF GROUP PENSIONS

Income by product segment	2007	2006	%	2006[1]	%
In EUR million		adjusted	to adjusted	pro forma	to pro forma
Life and protection					
Life	189	282	(33)	157	20
Accident and health	39	34	15	34	15
Individual savings and retirement					
Saving products	0	35		35	
Pensions and asset management	107	720	(85)	197	(46)
Distribution	16	18	(11)	18	(11)
General insurance	8	26	(69)	26	(69)
Share in net results of associates	3	7	(57)	7	(57)
Operating earnings before tax	**362**	**1,122**	**(68)**	**474**	**(24)**
Gains/(losses) on investments	140	513	(73)		
Impairment charges	(24)	(12)	(100)		
Other Income/(charges)	30	0			
Income before tax	**508**	**1,623**	**(69)**		
Income tax	98	(203)			
NET INCOME	**606**	**1,420**	**(57)**		
NET OPERATING EARNINGS	**283**	**868**	**(67)**	**437**	**(35)**
REVENUE GENERATING INVESTMENTS	**65,775**	**63,970**	**3**		

[1] 2007 data is compared to pro forma data for 2006. The pro forma figures are presented after the change in accounting principles and after the change in the definition of operating earnings to include AEGON's share in net results of associates and to exclude the effect of any movements in the fair value of guarantees, as would have been the case had AEGON The Netherlands' hedge program been in place for 2006.

INDIVIDUAL SAVINGS AND RETIREMENT PRODUCTS

AEGON The Netherlands' individual savings business reported operating earnings before tax of zero in 2007, compared with a profit of EUR 35 million the previous year. This decline was due primarily to a one-off charge of EUR 15 million related to the accelerated amortization of deferred expenses, as well as higher spending costs and lower interest margins. The increase in expenses is related to the repositioning of AEGON Bank, increased sales activity and a higher allocation of distribution expenses.

PENSIONS AND ASSET MANAGEMENT

Operating earnings before tax from AEGON The Netherlands' pensions and asset management operations totaled EUR 107 million in 2007, down from pro forma operating earnings of EUR 197 million the previous year. This decline can be attributed to fluctuations in fair value items during the year. The acquisition of OPTAS contributed a net EUR 11 million to overall operating earnings before tax from the pensions and asset management business line.

DISTRIBUTION

Operating earnings before tax from AEGON The Netherlands' distribution business amounted to EUR 16 million in 2007, compared with EUR 18 million the year before. Increased operating earnings stemmed from the acquisition of Unirobe in the fourth quarter of 2006, offset by a EUR 12 million charge from the harmonization of claw-back provisions at AEGON The Netherlands' Unirobe and Meeùs units.

GENERAL INSURANCE

Operating earnings before tax from AEGON The Netherlands' general insurance operations fell to EUR 8 million in 2007, down from EUR 26 million the year before. The decrease was due mainly to additional provisioning following severe storms in the Netherlands during the first quarter of 2007.

NET OPERATING EARNINGS

AEGON The Netherlands' pro forma net operating earnings totaled EUR 283 million in 2007, a decrease from EUR 437 million the year before. The effective tax rate on operating earnings before tax rose to 22% in 2007, up from 8% in 2006. 2006 included the release of deferred tax liabilities linked to a reduction in the corporate tax rate in the Netherlands.

NET INCOME

AEGON The Netherlands' net income, which includes impairment charges and net gains/losses on investments, decreased by EUR 814 million to EUR 606 million. The fair value movements of guarantee provisions contributed EUR 648 million to earnings in 2006. In 2007, net gains on investments (before tax) amounted to EUR 140 million compared to EUR 513 million in 2006. The 2007 net gains on investments included EUR 325 million of losses on fair value movements in guarantees net of related swaps. Realized gains and losses on shares, bonds and real estate contributed EUR 794 million in 2007 (EUR 766 million in 2006). The gains and losses on investments (before tax) included a negative EUR 329 million from the decrease in market value of derivatives used for asset and liability management purposes in 2007, compared to a negative contribution of EUR 253 million in 2006.

Other income/(charges) of EUR 30 million included a one-time gain related to the acquisition of OPTAS and the effect of a refinement of the calculation of unit-linked guarantees. The acquisition of OPTAS was completed in the second quarter of 2007. The acquired net assets amounted to EUR 1.7 billion, EUR 212 million higher than the acquisition price of EUR 1.5 billion resulting in a one-time gain at acquisition. Starting with the second quarter of 2007, AEGON refined its method of calculating the fair value of guarantees included in its unit-linked products in order to align these calculations with the calculations currently used for group pension contracts and traditional products. This change has been applied prospectively. The cumulative impact on income before tax recognized in 2007 amounted to a loss of EUR 181 million.

REVENUES

Revenues of EUR 6,373 million increased by 6% in 2007 compared to 2006. Pension premiums increased by 4% reflecting the inclusion of OPTAS and increased recurring premiums. Life premiums increased by 6% to EUR 1,394 million. Accident and health premium income increased by EUR 12 million to EUR 203 million reflecting a full year of premiums from the disability product WIA. General insurance premiums remained stable.

Investment income, which includes direct investment income of both general account and account of policyholder investments, increased by 6% compared to 2006. The increase reflects the inclusion of OPTAS.

Fees and commission income was 18% higher than in 2006 primarily reflecting the full-year impact of the consolidation of Unirobe in the fourth quarter of 2006.

COMMISSIONS AND EXPENSES

Commissions and expenses increased 9% to EUR 1,188 million in 2007. Operating expenses amounted to EUR 843 million in 2007 compared with EUR 708 million in 2006. The increase was mainly caused by the inclusion of Unirobe.

PRODUCTION

New life sales in the Netherlands increased 5% to EUR 260 million, driven by a growth in pensions sales through the corporate and institutional sales channels. New life sales decreased primarily because of lower unit-linked sales.

Revenues In EUR million	2007	2006	%
Total life insurance gross premiums	3,175	3,028	5
Accident and health insurance	203	191	6
General insurance	432	434	(0)
Total gross premiums	**3,810**	**3,653**	**4**
Investment income	2,120	2,006	6
Fee and commission income	443	375	18
TOTAL REVENUES	**6,373**	**6,034**	**6**
Commissions and expenses	**1,188**	**1,087**	**9**
Of which operating expenses	**843**	**708**	**19**
New life sales			
Life	94	97	(3)
Pensions	166	151	10
TOTAL LIFE PRODUCTION	**260**	**248**	**5**
New premium production accident and health	**18**	**46**	**(61)**
New premium production general insurance	**26**	**33**	**(21)**
Gross deposits (on and off balance sheet)			
Saving deposits	2,648	2,401	10
Mutual funds and other managed assets	390	408	(4)
TOTAL GROSS DEPOSITS	**3,038**	**2,809**	**8**

Accident and health sales decreased by EUR 28 million to EUR 18 million reflecting lower sales of the WIA disability product that was successfully introduced in 2006. General insurance sales decreased by 21% to EUR 26 million reflecting AEGON's continued focus on writing profitable business in a competitive market.

Off balance sheet product sales amounted to EUR 390 million compared with EUR 408 million in 2006.

BACKGROUND AEGON THE NETHERLANDS

AEGON's history in the Netherlands goes back to the burial funds of the mid-nineteenth century. Today, AEGON The Netherlands is one of the country's leading providers of life insurance and pensions, with millions of customers and approximately 6,200 employees. AEGON The Netherlands has its headquarters in The Hague, but also has offices in Leeuwarden, Groningen and Nieuwegein.

ORGANIZATIONAL STRUCTURE

AEGON The Netherlands operates through a number of well known brands, including TKP Pensioen, OPTAS and Unirobe Meeùs Groep. In addition, AEGON itself is one of the most widely recognized brand names in the Dutch financial services sector.

AEGON The Netherlands' primary subsidiaries are:

- AEGON Levensverzekering
- AEGON Schadeverzekering
- AEGON NabestaandenZorg
- AEGON Spaarkas
- AEGON Bank
- Unirobe Meeùs Groep
- TKP Pensioen
- OPTAS

In recent years, AEGON The Netherlands has taken significant steps to reorganize its businesses as part of broader efforts to improve overall efficiency and customer service. The company has combined its various business units into a single structure. By bringing together product knowledge, administration, IT and other back office support, AEGON The Netherlands has created a more effective and better structured organization.

AEGON The Netherlands' companies are present in five lines of business:

- Life and protection
- Individual savings and retirement
- Pensions and asset management
- Distribution
- General insurance

SALES AND DISTRIBUTION

AEGON The Netherlands operates through three sales organizations, each focusing on a separate segment of the Dutch market. Corporate and Institutional Clients serves large corporations and financial institutions such as company and industry pension funds. AEGON Bank meanwhile sells mainly to individuals both directly and through tied agents. Lastly, AEGON Intermediary focuses on independent agents and retail sales organizations in the Netherlands.

BUSINESS OVERVIEW

LIFE AND PROTECTION

AEGON The Netherlands provides a range of life insurance and personal protection products and services, including traditional, universal and term life, endowment and annuity insurance as well as funeral insurance and accident and health cover. Life and protection is AEGON The Netherlands' most important line of business, accounting for 63% of its operating earnings before tax in 2007.

INDIVIDUAL SAVINGS AND RETIREMENT

AEGON The Netherlands provides a variety of individual savings and retirement products. These include the so-called 'Levensloop' (or Life Cycle) savings plans.

PENSIONS AND ASSET MANAGEMENT

Pensions and asset management is one of AEGON The Netherlands' most important lines of business. In 2007, it accounted for 30% of the company's operating earnings before tax. For many company and industry pension funds, AEGON The Netherlands provides a variety of pensions for both individuals and corporate customers and has a full range of pension solutions and administration-only services.

DISTRIBUTION

AEGON The Netherlands offers financial advice covering areas such as insurance, pensions, mortgages, financing, savings and investment products. The company also has a real estate management business and acts as a broker for both residential and commercial property. In 2007, AEGON The Netherlands' distribution business accounted for 4% of its operating earnings before tax.

GENERAL INSURANCE

AEGON The Netherlands offers a limited range of general insurance products through its subsidiary AEGON Schadeverzekering. These are aimed at both the corporate and retail markets. They include house, car and fire insurance. In 2007, general insurance accounted for approximately 2% of AEGON The Netherlands' operating earnings before tax.

Otto Thoresen

CEO
AEGON UK

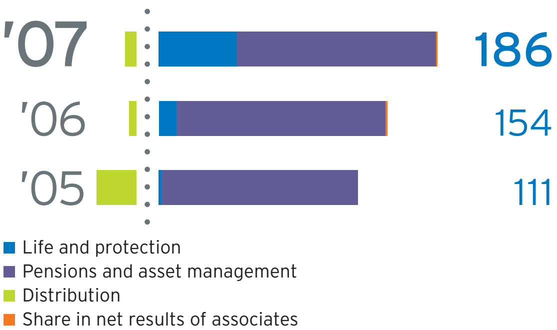
"2007 was another year of earnings growth for AEGON in the United Kingdom. Thanks to our decision to diversify into higher-margin products, we now have a more profitable mix of businesses."

"In addition, we further expanded our distribution network during 2007, particularly through our partnership with Barclays Bank. Both these factors bode well for future profitability at AEGON UK. AEGON UK excels in its core markets – pensions, life insurance, investments and long-term savings products. We are constantly finding new and better ways of getting our products and services to our customers. It's a recipe that has worked extremely well for us – and we have every reason to believe it will continue to do so in 2008."

OPERATING EARNINGS BEFORE TAX

AEGON UK's operating earnings rose 21% in 2007 to GBP 186 million as a result of higher earnings from new business, particularly annuities, and an increase in fund-related charges.

OPERATING EARNINGS BEFORE TAX
BY LINES OF BUSINESSES
Amounts in GBP million



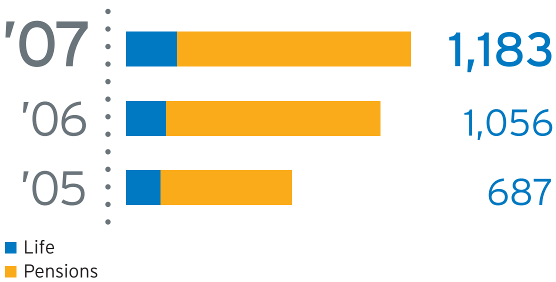
LIFE AND PROTECTION

Operating earnings for the life and protection business totaled GBP 54 million in 2007, up from GBP 12 million the previous year. This significant increase was primarily the result of growth in AEGON UK's annuity business, which included a one-off gain of GBP 21 million resulting from a transfer of a block of in-force annuities during the year.

PENSIONS AND ASSET MANAGEMENT

AEGON UK's pensions and asset management business reported operating earnings of GBP 138 million in 2007, a decrease of 4% compared with 2006. Higher fund-related charges were offset by an increase in expenses during the year. The rise in expenses stemmed from the underlying growth of the business as well as additional investment and project costs.

NEW LIFE SALES
Amounts in GBP million



AEGON UK INCREASED ITS VALUE OF NEW BUSINESS IN 2007 BY TWENTY-EIGHT PERCENT

Income by product segment	2007 In GBP million	2006 adjusted	% to adjusted	2007 In EUR million	2006 adjusted	% to adjusted
Life and protection	54	12		78	20	
Pensions and asset management	138	145	(5)	202	211	(4)
Distribution	(7)	(4)	(75)	(10)	(6)	(67)
Share in net results of associates	1	1	0	1	1	0
Operating earnings before tax	**186**	**154**	**21**	**271**	**226**	**20**
Gains/(losses) on investments	(5)	11	(145)	(8)	16	(150)
Impairment charges	(3)	(1)		(4)	(1)	
Other non-operating income/(charges)[1]	5	61	(92)	8	90	(91)
Income before tax	**183**	**225**	**(19)**	**267**	**331**	**(19)**
Income tax attributable to policyholder return	(5)	(51)	90	(7)	(75)	91
Income before income tax on shareholders return	**178**	**174**	**2**	**260**	**256**	**2**
Income tax on shareholder return	5	(16)	131	7	(24)	129
NET INCOME	**183**	**158**	**16**	**267**	**232**	**15**
NET OPERATING EARNINGS	**188**	**141**	**33**	**275**	**206**	**33**
REVENUE GENERATING INVESTMENTS	**53,218**	**48,823**	**9**	**72,563**	**72,708**	**(0)**

[1] Included in other non-operating income/(charges) are charges made to policyholders with respect to income tax. There is an equal and opposite tax charge which is reported in the line Income tax attributable to policyholder return.

DISTRIBUTION

In 2007, AEGON's distribution business in the United Kingdom reported an operating loss of GBP 7 million, compared with a loss of GBP 4 million the year before. Earnings in 2007 included GBP 5 million in one-off additional incentive payments related to Positive Solutions.

NET OPERATING EARNINGS

Net operating earnings totaled GBP 188 million in 2007, an increase of 6% compared with the previous year after an adjustment for a one-off tax credit of GBP 38 million in 2007, resulting from a decision to lower UK corporation tax from 30% to 28% in April 2008. This led to a reduction of GBP 38 million in deferred tax liabilities recognized in the second quarter of 2007.

REVENUES

Life insurance gross premiums amounted to GBP 7,393 million in 2007, up 18% compared with the previous year. Pension and asset management premiums increased by 15% to GBP 5,971 million, reflecting continued strong growth in pension sales, especially AEGON UK's Retirement Control product. Life and protection premiums rose 31% to GBP 1,422 million due to an increase in sales of protection products and continued strong sales of single premium annuities.

COMMISSIONS AND EXPENSES

Total commissions and expenses rose 7% in 2007 to GBP 647 million. This increase reflected growth in operating expenses and higher commissions from growth in AEGON UK's distribution businesses. Operating expenses rose, meanwhile, by 4% to GBP 391 million. The increase in operating expenses was mainly the result of growth in the underlying business as well as additional project and investment costs.

SALES

AEGON UK's total new life sales increased by 12% to GBP 1,183 million - a result of continued strong sales of pensions and annuities. Sales of annuities, protection products and investment bonds represented 30% of total new life sales in 2007, a reflection of AEGON UK's strategy of diversification.

	2007	2006	%	2007	2006	%
Revenues	In GBP million	adjusted	to adjusted	In EUR million	adjusted	to adjusted
Total gross premiums	7,393	6,274	18	10,811	9,214	17
Investment income	1,751	1,643	7	2,560	2,413	6
Fee and commission income	219	189	16	321	278	15
TOTAL REVENUES	**9,363**	**8,106**	**16**	**13,692**	**11,905**	**15**
Commissions and expenses	**647**	**607**	**7**	**946**	**892**	**6**
Of which operating expenses	**391**	**375**	**4**	**571**	**551**	**4**
New life sales [1]						
Life	210	159	32	307	234	31
Pensions	973	897	8	1,423	1,317	8
TOTAL LIFE PRODUCTION	**1,183**	**1,056**	**12**	**1,730**	**1,551**	**12**
Gross deposits (on and off balance sheet)						
Pensions and asset management	903	808	12	1,321	1,186	11
TOTAL GROSS DEPOSITS	**903**	**808**	**12**	**1,321**	**1,186**	**11**

[1] Includes production on investment contracts without a discretionary participation feature of which the proceeds are not recognized as revenues but are directly added to AEGON's investment contract liabilities.

Exchange rate	Weighted average		Year-end	
Per 1 EUR	2007	2006	2007	2006
GBP	0.6838	0.6809	0.7334	0.6715

Sales of life and protection products totaled GBP 210 million, an increase of 32% from 2006. The increase was due to continued strong sales of annuities and a rise in sales of protection products.

Sales of pensions increased by 8% in 2007 to GBP 973 million, driven by strong sales of individual pensions. Sales of retail mutual funds and managed assets increased by 12% compared with 2007, thanks mainly to strong sales of both retail funds and institutional business.

BACKGROUND AEGON UK

AEGON UK is a leading provider of life insurance and pensions and also has a strong presence in both the asset management and financial advice markets. With offices located in the United Kingdom and Ireland, AEGON UK has some two million customers, more than 4,900 employees and GBP 53 billion in revenue-generating assets under management. AEGON UK's main offices are in four locations: Edinburgh, London, Lytham St. Anne's and Dublin.

ORGANIZATIONAL STRUCTURE

AEGON UK is AEGON's principal holding company in the United Kingdom. It was registered as a public limited company at the beginning of December 1998.

AEGON UK's leading operating subsidiaries are:

- Scottish Equitable (trading as AEGON Scottish Equitable)
- AEGON Asset Management UK
- Origen Financial Services
- Positive Solutions (Financial Services)
- HS Administrative Services
- Guardian Assurance

AEGON UK has three lines of business:

- Life and protection
- Pensions and asset management
- Distribution

SALES AND DISTRIBUTION

AEGON UK's principal means of distribution is through the intermediated financial advice channel, which is the main sales route for long-term savings and retirement products in the United Kingdom. In all, there are an estimated 35,000 registered financial advisors in the United Kingdom. These advisors may be classified as 'single-tied', 'multi-tied', 'whole of market' or 'independent', depending on whether they are either restricted in the number of providers they deal with or are free to advise on all available products. AEGON UK is also exploring new distribution opportunities, including agreements with banks and affinity partnerships with other potential distributors.

BUSINESS OVERVIEW

LIFE AND PROTECTION

AEGON UK's life businesses comprise primarily individual and group protection, as well as individual and bulk annuities. The protection business provides insurance on individual or groups of lives for major life events such as death, critical illness and total or permanent disability. Annuities are used to convert savings accumulated as part of a pension plan into a regular income throughout retirement. In 2007, the life and protection line of business accounted for approximately 29% of AEGON UK's overall operating earnings before tax.

PENSIONS AND ASSET MANAGEMENT

Pensions and asset management constitute AEGON UK's most important line of business. In 2007, it accounted for more than 75% of the company's operating earnings before tax. AEGON UK provides a range of both personal and corporate pensions, as well as associated products and services. These include self-invested personal pensions and stakeholder pensions. In addition, AEGON UK offers a range of investment products, including offshore bonds and trusts. The company's asset management business offers institutional and retail funds as well as managing a series of life and pension funds on behalf of AEGON UK.

DISTRIBUTION

Through the company's Origen and Positive Solutions businesses, AEGON UK also provides financial advice directly to both individuals and companies. Origen is a leading financial advice firm, with strong positions in both the corporate and high net worth individual markets. It promotes its services through a variety of different sales channels, including face-to-face, media and worksite marketing, as well as accessing customers through professional contacts with accountants and lawyers. Positive Solutions, meanwhile, is one of the largest and fastest-growing advisor networks in the United Kingdom.

OTHER COUNTRIES

REPORT OF THE EXECUTIVE BOARD

Alexander R. Wynaendts

COO AND MEMBER EXECUTIVE BOARD

"Expansion into new emerging markets has been an important feature of AEGON's corporate strategy over the past several years. These markets will provide the Group with an important source of growth for the years to come."

"In Central and Eastern Europe, we now have businesses in five countries – Hungary, Poland, Slovakia, the Czech Republic and, most recently, Romania. In Asia, our operations in China are growing strongly and in 2008 we will launch new businesses in both Japan and India. Last year saw further strong growth from these emerging economies. Revenues, operating earnings before tax and value of new business all showed very solid gains. By 2010, we expect these new markets will contribute more than a third of AEGON's new business."

OPERATING EARNINGS BEFORE TAX

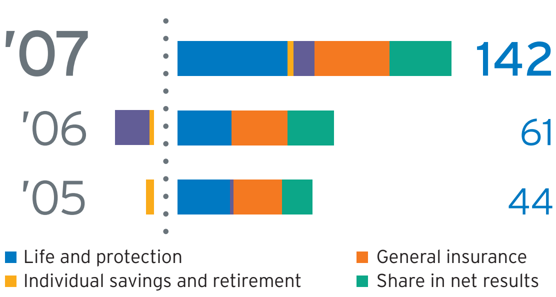
Operating earnings before tax from Other countries totaled EUR 142 million in 2007, an increase of EUR 81 million compared with 2006, primarily due to higher operating earnings from AEGON's businesses in Central and Eastern Europe. Earnings from all regions, Central and Eastern Europe, Spain, Asia and AEGON's 35% stake in French insurer La Mondiale Participations contributed to the increase.

LIFE AND PROTECTION

Total operating earnings from life and protection amounted to EUR 53 million in 2007, up from EUR 24 million the previous year. This increase was mainly the result of higher earnings from both Central and Eastern Europe and Taiwan. In Taiwan, the improvement in operating earnings reflects strong investment performance and higher sales volumes.

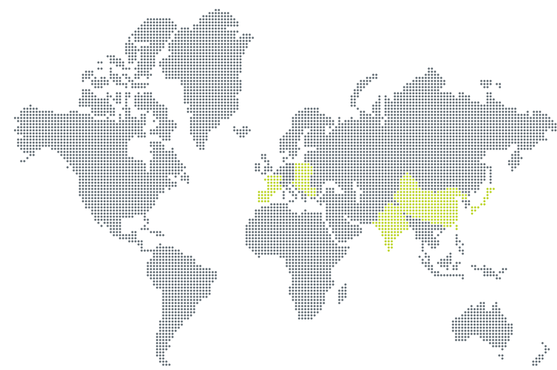
OPERATING EARNINGS BEFORE TAX BY LINES OF BUSINESSES

Amounts in EUR million



NEW LIFE SALES

Amounts in EUR million



IN 2007, AEGON TOOK SIGNIFICANT STEPS TO EXPAND ITS BUSINESSES IN INDIA, CHINA AND CENTRAL AND EASTERN EUROPE

	2007	2006	%
Income by product segment	In EUR million	adjusted	to adjusted
Life and protection			
Life	53	24	121
Accident and health	4	4	0
Individual savings and retirement products			
Variable annuities	0	1	
Savings products	(1)	(5)	80
Mutual funds	4	2	100
Pensions and asset management	11	(18)	
General insurance	39	29	34
Share in net results of associates	32	24	33
Operating earnings before tax	**142**	**61**	**133**
Gains/(losses) on investments	14	20	(30)
Income before tax	**156**	**81**	**93**
Income tax	(83)	(45)	(84)
NET INCOME	**73**	**36**	**103**
NET OPERATING EARNINGS	**60**	**20**	
REVENUE GENERATING INVESTMENTS	**10,922**	**7,982**	**37**

PENSIONS AND ASSET MANAGEMENT

AEGON Other countries' operating earnings from pensions and asset management increased significantly in 2007, primarily as a result of the expenses related to the expansion of the Group's pension business in Slovakia in 2006. Results in Poland also improved but were offset by start-up expenses of EUR 6 million related to AEGON's new mandatory pension fund in Romania and the launch of new voluntary pension funds in the Czech Republic and Slovakia.

GENERAL INSURANCE

AEGON Hungary, the only unit within Other countries to sell general insurance, reported favorable technical results in both household and motor insurance in 2007. Earnings in 2006 included a strengthening in claim reserves. Combined, these two factors resulted in an increase in operating earnings of EUR 10 million for the general insurance business in 2007.

ASSOCIATES

AEGON's share in the profit of associate companies increased by EUR 8 million (after tax) in 2007, split equally between the Group's partnership with Spanish regional savings bank Caja de Ahorros del Mediterráneo (in which AEGON holds a 49.99% interest) and its 35% stake in La Mondiale Participations in France.

NET OPERATING EARNINGS

Net operating earnings from Other countries totaled EUR 60 million in 2007, a sharp increase from EUR 20 million the year before. Earnings for both 2006 and 2007 were impacted by a reduction in deferred tax assets in Taiwan.

NET INCOME

Net income amounted to EUR 73 million, compared with EUR 36 million in 2006, due mainly to the increase in net operating earnings. The effective tax rate was 53% in 2007 down from 56% in 2006.

REVENUES

Total revenues rose 25% to EUR 2.8 billion - a reflection of the growth in single premium sales and higher income from fees and commissions in Poland, as well as higher single premiums at Caja Navarra in Spain and higher premium and investment income in Taiwan.

COMMISSIONS AND EXPENSES

Commissions and expenses increased 9% to EUR 372 million. This increase was driven largely by growth in the underlying business, resulting in higher commissions and expenses.

PRODUCTION

LIFE AND PROTECTION

New life sales in Other countries totaled EUR 353 million in 2007, an increase of 37% compared with the previous year.

In Asia, new life sales in Taiwan rose 34% in 2007 to EUR 157 million, driven by strong sales of unit-linked products, which accounted for 58% of total new life sales. New life sales in China increased by EUR 5 million, driven mainly by unit-linked single premium sales through the bank channel.

In Central and Eastern Europe, new life sales totaled EUR 126 million in 2007, a 54% increase from 2006. Sales of single premium life insurance increased by EUR 248 to EUR 687 million in 2007 compared with the previous year, thanks mainly to higher sales from bank partnerships in Poland, supported by strong equity markets. Recurring premium sales increased 51% to EUR 58 million, a result of various successful distribution initiatives in the broker channel and the tied agent network across the region, particularly in Poland.

In 2007, new life sales in Spain increased to EUR 59 million, up from EUR 52 million in 2006, a year which included a large single premium group policy which was more than offset in 2007 by exceptionally high single premium bancassurance sales through AEGON's joint venture with Caja Navarra.

The partnership with Caja de Ahorros del Mediterráneo (CAM) saw a decrease of 31% in new life sales to EUR 116 million (on a 100% basis), while premium income from the partnership with CAM amounted to EUR 404 million (on a 100% basis) in 2007. The partnership with CAM is not consolidated in AEGON's accounts. AEGON includes its share in the earnings from CAM in the line 'share in net results of associates'.

Revenues In EUR million	2007	2006 adjusted	% to adjusted
Life single premiums	985	566	74
Life recurring premiums	1,284	1,251	3
Total life insurance gross premiums	**2,269**	**1,817**	**25**
Accident and health insurance	71	69	3
General insurance	136	127	7
Total gross premiums	**2,476**	**2,013**	**23**
Investment income	241	192	26
Fee and commission income	80	41	95
Other revenues	1	1	0
TOTAL REVENUES	**2,798**	**2,247**	**25**
Commissions and expenses	**372**	**342**	**9**
Of which operating expenses	**177**	**149**	**19**
New life sales [1]			
Life	352	251	40
Pensions	1	7	
TOTAL LIFE PRODUCTION	**353**	**258**	**37**
New premium production accident and health	**6**	**6**	**0**
New premium production general insurance	**32**	**23**	**39**
Gross deposits (on and off balance sheet)			
Variable annuities	22	6	
Retail mutual funds	154	98	57
Other managed assets	61	83	(27)
Pensions	518	278	86
TOTAL GROSS DEPOSITS	**755**	**465**	**62**

[1] Includes production on investment contracts without a discretionary participation feature of which the proceeds are not recognized as revenues but are directly added to AEGON's investment contract liabilities.

Exchange rate	Weighted average		Year-end	
Per 1 EUR	2007	2006	2007	2006
Czech Republic Krona (CZK)	27.5710	28.259	26.6280	27.4850
Hungarian Forint (HUF)	251.231	264.268	253.7300	251.7700
New Taiwan Dollar (NTD)	45.420	41.250	47.7340	42.8354
Polish Zloty (PLN)	3.7900	3.8960	3.5940	3.8310
Rin Min Bi Yuan (CNY)	10.4610	10.0080	10.7524	10.2793
Slovakian Koruna (SKK)	33.6890	37.005	33.5830	34.4350

Please note that AEGON's 'Other countries' segment is accounted for in the financial statements in euros, but that the operating results for individual country units are accounted for, and discussed, in local currency terms.

PENSIONS AND ASSET MANAGEMENT

Pensions and asset management sales in Other countries amounted to EUR 579 million in 2007, up from EUR 361 million the previous year. This increase reflected the launch of a new variable annuity product in Taiwan, strong mutual fund sales in Hungary and the inclusion of the newly acquired Polish pension fund management company PTE AEGON Poland. By the end of 2007, the total number of pension fund participants in Central and Eastern Europe had increased to 1.3 million.

GENERAL INSURANCE

General insurance new premium production increased by EUR 9 million to EUR 32 million in 2007, mainly the result of successful sales campaigns for motor and household insurance in Hungary.

BACKGROUND AEGON OTHER COUNTRIES

In the past few years, AEGON has significantly expanded its international presence outside its three main established markets of the United States, the Netherlands and the United Kingdom. AEGON is now present in more than twenty markets in total in the Americas, Europe, and in Asia. In particular, AEGON has seen strong growth in its businesses in Central and Eastern Europe, as well as in other new, emerging markets such as China and Taiwan. AEGON employs more than 3,800 people in its businesses in Central and Eastern Europe, Spain and Asia.

CENTRAL AND EASTERN EUROPE

AEGON first entered the Central and Eastern European market in 1992 when the Group bought a majority stake in Hungary's former state-owned insurance company, Állami Biztosító. Hungary remains AEGON's leading business in the region and a springboard for further expansion. Today, AEGON has operations in five Central and Eastern European countries: Hungary, Poland, the Czech Republic, Slovakia and Romania.

ASIA

AEGON opened its first business in Asia in 1993 in Taiwan. Since then, the Group has expanded its operations in the region. AEGON has presence either directly or with joint venture partners in China, India, Japan and Taiwan.

WESTERN EUROPE (SPAIN AND FRANCE)

In addition to the United Kingdom and the Netherlands, AEGON has a presence in two other western European countries: Spain and France. In recent years, AEGON's activities in Spain have grown rapidly, thanks in large part to distribution partnerships with four of the country's leading savings banks. At the end of 2002, AEGON also agreed a partnership with mutual insurer La Mondiale, one of France's leading insurance and pension companies. AEGON has a 35% interest in La Mondiale's subsidiairy company La Mondiale Participations.

ORGANIZATIONAL STRUCTURE

AEGON's international businesses operate through a number of subsidiaries and joint venture partnerships. These international businesses are referred to collectively as Other countries.

AEGON's main subsidiaries and affiliates are:

CENTRAL AND EASTERN EUROPE

- Hungary: AEGON Hungary Composite Insurance Company, AEGON Hungary Investment Fund Management Company, AEGON Hungary Pension Fund Management Company, AEGON Hungary Mortgage Finance Company and AEGON Hungary Real Estate Company;
- Poland: AEGON Poland Life Insurance Company and AEGON Pension Fund Management Company;
- Slovakia: AEGON Slovakia Life Insurance Company, AEGON Partner Company, AEGON Pension Fund Management Company and AEGON Voluntary Pension Fund Management Company;

- Czech Republic: AEGON Life Insurance Company and AEGON Voluntary Pension Fund Company;
- Romania: BT-AEGON Pension Fund Management Company (50%).

ASIA

- Taiwan: AEGON Life Insurance (Taiwan) Inc.;
- China: AEGON-CNOOC Life Insurance Co. Ltd. (50%).

WESTERN EUROPE

- Spain: AEGON Seguros Salud, AEGON Seguros de Vida, AEGON Administracion y Servicos A.I.E, CAM AEGON Holding Financiero (49.99%), Caja de Badajoz Vida y Pensiones (50%), CAN Vida y Pensiones (50%) and Cantabria Vida y Pensiones (10%);
- France: La Mondiale Participations (35%).

SALES AND DISTRIBUTION: CENTRAL AND EASTERN EUROPE

AEGON's activities in Central and Eastern Europe operate through a number of different sales channels. These include tied agents, insurance brokers and, particularly in Poland and Romania, retail banks. Through tied agents, brokers and call centers, AEGON sells primarily life and non-life insurance and pensions. Banks and loan centers are used to sell mainly life insurance, mortgages, pensions and household insurance.

BUSINESS OVERVIEW: CENTRAL AND EASTERN EUROPE

LIFE AND PROTECTION

AEGON companies in Central and Eastern Europe offer a range of life insurance and personal protection products. This range includes traditional life as well as unit-linked products. In recent years, sales of unit-linked products in the region have shown a considerably higher rate of growth than traditional general account products. Unit-linked products cover all types of life insurance, including pension, endowment and savings, while traditional life also includes group life and preferred life. From 2006, AEGON Hungary has been offering mortgages to retail customers. Home loans are Swiss franc denominated and provided by AEGON Mortgage Finance Company. AEGON is targeting a share of between 5% and 10% of the Hungarian mortgage market in terms of new sales.

INDIVIDUAL SAVINGS AND RETIREMENT

AEGON companies in Central and Eastern Europe offer a variety of individual savings and retirement products. AEGON Hungary Investment Fund Management Company offers a range of mutual funds to retail investors. Besides this, AEGON Life Insurance Company offers unit-linked investment products in the Czech Republic.

PENSIONS AND ASSET MANAGEMENT

AEGON's pension business in Central and Eastern Europe has experienced considerable growth in recent years. This is due mainly to the region's strong economic growth and widespread reform of the pension system in many countries. In four of the five countries in which AEGON has businesses, AEGON has introduced mandatory pension plans: in Hungary, Slovakia, Poland and Romania. Additionally in three countries, AEGON has launched voluntary pension plans: in Hungary, Slovakia and the Czech Republic.

In addition, AEGON provides a range of asset management services through AEGON Hungary Investment Fund Management Company.

GENERAL INSURANCE

In addition to life insurance and pensions, AEGON Hungary also offers non-life cover. Generally, these are products and services inherited from Állami Biztosító, the former state-owned insurance company acquired by AEGON in 1992. In recent years, margins on household insurance in Hungary have been attractive. Moreover, household insurance provides considerable opportunities for cross-selling life insurance. Property and car insurance are also included in AEGON Hungary's portfolio but neither are considered core businesses.

SALES AND DISTRIBUTION: ASIA

As elsewhere around the world, AEGON operates through a number of different sales channels in Asia. In Taiwan, AEGON has a network of more than 800 professional agents. In addition, AEGON Taiwan works through independent brokers and banks, and uses worksite and direct marketing to ensure customers are able to receive the financial products they want in a way that suits them best. Each of these channels provides products tailored to customers' requirements and the market segments they serve.

Similarly, in China, AEGON works through agents, independent brokers, banks and direct marketing to sell its products. Agents and brokers in China distribute mainly life insurance. With the boom in China's stock market, variable life products have been the most important product for AEGON's bank partners. Personal accident products are the main products sold through the direct marketing channel.

Banks are becoming increasingly important in Asia as a means for distributing pensions, life insurance and other long-term savings and investment products. For this reason, AEGON has been striving in recent years to extend its bank distribution agreements in the region. AEGON's bancassurance network in China now totals 800 outlets. AEGON has partnerships in place, for example, with many of China's national banks, including:

- Industrial and Commercial Bank of China
- Agricultural Bank of China
- Communications Bank
- China Merchants' Bank
- China Post
- Bank of China
- China CITIC Bank
- China Construction Bank
- Industrial Bank

BUSINESS OVERVIEW: ASIA

LIFE AND PROTECTION

AEGON provides a broad range of life insurance products through its businesses in both Taiwan and China. These include unit-linked and traditional life products, as well as endowment, term, health, group life, accident and annuities. Unit-linked products are now AEGON Taiwan's top-selling product line after efforts were made in 2005 to improve the products and better adapt them to the needs of customers. These unit-linked products offer a wide variety of investment options. In China, AEGON-CNOOC launched its first variable life product in April 2007 to add to its range of universal and participating life products.

SALES AND DISTRIBUTION: WESTERN EUROPE (SPAIN AND FRANCE)

AEGON Spain focuses primarily on retail customers. It offers both life insurance and accident and health cover. In particular, AEGON Spain offers pensions as well as both traditional life and unit-linked variable life products, a market traditionally dominated by the country's retail banks. In France, AEGON works together with La Mondiale in a number of areas including pensions, asset management and distribution.

SPAIN

In Spain, some 70% of life insurance policies are sold through the country's retail banks. For this reason, Spain in recent years has been an important part of AEGON's efforts to expand its web of bank distribution partnerships.

AEGON now has partnerships in place with four of Spain's regional savings banks, giving access to nearly 1,800 branches across the country:

- Caja de Ahorros del Mediterráneo
- Caja Navarra
- Caja de Badajoz
- Caja Cantabria

AEGON remains committed to further expanding its distribution network in Spain. The Group's current partnerships distribute a combination of life insurance and pension products. AEGON also uses specialized agents and brokers to distribute its products, particularly individual life insurance, throughout urban and rural areas.

FRANCE

As part of AEGON's partnership with La Mondiale the Group initially took a 20% stake in La Mondiale's subsidiairy, La Mondiale Participations, increasing it later to 35%. In 2005, the AEGON Pension Network was launched in collaboration with La Mondiale, renamed AEGON Global Pensions at the beginning of 2008. AEGON's partnership with La Mondiale gives the Group a foothold in Europe's second largest insurance market. As in Spain, most life insurance in France – more than 60% – is sold via retail banks or La Poste, France's national post office.

In July 2007, La Mondiale and fellow insurer AG2R announced a merger. The merger – which won't affect AEGON's partnership with La Mondiale – will create the country's eighth largest life insurer, serving some 5.6 million customers. The new group was due to become operational at the start of 2008.

FINANCIAL AND INSURANCE RISKS[1]

GENERAL

A description of AEGON's risk management and control systems is given below on the basis of significant identified risks. Some risks, such as currency translation risk, are related to the international nature of AEGON's business. Other risks include insurance related risks, such as changes in mortality and morbidity. However, the Group's most significant exposures are to changes in financial markets (e.g. interest rate, credit and equity market risks) that affect the value of AEGON's investments, liabilities from products AEGON companies sell, as well as deferred expenses and the value of business acquired.

AEGON manages risk at local level where business is transacted, based on principles and policies established at Group level. AEGON's integrated approach to risk management involves common measurement of risk and scope of risk coverage to allow the Group's risk position to be aggregated. In addition, this integrated framework facilitates the sharing of best practices and the latest research on methodologies. Risk management functions are applied locally and are tied to the speed of business, while corporate oversight remains independent of business activity providing oversight and peer review.

To manage its risk exposure, AEGON has risk policies in place. Many of these policies are group wide while others are specific to local businesses. The group level policies limit the company's exposure to major risks such as equity, interest rates, credit and currency. The limits in these policies in aggregate remain within AEGON's overall tolerance for risk as well as its financial resources. Operating within this policy framework, AEGON employs risk management programs including asset liability management (ALM) processes and models, hedging programs (which are largely conducted via the use of derivatives) and insurance programs (which are largely conducted through the use of reinsurance). These risk management programs are in place in each country unit. They are used not only to manage risk in each unit, but are also part of overall Group Risk Management.

AEGON operates a Derivative Use Policy and a Reinsurance Use Policy to govern its use of derivatives and reinsurance. These policies establish the control, authorization, execution and monitoring requirements for the use of such instruments. In addition, these policies stipulate necessary mitigation of credit risk created through these derivatives and reinsurance risk management tools. For derivatives, credit risk is normally mitigated by requirements to post collateral via credit support annex agreements. For reinsurance, credit risk is normally mitigated by downgrade triggers allowing AEGON's recapture of business, as well as funds withheld by treaties (when AEGON owns the assets) and assets held in trust for the benefit of the Group (in the event of reinsurer insolvency).

As part of these risk management programs, AEGON takes inventory of its risk position across risk categories. AEGON also measures the sensitivity of net income and shareholders' equity under both stochastic and deterministic scenarios. Management uses the insight gained through these 'what if?' scenarios to manage the Group's risk exposure and capital position. The models, scenarios and assumptions used are reviewed regularly and updated as necessary.

Results from AEGON's sensitivity analyses are presented throughout this section to show the estimated sensitivity of net income and equity to various scenarios. For each type of market risk, the analysis shows how IFRS net income and equity would have been affected by changes in the relevant risk variable that were reasonably possible at the reporting date. For each sensitivity test the impact of a reasonably possible change in a single factor is shown. The analysis considers the interdependency between interest rates and lapse behavior for products sold in the Americas where there is clear evidence of dynamic lapse behavior. Management action is taken into account to the extent that it is part of AEGON's regular policies and procedures, such as established hedging programs. However, incidental management actions that would require a change in policies and procedures are not taken into account.

[1] The information in this section (page 56-73) has been prepared in accordance with IFRS 7 'Financial Instruments Disclosure'.

Each sensitivity analysis reflects the extent to which the shock tested would affect management's critical accounting estimates and judgement in applying AEGON's accounting policies[2]. Market-consistent assumptions underlying the measurement of non-listed assets and liabilities are adjusted to reflect the shock tested. The shock may also affect the measurement of assets and liabilities based on assumptions that are not observable in the market. For example, a shock in interest rates may lead to changes in the amortization schedule of deferred policy acquisition costs or to an increase in impairment losses on equity investments. Although management's short-term assumptions may change, if there is a reasonable change in a risk factor, long-term assumptions will generally not be revised unless there is evidence that the movement is permanent. This fact is reflected in the sensitivity analyses provided below.

Being based on IFRS, the accounting mismatch inherent in IFRS is also apparent in the reported sensitivities. A change in interest rates has an immediate impact on the carrying amount of assets measured at fair value. However, the shock will not have the same effect on the carrying amount of the related insurance liabilities that are measured using prudent assumptions or on management's long-term expectations. Consequently, the different measurement bases for assets and liabilities leads to increased volatility in IFRS net income and equity. AEGON has classified a significant part of its investment portfolio as 'Available for Sale', which is one of the main reasons why the economic shocks tested have a different impact on net income than on equity. Unrealized gains and losses on these assets are not recognized in the income statement but are booked directly to the revaluation reserves in equity, unless impaired. As a result, economic sensitivities predominantly impact equity but leave net income unaffected. The effect of movements of the revaluation reserve on capitalisation ratios and capital adequacy are minimal. AEGON's target ratio for the composition of its capital base is based on shareholders' equity excluding the revaluation reserve (see also page 78).

The sensitivities do not reflect what the net income for the period would have been had risk variables been different because the analysis is based on the exposures in existence at the reporting date rather than on those actually occurring during the year. Nor are the results of the sensitivities intended to be an accurate prediction of AEGON's future equity or earnings. The analysis does not take into account the impact of future new business, which is an important component of AEGON's future earnings. Neither does it consider all methods available to management to respond to changes in the financial environment, such as changing investment portfolio allocations or adjusting premiums and crediting rates. Furthermore, the results of the analyses cannot be extrapolated for wider variations since effects tend not to be linear. No risk management process can clearly predict future results.

CURRENCY EXCHANGE RATE RISK

As an international group, AEGON is subject to foreign currency translation risk. Foreign currency exposure exists when policies are denominated in currencies other than the issuer's functional currency. Currency risk in the investment portfolios backing insurance and investment liabilities are managed using asset liability matching principles. Assets allocated to equity are kept in local currencies to the extent shareholders' equity is required to satisfy regulatory and self-imposed capital requirements. Therefore, currency exchange rate fluctuations may affect the level of shareholders' equity as a result of translation of subsidiaries into euros, the Group's presentation currency. AEGON holds the remainder of its capital base (capital securities, subordinated and senior debt) in various currencies in amounts that are targeted to correspond to the book value of its country units. This balancing mitigates currency translation impacts on equity and leverage ratios. AEGON does not hedge the income streams from the main non-euro units and, as a result, earnings may fluctuate due to currency translation. As AEGON has significant business segments in the Americas and in the United Kingdom, the principal sources of exposure from currency fluctuations are from the differences between the US dollar and the euro and between the UK pound and the euro. AEGON may experience significant changes in net income and shareholders' equity because of these fluctuations.

AEGON operates a Currency Risk Policy under which direct currency speculation or program trading by country units is not allowed unless explicit approval has been granted by the Group Risk and Capital Committee.

[2] Please refer to note 3 of the financial statements for a description of the critical accounting estimates and judgements.

Assets should be held in the functional currency of the business written or hedged back to that currency. Where this is not possible or practical, remaining currency exposure is subject to documentation requirements and limits are placed on the total exposure at both group level and for individual country units. Information on AEGON's three-year historical net income and equity in functional currency on an IFRS basis are shown in table 1.

The exchange rates for US dollar and UK pound per euro for each of the last five year-ends are set forth in the table below.

Closing rates	2007	2006	2005	2004	2003
USD	1.47	1.32	1.18	1.36	1.26
GBP	0.73	0.67	0.69	0.71	0.70

AEGON group companies' foreign currency exposure from transactions denominated in foreign currencies is not material.

The estimated approximate effects on net income and shareholders' equity of movements in the exchange rates of AEGON's non-euro currencies relative to the euro as included in table 2 on page 59, are due to the translation of subsidiaries and joint-ventures in the consolidated financial statements.

INTEREST RATE RISK

AEGON bears interest rate risk with many of its products. In cases where cash flows are highly predictable, investing in assets that closely match the cashflow profile of the liabilities can offset this risk. For some AEGON country units, local capital markets are not well developed. This prevents the complete matching of assets and liabilities for those businesses. For some products, cash flows are less predictable as a result of policyholder actions that can be affected by the level of interest rates.

In periods of rapidly increasing interest rates, policy loans, surrenders and withdrawals may and usually do increase. Premiums in flexible premium policies may decrease as policyholders seek investments with higher perceived returns. This activity may result in cash payments by AEGON requiring the sale of invested assets at a time when the prices of those assets are adversely affected by the increase in market interest rates. This may result in realized investment losses. These cash payments to policyholders result in a decrease in total invested assets and a decrease in net income. Among other things, early withdrawals may also require accelerated amortization of deferred policy acquisition costs (DPAC), which in turn reduces net income.

During periods of sustained low interest rates, AEGON may not be able to preserve margins as a result of minimum interest rate guarantees and minimum guaranteed crediting rates provided on policies. Also, investment earnings may be lower because the interest earnings on new fixed-income investments are likely to have declined with the market interest rates. Mortgages and redeemable bonds in the investment portfolio are more likely to be repaid as borrowers seek to borrow at lower interest rates and AEGON may be required to reinvest the proceeds in securities bearing lower interest rates. Accordingly, net income declines as a result of a decrease in the spread between returns on the investment portfolio and the interest rates either credited to policyholders or assumed in reserves.

Table 1

In million	2007	2006	2005
Net income			
AEGON Americas (in USD)	2,184	1,951	2,014
AEGON The Netherlands (in EUR)	606	1,420	429
United Kingdom (in GBP)	183	158	98
Other countries (in EUR)	73	36	211
Equity in functional currency			
AEGON Americas (in USD)	19,056	19,776	19,128
AEGON The Netherlands (in EUR)	3,079	4,235	4,428
United Kingdom (in GBP)	2,166	2,285	2,124
Other countries (in EUR)	1,413	1,336	1,155

AEGON manages interest rate risk closely, taking into account all of the complexity regarding policyholder behavior and management action. AEGON employs sophisticated interest rate measurement techniques and actively uses derivatives and other risk mitigation tools to closely manage its interest rate risk exposure. All derivative use is governed by AEGON Derivative Use Policy.

Table 3 shows interest rates at the end of each of the last five years.

The sensitivity analysis in table 4 on page 60 shows an estimate of the effect of a parallel shift in the yield curve on net income and equity. Increases in interest rates have a negative effect on IFRS equity and net income in the current year because it results in unrealized losses on investments that are carried at fair value. The offsetting economic gain on the insurance and investment contracts is however not fully reflected in the sensitivities because many of these liabilities are not measured at fair value. Over time, the short-term reduction in net income due to rising interest rates would be offset by higher net income in later years, all else being equal. Therefore, rising interest rates are not considered a long-term risk to the company.

The sensitivity analysis reflects the assets and liabilities held at year end. This does not necessarily reflect the risk exposure during the year as significant events do not necessarily occur on January 1. Changes in sensitivities between 2006 and 2007 arise primarily from the completion of the hedging program of guarantees valued at fair value of AEGON The Netherlands.

CREDIT RISK

As premiums and deposits are received, these funds are invested to pay for future policyholder obligations. For general account products, AEGON typically bears the risk for investment performance equaling the return of principal and interest. AEGON is exposed to credit risk on its general account fixed-income portfolio (bonds, mortgages and private placements), over-the-counter derivatives and reinsurance contracts. In the past, some issuers have defaulted on their financial obligations for various reasons, including bankruptcy, lack of liquidity, downturns in the economy, downturns in real estate values, operational failure and fraud. In the past, poor economic and investment climates in AEGON's major markets resulted in significant investment impairments on the Group's investment assets due to defaults and overall declines in the securities markets. Impairments on bonds held by AEGON have been low in recent years. However, a return to excessive defaults or other reductions in the value of these securities and loans could have a materially adverse effect on AEGON's business, results of operations and financial condition.

Table 2

Sensitivity analysis of net income and shareholders' equity to currency exchange rate markets[1]

Movement of markets[1] In EUR million	Estimated approximate effects on net income	Estimated approximate effects on shareholders' equity
2007		
Increase by 15% of non-euro currencies relative to the euro	258	2,298
Decrease by 15% of non-euro currencies relative to the euro	(258)	(2,298)
2006		
Increase by 15% of non-euro currencies relative to the euro	248	2,666
Decrease by 15% of non-euro currencies relative to the euro	(248)	(2,666)

[1] The effect of currency exchange movements is reflected as a one-time shift up or down in the value of the non-euro currencies relative to the euro on December 31, 2007.

Table 3

Interest rates	2007	2006	2005	2004	2003
3-month US LIBOR	4.70%	5.36%	4.54%	2.56%	1.15%
3-month EURIBOR	4.69%	3.73%	2.49%	2.16%	2.12%
10-year US Treasury	4.03%	4.70%	4.39%	4.22%	4.25%
10-year Dutch government	4.32%	3.97%	3.29%	3.68%	4.29%

Table 5 shows the Group's maximum gross credit exposure from investments (credit protection not taken into account) in general account financial assets, as well as general account derivatives and reinsurance assets. Please refer to notes 46 and 47 to AEGON's consolidated financial statements for further information on capital commitments and contingencies and on collateral given, which may expose the Group to credit risk.

AEGON has entered into free-standing credit derivative transactions (Single Tranche Synthetic CDOs and Single Name Credit Default Swaps). The positions outstanding at the end of the year can be summarized as shown in table 6 on page 61. For a fee, AEGON USA takes credit exposure on a credit index, i.e. super-senior tranches of a CDX index, via a synthetic collateralized debt obligation program (synthetic CDO's). This index is composed of a reference portfolio of 125 investment grade corporate credits. Eighty-four percent of the exposure is to the most senior of the super-senior tranches. i.e. the 30% - 100% tranche. That means that losses to AEGON would only occur if cumulative net losses on the CDX index exceeded 30%, where cumulative net loss is defined as bond defaults net of recoveries. AEGON considers the probability of losses at these levels to be extremely remote and hence does not expect any cash losses to occur from these synthetic CDO positions. The average duration of the outstanding transactions is 4.7 years. As these derivatives are marked to market through earnings, they may cause substantial operational earnings volatility prior to maturity due to credit spread volatility. Assuming there are no cash losses from the positions, any mark to market effect on operating earnings will be reversed by maturity. At December 31, 2007, the notional amount of this program was EUR 4.5 billion with a negative market value of EUR 30 million.

Table 4

Sensitivity analysis of net income and shareholders' equity to interest rates

Parallel movement of yield curve In EUR million	Estimated approximate effects on net income	Estimated approximate effects on shareholders' equity
2007		
Shift up 100 basis points	(222)	(2,598)
Shift down 100 basis points	142	2,697
2006		
Shift up 100 basis points	(454)	(2,376)
Shift down 100 basis points	414	2,496

Table 5

Gross credit exposure in general account investments

In EUR million	Exposure 2007	Exposure 2006
Shares [1]	3,935	7,745
Bonds – carried at fair value	93,086	96,051
Bonds – carried at amortized cost	1,846	1,503
Money market and other short-term investments- carried at fair value	5,387	4,425
Mortgage loans - carried at amortized cost	17,853	16,171
Private loans- carried at amortized cost	804	307
Other loans- carried at amortized cost	3,897	4,127
Other financial assets – carried at fair value	3,502	3,222
Other financial assets – carried at amortized cost	30	24
Derivatives with positive values	1,260	1,510
Reinsurance assets	4,074	3,691
GENERAL ACCOUNT EXPOSURE	**135,674**	**138,776**

[1] Further information on equity risk is provided in the section 'equity market and other investment risk'.

AEGON manages credit risk exposure by individual counterparty, sector and asset class. Normally, it mitigates credit risk in derivative contracts by entering into collateral agreements where practical and in International Swaps and Derivatives Association (ISDA) master netting agreements for each of the Group's legal entities to facilitate AEGON's right to offset credit risk exposure. Main counterparties to these transactions are investment banks and are typically rated AA or higher. The credit support agreement will usually dictate the threshold over which collateral needs to be pledged by AEGON or its counterparty. Transactions requiring AEGON or its counterparty to post collateral are typically the result of over-the-counter derivative trades, comprised mostly of interest rate swaps, currency swaps, and credit swaps. Collateral received is mainly cash (USD and EUR). The Credit Support Agreements that outline acceptable collateral require high quality instruments to be posted. Nearly all securities received as collateral are US Treasuries or US Agency bonds. In 2007 and 2006, AEGON did not take possession of collateral or called on other credit enhancements.

The credit risk associated with financial assets subject to a master netting arrangement is eliminated only to the extent that financial liabilities due to the same counterparty will be settled after the assets are realized. The extent to which the exposure to credit risk is reduced through a master netting agreement may change substantially within a short period of time because the exposure is affected by each transaction subject to the arrangement. AEGON may also mitigate credit risk in reinsurance contracts by including downgrade clauses that allow the recapture of business, retaining ownership of assets required to support liabilities ceded or by requiring the reinsurer to hold assets in trust.

For the resulting net credit risk exposure, AEGON employs deterministic and stochastic credit risk modeling to assess the Group's credit risk profile, associated earnings and capital implications due to various credit loss scenarios.

AEGON operates a Credit Name Limit Policy under which limits are placed on the aggregate exposure that the Group has to any one counterparty. Limits are placed on the exposure at both group level and for individual country units. The limits also vary by a rating system, which is a composite of the main rating agencies (Fitch, Moody's and S&P) and AEGON's internal rating of the counterparty. If an exposure exceeds the stated limit then the exposure must be reduced to the limit for the country unit and rating category as soon as possible. Exceptions to these limits may only be made after explicit approval from AEGON's Group Risk and Capital Committee. This policy is reviewed regularly.

AEGON group-wide counterparty exposure limits at the end of 2007 are:

Credit rating

In EUR million	Limit
AAA	1,000
AA	1,000
A	750
BBB	500
BB	250
B	125
CCC or lower	50

The limits were not changed for 2007 and there were no other material changes to the policy. There were no violations of the group-wide limits at year end 2007.

Table 6

In EUR million	Notional 2007	Fair Value 2007	Notional 2006	Fair Value 2006
Synthetic CDOs	4,497	(29)	7	1
Credit default swaps	1,286	(14)	0	0

CREDIT RATING

The ratings distribution of general account portfolios of AEGON's major country units are presented in table 7, organized by rating category and split by assets that are valued at fair value and those valued at amortized cost. Table 8 shows the credit quality of the gross balance sheet positions for general account reinsurance assets:

Table 8

In EUR million	Carrying value 2007	Carrying value 2006
AAA	151	7
AA	2,703	1,865
A	438	1,057
Below A	163	28
Not rated	619	734
	4,074	**3,691**

Table 7

General account investments excluding reinsurance assets

	Americas		The Netherlands		United Kingdom		Other countries		Total 2007 [1]	
In EUR million	Amort cost	Fair value	Amort cost	Fair value	Amort cost	Fair value	Amort cost	Fair value	Amort cost	Fair value
Sovereign exposure	–	5,054	259	12,865	–	637	1,579	882	1,838	19,452
AAA	–	16,757	155	2,000	–	242	46	210	201	19,228
AA	–	6,574	317	1,641	–	936	82	418	399	9,569
A	–	19,012	–	554	–	2,818	201	637	201	23,021
BBB	–	15,551	2	681	–	924	59	31	61	17,187
BB	–	1,482	–	276	–	–	10	11	10	1,769
B	–	1,106	9	126	–	12	–	4	9	1,248
CCC or lower	–	168	–	16	–	–	–	–	–	184
Assets not rated	13,459	12,120	7,524	2,512	7	125	437	166	21,427	15,183
Total	**13,459**	**77,824**	**8,266**	**20,671**	**7**	**5,694**	**2,414**	**2,359**	**24,146**	**106,841**
Past due and/or impaired assets	3	235	250	90	–	2	33	–	286	327
TOTAL ON BALANCE CREDIT EXPOSURE	**13,462**	**78,059**	**8,516**	**20,761**	**7**	**5,696**	**2,447**	**2,359**	**24,432**	**107,168**

[1] Includes investments of Holding and other activities.

	Americas		The Netherlands		United Kingdom		Other countries		Total 2006 [1]	
In EUR million	Amort cost	Fair value	Amort cost	Fair value	Amort cost	Fair value	Amort cost	Fair value	Amort cost	Fair value
Sovereign exposure	–	6,035	–	9,611	–	359	1,294	935	1,311	16,940
AAA	–	17,134	–	1,464	–	160	31	243	35	18,999
AA	–	8,698	–	921	–	793	56	443	56	10,855
A	–	19,185	–	1,839	–	2,271	140	713	140	24,009
BBB	–	16,618	–	633	–	680	57	22	57	17,953
BB	–	1,775	–	155	–	–	7	4	7	1,934
B	–	1,452	–	161	–	–	–	2	–	1,615
CCC or lower	–	206	–	17	–	–	–	–	–	223
Assets not rated	13,114	13,314	6,818	5,474	–	164	278	90	20,210	19,342
Total	**13,114**	**84,417**	**6,818**	**20,275**	**–**	**4,427**	**1,863**	**2,452**	**21,816**	**111,871**
Past due and/or impaired assets	43	374	294	682	–	2	3	–	340	1,058
TOTAL ON BALANCE CREDIT EXPOSURE	**13,157**	**84,791**	**7,112**	**20,957**	**–**	**4,429**	**1,866**	**2,452**	**22,156**	**112,929**

[1] Includes investments of Holding and other activities.

CREDIT RISK CONCENTRATION

The tables 18-20 on page 71-73 present specific credit risk concentration information for general account financial assets. Included in the bonds and money market investments are EUR 1,846 million in assets classified as held-to maturity and are therefore carried at amortized cost (2006: EUR 1,502 million). Of the EUR 1,846 million assets held-to-maturity, EUR 1,579 million are government bonds (2006: EUR 1,294 million), EUR 8 million is ABS exposure (2006: EUR 8 million) and EUR 259 million is Corporate exposure (2006: EUR 200 million).

ADDITIONAL INFORMATION ON AEGON USA'S EXPOSURE

AEGON USA exposure

In EUR million	
ABSs – Housing related	2,840
Residential mortgage backed securities	5,039
Commercial mortgage backed securities	4,544

ABS – Housing

ABS housing securities are secured by pools of residential mortgage loans, primarily those which are categorized as subprime. The unrealized loss is primarily due to decreased liquidity and increased credit spreads in the market combined with significant increases in expected losses on loans within the underlying pools. Expected losses within the underlying pools are generally higher than original expectations, primarily in certain later-vintage adjustable rate mortgage loan pools, which has led to some rating downgrades in these securities.

ABS – Subprime mortgage exposure

AEGON USA categorizes asset backed securities issued by a securitization trust as having subprime mortgage exposure when the average credit score of the underlying mortgage borrowers in a securitization trust is below 660. AEGON USA also categorizes asset backed securities issued by a securitization trust with second lien mortgages as subprime mortgage exposure, even though a significant percentage of second lien mortgage borrowers may not necessarily have credit scores below 660. AEGON USA does not currently invest in or originate whole loan residential mortgages. As of December 31, 2007, the amortized cost of investments backed by subprime mortgage loans was EUR 2,866 million and the market value was EUR 2,524 million.

Table 9 provides the market values of AEGON's subprime mortgage exposure by rating and by vintage.

In addition, AEGON USA has exposure to asset backed securities collateralized by manufactured housing loans. The market value of these securities is EUR 200 million with an amortized cost balance of EUR 193 million. All but one position have vintages of 2003 or prior. These amounts are not included in the subprime mortgage exposure in table 9.

Table 9

Subprime mortgage exposure

Market value by quality

In EUR million	AAA	AA	A	BBB	< BBB	Total
Subprime mortgages - Fixed rate	1,016	66	–	–	–	1,082
Subprime mortgages - Floating rate	314	528	9	1	–	852
Second lien mortgages [1]	539	32	13	2	4	590
TOTAL	**1,869**	**626**	**22**	**3**	**4**	**2,524**
	74.0%	**24.8%**	**0.9%**	**0.1%**	**0.2%**	**100.0%**

Market value by vintage

In EUR million	Pre-2004	2004	2005	2006	2007	Total
Subprime mortgages - Fixed rate	455	146	149	131	201	1,082
Subprime mortgages - Floating rate	69	26	232	295	230	852
Second lien mortgages [1]	122	42	66	147	213	590
TOTAL	**646**	**214**	**447**	**573**	**644**	**2,524**
	25.6%	**8.5%**	**17.7%**	**22.7%**	**25.5%**	**100.0%**

[1] Second lien collateral primarily composed of loans to prime and Alt-A borrowers.

Where credit events may be impacting the unrealized losses, cash flows are modeled using effective interest rates.

In cases where models indicate full recovery of principal and interest, AEGON does not consider those securities to be impaired. There are no individual issuers rated below investment grade in the ABS-housing sector whith unrealized loss positions greater than EUR 15 million.

RESIDENTIAL MORTGAGE-BACKED SECURITIES

AEGON USA holds EUR 5,039 million of residential mortgage backed securities (RMBS).

RMBS are securitizations of underlying pools of non-commercial mortgages on real estate. The underlying residential mortgages have varying credit ratings and are pooled together and sold in tranches. AEGON USA's RMBS include collateralized mortgage obligations (CMOs), Government Sponsored Enterprise (GSE) guaranteed passthroughs, whole loan passthroughs, Alt-A MBS and negative amortization MBS.

The unrealized loss on residential mortgage-backed securities is EUR 177 million. Of the RMBS unrealized losses, EUR 55 million is attributed to the generic shelf name, SASCO (Structured Asset Securities Corporation). When SASCO holdings in the RMBS sector are combined with SASCO holdings in the ABS-housing sector, AEGON holds EUR 700 million of the issuer's securities with unrealized losses of EUR 70 million, all of which are rated A or above. AEGON owns several securities under the SASCO name, with each transaction containing its own unique pool of collateral and representing a separate and distinct trust. The combination of low reset margin, slower prepayment speeds, illiquidity in the market, and general level of credit spread widening have pushed the overall market value as a percent of cost price on those RMBS bonds in an unrealized loss position to 92%. The unrealized loss on SASCO is not credit driven but rather a reflection of the move in interest rates and credit spreads relative to the level at which these deals were originally priced.

For all securities in an unrealized loss position, the market to cost ratio is 95%. As the unrealized losses on AEGON's residential mortgage-backed securities are attributable to credit spread widening and not fundamental credit problems with the issuer or collateral, AEGON does not consider the underlying investments to be impaired as of December 31, 2007.

Alt-A mortgage exposure

AEGON USA's RMBS exposure includes exposure to securitized home equity loans (Alt-A positions). This portfolio totaled EUR 844 million at December 31, 2007, with virtually all such securities rated AAA. Unrealized losses amount to EUR 18 million at December 31, 2007. Alt-A loans are made to borrowers whose qualifying mortgage characteristics do not meet the standard underwriting criteria established by the GSEs (Government-Sponsored Enterprises). The typical Alt-A borrower has a credit score high enough to obtain an 'A' standing, which is especially important since the score must compensate for the lack of other necessary documentation related to borrower income and/or assets.

AEGON's investments in Alt-A mortgages are in the form of mortgage backed securities. AEGON's Alt-A investments are all backed by loans with fixed interest rates for the entire term of the loan. In addition, one-third of the Alt-A portfolio is invested in super-senior tranches. Mortgage-backed securities classified as super-senior are those that substantially exceed the subordination requirements of AAA-rated securities. The tables below summarize the credit quality of the underlying loans backing the securities and the vintage year.

Rating In EUR million	Market value	%
AAA	842	99.8%
AA	–	0.0%
A	2	0.3%
TOTAL	**844**	**100.0%**

Vintage In EUR million	Market value	%
Prior 2002	–	0.0%
2002	2	0.2%
2003	7	0.8%
2004	84	10.0%
2005	262	31.1%
2006	341	40.4%
2007	148	17.5%
TOTAL	**844**	**100.0%**

Negative amortization mortgage exposure

As part of AEGON USA's RMBS exposure, AEGON USA holds EUR 1.5 billion of negative amortization mortgages (also known as option ARMs). Unrealized losses on this portfolio amounted to EUR 73 million at the end of 2007. Negative amortization mortgages are loans whereby the payment made by the borrower is less than the accrued interest due and the difference is added to the loan balance. When the accrued balance of the loan reaches the negative amortization limit (typically 110% to 125% of the original loan amount), the loan recalibrates to a fully amortizing level and a new minimum payment amount is determined. The homeowner's new minimum payment amount may be significantly higher than the original minimum payment amount. Exactly when these loans reach their negative amortization cap will vary, and is a function of the accrual rate on each loan, the minimum payment rate on each loan and the negative amortization limit itself. Typically, these loans are estimated to reach their negative amortization limit between three and five years from the date of origination.

AEGON's exposure to negative amortization mortgages is primarily AAA rated, with virtually all of these positions being 'super-senior' AAA-rated securities.

The following table provides the market values of negative amortization (Option ARMs) exposure by rating and by vintage.

Rating In EUR million	Market value	%
AAA	1,484	99.7%
AA	5	0.3%
A	–	0.0%
TOTAL	**1,489**	**100.0%**

Vintage In EUR million	Market value	%
2004 & Prior	50	3.3%
2005	488	32.8%
2006	643	43.2%
2007	308	20.7%
TOTAL	**1,489**	**100.0%**

COMMERCIAL MORTGAGE BACKED SECURITIES

AEGON USA holds EUR 4,544 million of commercial mortgage backed securities (CMBS). The unrealized loss on CMBS is EUR 89 million. The fundamentals of the CMBS market are, on average, strong but are starting to show signs of deterioration in some markets. The lending market remains virtually frozen as lenders continue to tighten their lending standards. A lack of liquidity in the market combined with a broad re-pricing of risk has led to increased spreads across the credit classes. The introduction of the 20% and 30% credit enhanced, super-senior AAA classes provides an offset to these negative fundamentals. Of the CMBS unrealized loss, 16% is attributed to the Lehman Brothers and UBS origination platform (LBUBS) deal shelf which is collateralized by diversified mortgages. The unrealized losses are a function of the absolute size of the Group's LBUBS holdings, EUR 613 million, and not due to credit related concerns. AEGON believes that the underlying investments are well underwritten and have performed relatively better than other comparable CMBS structures. The unrealized loss on LBUBS is not credit driven but rather a reflection of the move in interest rates and credit spreads relative to the level at which these deals were originally priced.

For all securities in an unrealized loss position, the market-to-cost ratio is 97%. As the unrealized losses on AEGON's CMBS are attributable to credit spread widening and not fundamental credit problems with the issuer or collateral, AEGON does not consider the underlying investments to be impaired as of December 31, 2007.

Monoline exposure

About EUR 2.8 billion of the bonds in AEGON USA's portfolio are wrapped by monoline insurers, of which EUR 800 million of bonds in the EUR 2.9 billion subprime portfolio. Using updated assumptions that reflect recent increases in subprime delinquencies, AEGON expects that the majority of these will remain at investment grade level. Expected claims against the monolines are less than EUR 14 million, although an insolvency by one of the monolines could create significant market price volatility for the affected holdings.

PAST DUE AND IMPAIRED ASSETS

Table 10 and table 11 provide information on past due and impaired financial assets. An asset is past due when a counterparty has failed to make a payment at the time it is contractually due. Assets are impaired when an impairment loss has been charged to the income statement relating to this asset. Once the impairment loss is reversed in subsequent periods, the asset is no longer considered to be impaired. When the terms and conditions of financial assets are renegotiated, the amended terms and conditions apply when determining whether the financial assets are past due. There were no renegotiated assets that would have been past due or impaired had they not been renegotiated during the reporting year (2006: nil). At December 31, 2007 and December 31, 2006, no collateral and other credit enhancements were held relating to financial assets that were then past due or individually impaired.

EQUITY MARKET AND OTHER INVESTMENT RISKS

Fluctuations in the equity, real estate and capital markets have in the past affected AEGON's profitability, capital position and sales of equity related products and may continue to do so. Exposure to equity, real estate and capital markets exists in both assets and liabilities. Asset exposure exists through direct equity investments, where AEGON bears all or most of the volatility in returns and investment performance risk. Equity market exposure is also present in insurance and investment contracts for account of policyholders where funds are invested in equities, such as variable annuities, unit-linked products and mutual funds. Although most of the risk remains with

Table 10

Past due but not impaired assets In EUR million	2007 0-6 mnth	2007 6-12 mnth	2007 > 1 year	2007 Total	2006 0-6 mnth	2006 6-12 mnth	2006 > 1 year	2006 Total
Bonds - carried at fair value	94	11	6	111	29	–	6	35
Mortgage loans	160	–	–	160	141	–	5	146
Other loans	–	–	–	–	3	–	–	3
Accrued Interest	2	–	–	2	3	–	1	4
TOTAL	256	11	6	273	176	–	12	188

Table 11

Impaired financial assets In EUR million	Carrying amount 2007	Carrying amount 2006
Shares	33	693
Bonds - carried at fair value	126	327
Money market and other short-term investments	56	–
Mortgage loans	71	90
Other loans	51	97
Other financial assets - carried at fair value	–	3
Other financial assets - carried at amortized cost	5	4
TOTAL	342	1,214

the policyholder, lower investment returns can reduce the asset management fee earned by AEGON on the asset balance in these products. In addition, some of this business has minimum return or accumulation guarantees. Volatile or poor market conditions may also significantly reduce the popularity of some of AEGON's savings and investment products, which could lead ultimately to lower sales and lower net income. Significant terrorist actions, as well as general economic conditions, have led to and may again result in significant decreases in the value of AEGON's equity investments.

The general account equity, real estate and other non-fixed-income portfolio of AEGON is presented in table 12.

Table 13 sets out the closing levels of certain major indices at the end of each of the last five years.

The sensitivity analysis of net income and shareholders' equity to changes in equity prices is presented in table 14. The sensitivity of shareholders' equity and net income to changes in equity and real estate markets reflects changes in the market value of AEGON's portfolio, changes in DPAC amortization, contributions to pension plans for AEGON's employees and the strengthening of the guaranteed minimum benefits, when applicable. The results of equity sensitivity tests are non-linear. The main reason for this is due to equity options sold to clients that are embedded in some of these products. In addition, more severe scenarios could cause accelerated DPAC amortization and guaranteed

Table 12

General account equity, real estate and other non-fixed income exposure

In million	AEGON Americas In USD	AEGON The Netherlands In EUR	AEGON UK In GBP	Other countries In EUR	Holdings and eliminations In EUR	Total In EUR
Equity funds	1,134	694	–	17	–	1,482
Common shares	953	930	49	140	70	1,853
Preferred shares	298	16	–	–	–	219
Investments in real estate	755	2,008	–	–	–	2,522
Real estate held for own use	215	132	–	37	14	329
Hedge funds	2,298	357	–	24	–	1,942
TOTAL	**5,653**	**4,137**	**49**	**218**	**84**	**8,347**

Table 13

Year-end	2007	2006	2005	2004	2003
S&P 500	1,468	1,418	1,248	1,212	1,112
Nasdaq	2,652	2,415	2,205	2,175	2,003
FTSE 100	6,457	6,221	5,619	4,814	4,477
AEX	516	495	437	348	338

Table 14

Sensitivity analysis of net income and shareholders' equity to equity markets

Immidiate change in In EUR million	Estimated approximate effects on net income	Estimated approximate effects on shareholders' equity
2007		
Equity increase 10%	198	324
Equity decrease 10%	(212)	(341)
2006		
Equity increase 10%	217	563
Equity decrease 10%	(210)	(556)

minimum benefits provisioning, while moderate scenarios may not. Changes in sensitivities between 2006 and 2007 arise as a result of the decrease in share positions from EUR 7,745 million at December 31, 2006, to EUR 3,935 million at December 31, 2007.

LIQUIDITY RISK

Liquidity risk is inherent in much of AEGON's business. Each asset purchased and liability sold has liquidity characteristics that are unique. Some liabilities are surrenderable while some assets, such as privately placed loans, mortgage loans, real estate and limited partnership interests, have low liquidity. If AEGON requires significant amounts of cash on short notice in excess of normal cash requirements and existing credit facilities, the Group may have difficulty selling these investments at attractive prices, in a timely manner, or both.

AEGON operates a Liquidity Risk Policy under which country units are obliged to maintain sufficient levels of highly liquid assets to meet cash demands by policyholders and account holders over the next two years. Potential cash demands are assessed under a stress scenario including spikes in disintermediation risk because of rising interest rates and concerns over AEGON's financial strength due to a hypothetical downgrade of the Company's credit rating. At the same time, the liquidity of assets other than cash and government issues is assumed to be severely impaired for an extended period of time. All units and AEGON Group must maintain enough liquidity without relying on surplus assets or bank lines in order to meet all cash needs under this extreme scenario.

The maturity analysis in table 15 shows the remaining contractual maturities of each category of financial liabilities. If the counterparty has a choice of when an amount is paid, the liability is included on the basis of the earliest date on which the country unit can be required to pay. Financial liabilities that the country unit can be required to repay on demand without any delay are reported in the category 'On demand'. If there is a notice period, the country unit should assume that notice is given immediately and present the repayment at the earliest date after the end of the notice period. When the amount payable is not fixed, the amount reported is determined by reference to the conditions existing at the reporting date.

Table 15

Maturity analysis

Gross undiscounted cash flows In EUR million	On demand	< 1 yr amount	1 < 5 yrs amount	5 < 10 yrs amount	> 10 yrs amount	Total amount
2007						
Trust pass-through securities	–	11	21	–	111	143
Subordinated loans	–	2	36	–	–	38
Borrowings	–	2,815	602	1,283	2,332	7,032
Investment contracts [1]	9,734	8,568	15,828	3,224	2,859	40,213
Investment contracts for account of policyholders [1]	11,219	10,329	–	–	–	21,548
Other financial liabilities	5,093	8,552	199	–	–	13,844
Financial derivatives [2]	–	4,889	18,891	9,634	19,199	52,613
2006						
Trust pass-through securities	–	–	–	–	123	123
Subordinated loans	–	2	38	–	–	40
Borrowings	–	377	1,801	1,552	2,792	6,522
Investment contracts [1]	9,865	9,325	15,618	3,378	2,802	40,988
Investment contracts for account of policyholders [1]	11,893	10,742	–	–	–	22,635
Other financial liabilities	8,303	7,164	285	–	–	15,752
Financial derivatives [2]	–	4,388	17,082	9,167	15,160	45,797

1 Excluding investment contracts with discretionary participating features.
2 Financial derivatives include all derivatives regardless whether they have a positive or a negative value. It does not include bifurcated embedded derivatives. These are presented together with the host contract. For interest rate derivatives only cashflows related to the pay leg are taken into account for determining the gross undiscounted cashflows.

For example, when the amount payable varies with changes in an index, the amount disclosed may be based on the level of the index at the reporting date.

AEGON's liquidity management is based on expected claims and benefit payments rather than on the contractual maturities. The projected cash benefit payments in table 16 are based on management's best estimates of the expected gross benefits and expenses, partially offset by the expected gross premiums, fees and charges relating to the existing business in force. Estimated cash benefit payments are based on mortality, morbidity and lapse assumptions comparable with AEGON's historical experience, modified for recently observed trends. Actual payment obligations may differ if experience varies from these assumptions. The cash benefit payments are presented on an undiscounted basis and are before deduction of tax and before reinsurance.

UNDERWRITING RISK

AEGON's earnings depend significantly on the extent to which actual claims experience is consistent with the assumptions used in setting prices for products and establishing technical liabilities and liabilities for claims. To the extent that actual claims experience is less favorable than the underlying assumptions used in establishing such liabilities, income would be reduced. Furthermore, if these higher claims were part of a permanent trend, AEGON may be required to increase liabilities, which could also reduce income. In addition, certain acquisition costs related to the sale of new policies and the purchase of policies already in force have been recorded as assets on the balance sheet and are being amortized into income over time. If the assumptions relating to the future profitability of these policies (such as future claims, investment income and expenses) are not realized, the amortization of these costs could be accelerated and may even require write offs due to unrecoverability. This could have a materially adverse effect on AEGON's business, results of operations and financial condition.

Table 16

Financial liabilities relating to insurance and investment contracts [1]

In EUR million	< 1 yr amount	1 < 5 yrs amount	5 < 10 yrs amount	> 10 yrs amount
2007				
Insurance contracts	6,646	19,714	17,270	113,191
Insurance contracts for account of policyholders	5,717	27,889	19,269	76,141
Investment contracts	11,590	18,149	5,332	10,249
Investment contracts for account of policyholders	4,789	19,434	21,729	86,430
2006				
Insurance contracts	7,696	21,898	16,941	110,155
Insurance contracts for account of policyholders	5,183	21,592	19,979	75,414
Investment contracts	14,069	15,538	5,837	9,775
Investment contracts for account of policyholders	4,214	19,290	21,940	83,098

[1] The projected cash benefit payments are based on management's best estimates of the expected gross benefits and expenses partially offset by the expected gross premiums, fees and charges relating to the existing business in force. Estimated cash benefit payments are based on mortality, morbidity and lapse assumptions comparable with AEGON's historical experience, modified for recent observed trends. Actual payment obligations may differ if experience varies from these assumptions. The cash benefit payments are presented on an undiscounted basis and are before deduction of tax and before reinsurance. The liability amount in AEGON's consolidated financial statements reflects the discounting for interest as well as adjustments for the timing of other factors as described above. As a result, the sum of the cash benefit payments shown for all years in the table exceeds the corresponding liability amounts included in notes 18, 19 and 21.

Sources of underwriting risk include policy lapses and policy claims such as mortality, morbidity and expenses. In general, AEGON is at risk if policy lapses increase as sometimes the Group is unable to fully recover up-front expenses in selling a product despite the presence of commission recoveries or surrender charges and fees. For mortality and morbidity risk, AEGON sells certain types of policies that are at risk if mortality or morbidity increases, such as term life insurance and accident insurance, and sells certain types of policies that are at risk if mortality decreases (longevity risk) such as annuity products. AEGON is also at risk if expenses are higher than assumed by management.

AEGON monitors and manages its underwriting risk by underwriting risk type. Attribution analysis is performed on earnings and reserve movements in order to understand the source of any material variation in actual results from what was expected. AEGON's units also perform experience studies for underwriting risk assumptions, comparing the Group's experience to industry experience as well as combining AEGON's experience and industry experience based on the depth of the history of each source to the Groups's underwriting assumptions. Where products have flexibele policy charges AEGON uses these analyses as the basis for modifying these charges, with a view to maintain a balance between policyholder and shareholder interests. AEGON also has the ability to reduce expense levels over time, thus mitigating unfavorable expense variation.

Sensitivity analysis of net income and shareholders' equity to various underwriting risks is shown in table 17. The sensitivities represent an increase or decrease of mortality and morbidity rates over 2007. Increases in mortality rates lead to an increase in the level of benefits and claims. The impact on net income and equity of sales transactions of investments required to meet the higher cash outflow are reflected in the sensitivities.

A shock in mortality or morbidity rates will generally not lead to a change in the assumptions underlying the measurement of the insurance liabilities as management will recognize that the shock is temporary.

Life insurers are also exposed to longevity risk. In practice, however, this longevity risk can be mitigated, for example by adjusting premium rates or through reinsurance transactions.

Table 17

Sensitivity analysis of net income and shareholders' equity to changes in various underwriting risks

Estimated approximate effect on	2007		2006	
In EUR million	Equity	Net income	Equity	Net income
20% increase in lapse rates	(95)	(95)	(91)	(91)
20% decrease in lapse rates	95	95	82	82
10% increase in mortality rates	(93)	(93)	(88)	(88)
10% decrease in mortality rates	90	90	88	88
10% increase in morbidity rates	(70)	(70)	(61)	(61)
10% decrease in morbidity rates	68	68	61	61

Table 18

Credit risk concentrations - shares In EUR million	Americas	The Netherlands	United Kingdom	Other countries	Total 2007[1]
Communication	45	–	–	17	62
Consumer cyclical	4	1	–	–	5
Consumer non-cyclical	21	2	–	11	34
Financials	697	292	7	25	1,091
Funds	771	1,637	57	27	2,492
Industries	–	33	–	36	69
Resources	–	3	–	–	3
Services cyclical	–	1	–	–	1
Services non-cyclical	–	1	–	–	1
Technology	23	1	–	–	24
Transport	2	–	–	9	11
Other	51	1	–	57	109
Total	**1,614**	**1,972**	**64**	**182**	**3,902**
Past due and/or impaired	7	24	2	–	33
TOTAL	**1,621**	**1,996**	**66**	**182**	**3,935**

Credit risk concentrations - shares In EUR million	Americas	The Netherlands	United Kingdom	Other countries	Total 2006[1]
Communication	56	38	–	11	105
Consumer cyclical	94	102	–	2	198
Consumer non-cyclical	29	309	–	–	338
Financials	1,035	1,531	–	5	2,571
Funds	682	1,302	71	21	2,076
Industries	20	351	–	5	376
Resources	–	227	–	–	227
Services cyclical	–	202	–	–	202
Services non-cyclical	–	374	–	–	374
Technology	75	156	–	–	231
Transport	2	38	–	–	40
Other	123	129	–	62	314
Total	**2,116**	**4,759**	**71**	**106**	**7,052**
Past due and/or impaired	18	673	2	–	693
TOTAL	**2,134**	**5,432**	**73**	**106**	**7,745**

[1] Includes investments of Holding and other activities.

Table 19

Credit risk concentrations – bonds and money market investments In EUR million	Americas	The Netherlands	United Kingdom	Other countries	**Total 2007** [1]
Asset backed securities (ABSs) - Aircraft	81	–	–	–	81
ABSs – Collateralized Bond Obligations (CBOs)	780	–	–	5	785
ABSs – Housing related	2,840	–	64	47	2,951
ABSs – Credit cards	2,627	5	–	4	2,636
ABSs – Other	2,660	120	216	–	2,996
Residential mortgage backed securities	5,039	–	–	52	5,091
Commercial mortgage backed securities	4,544	710	103	–	5,357
Financial	19,426	3,315	2,822	812	26,377
Industrial	23,528	1,018	1,497	515	26,560
Utility	5,675	126	256	99	6,156
Sovereign exposure	5,043	12,865	637	2,473	21,036
Total	**72,243**	**18,159**	**5,595**	**4,007**	**100,026**
Past due and/or impaired	227	66	–	–	293
TOTAL	**72,470**	**18,225**	**5,595**	**4,007**	**100,319**

[1] Includes investments of Holding and other activities.

Credit risk concentrations – bonds and money market investments In EUR million	Americas	The Netherlands	United Kingdom	Other countries	**Total** 2006 [1]
Asset backed securities (ABSs) - Aircraft	138	–	–	–	138
ABSs – Collateralized Bond Obligations (CBOs)	854	–	–	31	885
ABSs – Housing related	3,314	14	69	13	3,410
ABSs – Credit cards	2,558	–	–	–	2,558
ABSs – Other	3,022	–	167	42	3,231
Residential mortgage backed securities	5,273	–	56	58	5,387
Commercial mortgage backed securities	4,663	889	12	–	5,564
Financial	20,870	2,759	2,380	783	26,795
Industrial	25,920	1,232	1,137	431	28,721
Utility	6,013	306	154	194	6,667
Sovereign exposure	6,006	9,601	359	2,277	18,261
Total	**78,631**	**14,801**	**4,334**	**3,829**	**101,617**
Past due and/or impaired	352	10	–	–	362
TOTAL	**78,983**	**14,811**	**4,334**	**3,829**	**101,979**

[1] Includes investments of Holding and other activities.

Table 20

Credit risk concentrations - mortgages In EUR million	Americas	The Netherlands	United Kingdom	Other countries	Total 2007[1]
Agricultural	516	33	–	–	549
Apartment	1,914	706	–	–	2,620
Industrial	2,086	–	–	–	2,086
Office	4,336	25	–	–	4,361
Retail	2,118	1	–	79	2,198
Other commercial	86	14	–	1	101
Residential	449	5,258	–	–	5,707
Total	**11,505**	**6,037**	**–**	**80**	**17,622**
Past due and/or impaired	3	200	–	28	231
TOTAL	**11,508**	**6,237**	**–**	**108**	**17,853**

[1] Includes investments of Holding and other activities.

Credit risk concentrations - mortgages In EUR million	Americas	The Netherlands	United Kingdom	Other countries	Total 2006[1]
Agricultural	440	37	–	–	477
Apartment	2,003	413	–	–	2,416
Industrial	2,334	–	–	–	2,334
Office	4,058	28	–	–	4,086
Retail	2,346	1	–	2	2,349
Other commercial	486	17	–	2	505
Residential	105	3,663	–	–	3,768
Total	**11,772**	**4,159**	**–**	**4**	**15,935**
Past due and/or impaired	43	193	–	–	236
TOTAL	**11,815**	**4,352**	**–**	**4**	**16,171**

[1] Includes investments of Holding and other activities.

OTHER RISKS

PRODUCTS

AEGON may face claims from customers and adverse negative publicity if its products result in losses or fail to result in expected gains, regardless of the suitability of products for customers or the adequacy of the disclosure provided to customers by AEGON or its intermediaries. New products that are less well understood and that have less of a historical performance track record are more likely to be the subject of such claims. Any such claims could have a materially adverse effect on AEGON's results of operations, corporate reputation and financial condition.

TAX CHANGES

Insurance products enjoy certain tax advantages, particularly in the United States and the Netherlands, which permit the tax-deferred accumulation of earnings on the premiums paid by the holders of annuities and life insurance products under certain conditions and within certain limits. Taxes on this 'inside build-up' of earnings may not be payable at all and, if payable generally are due only when earnings are actually paid. The US Congress has, from time to time, considered possible legislation that would eliminate the deferral of taxation on the accretion of value within certain annuities and life insurance products. In addition, the US Congress passed legislation in 2001 that provided for reductions in the estate tax. The possibility of a permanent repeal of the estate tax continues to be discussed. This could have an impact on insurance products and sales in the United States. Changes to tax laws in the Netherlands at the end of 2005, meanwhile, have reduced the attractiveness of early retirement plans but tax advantages have been granted from January 1, 2006 for savings products known as Levensloop (Life Cycle). Any changes in United States or Dutch tax law affecting similar products could have a materially adverse effect on AEGON's business, results of operations and financial condition.

GENERAL ECONOMIC CONDITIONS

AEGON's results of operations and financial condition may be materially affected from time to time by general economic conditions, such as levels of employment, consumer lending or inflation in the countries in which AEGON operates.

RATINGS

A downgrade in AEGON's ratings may increase policy surrenders and withdrawals, adversely affect relationships with distributors and negatively affect the Group's results.

Claims paying ability and financial strength ratings are factors in establishing the competitive position of insurers. A rating downgrade (or the potential for such a downgrade) of AEGON or any of its rated insurance subsidiaries may, among other things, materially increase the number of policy surrenders and withdrawals by policyholders of cash values from their policies. The outcome of this may be cash payments requiring the sale of invested assets, including illiquid assets, at a price that may result in realized investment losses. Such cash payments to policyholders would result in a decrease in total invested assets as well as a decrease in net income. Among other things, early withdrawals may also cause AEGON to accelerate amortization of policy acquisition costs, reducing net income.

In addition, a downgrade may adversely affect relationships with broker-dealers, banks, agents, wholesalers and other distributors of AEGON's products and services. This may negatively impact new sales and adversely affect the Group's ability to compete. This would have a materially adverse effect on AEGON's business, results of operations and financial condition. The current Fitch, Moody's and Standard & Poor's (S&P) insurance financial strength ratings and ratings outlook of the Group's primary life insurance companies in AEGON's major country units are shown in the following table.

Ratings	AEGON USA	AEGON The Netherlands	AEGON Scottish Equitable
S&P rating	AA	AA	AA
S&P outlook	Stable	Stable	Stable
Moody's rating	Aa3	Not rated	Not rated
Moody's outlook	Stable	Not rated	Not rated
Fitch rating	AA+	Not rated	Not rated
Fitch outlook	Stable	Not rated	Not rated

Negative changes in credit ratings may also increase AEGON's cost of funding. During 2007, S&P maintained the credit ratings of AEGON N.V. at A+ with a stable outlook. Moody's Investor Service maintained the senior debt rating of AEGON N.V. at A2, with a stable outlook. Fitch Ratings maintained its AA- ratings for AEGON N.V.'s senior debt. On June 22, 2007, Moody's Investors Service withdrew the A1 insurance financial strength rating (stable outlook) of AEGON Scottish Equitable for business reasons.

INFORMATION TECHNOLOGY

While systems and processes are designed to support complex transactions and to avoid systems failure, fraud, information security failures, processing errors and breaches of regulation, any failure could lead to a materially adverse effect on AEGON's results of operations and corporate reputation. In addition, AEGON must commit significant resources to maintaining and enhancing the Group's existing systems in order to keep pace with industry standards and customer preferences. If AEGON fails to keep up-to-date information systems, it may not be able to rely on accurate information for product pricing, risk management and underwriting decisions.

CATASTROPHIC EVENTS

AEGON's operating results and financial position may be adversely affected by volatile natural and man-made disasters such as hurricanes, windstorms, earthquakes, terrorism, riots, fires and explosions. Over the past several years, changing weather patterns and climatic conditions have added to the unpredictability and frequency of natural disasters in certain parts of the world and created additional uncertainty as to future trends and exposure. Generally, AEGON seeks to reduce its exposure to these events through individual risk selection, monitoring risk accumulation and purchasing reinsurance. However, such events could lead to considerable financial loss to AEGON's business. Furthermore, natural disasters, terrorism and fires could disrupt AEGON's operations and result in significant loss of property, key personnel and information about clients and about itself. If AEGON's business continuity plans have not included effective contingencies for such events they could adversely affect AEGON's business, results of operations, corporate reputation and financial condition for a substantial period of time.

GOVERNMENT REGULATIONS

AEGON is subject to comprehensive regulation and supervision in all countries in which the Group operates. The primary purpose of such regulation is to protect policyholders, not holders of securities. Changes in existing insurance laws and regulations may affect the way in which AEGON conducts business and the products it offers.

Changes in pension and employee benefit regulation, social security regulation, financial services regulation, taxation and the regulation of securities products and transactions may adversely affect AEGON's ability to sell new policies or claims exposure on existing policies. Additionally, the insurance laws or regulations adopted or amended from time to time may be more restrictive or may result in higher costs than current requirements.

The US Sarbanes Oxley Act of 2002 (SOX) and rules subsequently implemented by the Security Exchange Commission and the New York Stock Exchange, require changes to some of AEGON's reporting and corporate governance practices, including the requirement that AEGON issue a report on internal controls over financial reporting, beginning for the year ending December 31, 2006 onwards. If AEGON is unable to maintain or achieve compliance with SOX, there may be a materially adverse impact on AEGON's business.

LITIGATION

AEGON faces significant risks of litigation and regulatory investigations and actions in connection with activities as an insurer, securities issuer, employer, investment advisor, investor and taxpayer. In recent years, the insurance industry has increasingly been the subject of litigation, investigation and regulatory activity by various governmental and enforcement authorities concerning common industry practices such as the disclosure of contingent commissions and the accounting treatment of finite reinsurance or other non-traditional insurance products. AEGON cannot predict at this time the effect this current trend towards litigation and investigation will have on the insurance industry or its business. Lawsuits, including class actions and regulatory actions, may be difficult to assess or quantify and may seek recovery of very large and/or indeterminate amounts, including punitive and treble damages. The existence of such lawsuits and magnitude may remain unknown for substantial periods of time. A substantial legal liability or a significant regulatory action could have a materially adverse effect on AEGON's business, results of operations and financial condition.

DEFAULT OF A MAJOR MARKET PARTICIPANT

The failure of a major market participant could disrupt securities markets or clearance and settlement systems in AEGON's markets, which could, in turn, cause market declines or volatility. Such a failure could lead to a chain of defaults that could adversely affect the Group. In addition, such a failure could impact future product sales as a potential result of reduced confidence in the insurance industry.

JUDGEMENTS OF COURTS IN THE UNITED STATES

The United States and the Netherlands do not currently have a treaty providing for the reciprocal recognition and enforcement of judgements (other than arbitration awards) in civil and commercial matters. Judgements of US courts, including those predicated on the civil liability provisions of the federal securities laws of the United States, may not be enforceable in Dutch courts. Therefore, AEGON's shareholders who obtain a judgement against AEGON in the United States may not be able to require the company to pay the amount of the judgement unless a competent court in the Netherlands gives binding effect to the judgement. It may, however, be possible for a US investor to bring an original action in a Dutch court to enforce liabilities against AEGON, its affiliates, directors, officers or any expert named therein who reside outside the United States, based upon the US federal securities laws.

CAPITAL AND LIQUIDITY MANAGEMENT

AEGON conducts its capital and liquidity management processes at various levels within the organization, coordinated for the Group by Group Treasury, under the remit of the Group Risk and Capital Committee.

The main goals of AEGON's capital and liquidity management are to manage capital efficiently across the Group in order to maximize returns, facilitate access to money and capital markets at competitive prices to minimize the cost of capital. At the same time, capital and liquidity management aims to ensure high standards of liquidity during periods of severely impaired financial markets and to manage capital adequacy to competitive standards within leverage tolerances consistent with strong capitalization.

CAPITAL ADEQUACY

AEGON manages capital adequacy at the level of its country units and their operating companies. AEGON seeks to support its internal capital adequacy levels at whichever is the higher of local regulatory requirements, the relevant local Standard & Poor's requirements for very strong capitalization or internally imposed (economic) requirements. During 2007, the capital adequacy of AEGON's operating units continued to be very strong. All of AEGON's units were capitalized within these tolerances. In the United States, AEGON held approximately 336% of the minimum capital required by the National Association of Insurance Commissioners at December 31, 2007.

CAPITAL BASE AND LEVERAGE TOLERANCES

AEGON applies leverage tolerances to its capital base. The capital base reflects the capital employed in core activities and consists of shareholders' equity (excluding revaluation reserve), capital securities, dated subordinated debt and senior debt. AEGON targets its capital base to comprise at least 70% shareholders' equity, 25% capital securities and a maximum of 5% dated subordinated and senior debt. At December 31, 2007, AEGON's capital base was within these prescribed tolerances. Shareholders' equity capital represented 71.5% of its total capital base, while perpetual capital securities comprised 21.7% of its total capital base. Senior and dated subordinated debt accounted for the remaining 6.8%. As part of its overall capital management strategy, AEGON successfully completed a EUR 1 billion share repurchase program in November 2007. The program has enabled AEGON to manage its capital base more efficiently without limiting AEGON's organic growth potential or its ability to carry out value-enhancing add-on acquisitions. During 2007, the ratio of shareholders' equity to total capital decreased, while capital leverage increased, mainly as a result of more efficient capital management. In September 2007, AEGON N.V. successfully issued USD 1,050 million of junior perpetual capital securities to further improve the quality of its capital base and reduce refinancing risk.

SHAREHOLDERS' EQUITY

Shareholders' equity was EUR 15,151 million at December 31, 2007, compared to EUR 18,605 million at December 31, 2006[1]. Net income of EUR 2,551 million was offset mainly by a decrease in the revaluation reserve of EUR 2,164 million, a decrease due to foreign currency movements of EUR 1,445 million (largely due to a lower US dollar), the EUR 1 billion share repurchase program, dividend payments, repurchased shares issued as stock dividends and coupon payments on perpetual capital securities.

DEBT FUNDING AND LIQUIDITY

AEGON's funding strategy continues to be based on assuring excellent access to international capital markets, while minimizing the cost of capital. As part of this strategy, AEGON aims to offer institutionally targeted debt securities and to maintain excellent access to retail

[1] 2006 information has been adjusted to reflect the retrospective application of the change in accounting principles relating to guarantees in the Netherlands, the change in definition of operating earnings to include our share in the net results of associates and a new line of business format. Refer to Note 2 in the financial statement for more information.

investors, as witnessed by the successful issuance of junior perpetual capital securities during recent years. AEGON's focus on the fixed income investor base continues to be supported by an active investor relations program to keep investors well informed on AEGON's strategy and results.

AEGON's liquidity management strategy is aimed at maintaining sufficient liquidity to ensure that the company can meet its payment obligations as they fall due. This is achieved by dispersing day-to-day funding requirements, maintaining a broad base of funding sources and maintaining a well-diversified portfolio of highly liquid assets. Liquidity is managed at both Group and business and country unit level.

Most of AEGON's debt is issued by the parent company, AEGON N.V. In addition, a limited number of other AEGON companies whose securities are guaranteed by AEGON N.V. have issued debt securities. AEGON N.V. has regular access to the capital markets under its USD 6 billion Euro Medium Term Notes Program. Access to the US markets is facilitated by a separate US shelf registration. AEGON N.V.'s and AEGON Funding Corp.'s (guaranteed by AEGON N.V.) combined USD 4.5 billion Euro and US Commercial Paper Program provide access to domestic and international money markets. AEGON maintains back-up credit facilities to support outstanding amounts under its commercial paper programs.

The principal arrangement is a USD 5 billion syndicated facility including a USD 3 billion back-up facility maturing in 2011 and extendable until 2013. This arrangement also includes a USD 2 billion multicurrency revolving letter of credit facility maturing in 2014, extendable until 2017. In addition, AEGON maintains USD 375 million of shorter dated bilateral back-up facilities. At December 31, 2007, AEGON N.V. had no amounts outstanding under its commercial paper programs.

Internal sources of liquidity include distributions from operating subsidiaries. During 2007, distributions from units exceeded interest expense, other holding company expenses and dividend payments. Internal distributions may be subject to (local) regulatory requirements. Excess liquidity is invested in highly liquid, short-term assets in accordance with internal risk management policies.

The duration profile of AEGON's capital leverage is managed in line with the duration of surplus assets related to investments in its subsidiaries, subject to liquidity needs, capital and other requirements. Of AEGON's total capital leverage at December 31, 2007, approximately EUR 500 million matures within three years and EUR 5.7 billion is perpetual or matures after five years. AEGON considers its working capital, backed by the external funding programs and facilities, to be amply sufficient for the Group's present requirements.

Operational leverage is not part of the capital base. At December 31, 2007, operational leverage was EUR 3.6 billion (2006: EUR 2.3 billion). Operational debt primarily relates to mortgage warehousing and the funding of US regulation XXX and Guideline AXXX redundant reserves. In 2007, AEGON completed three innovative capital management transactions, including a private value of inforce (ViF) securitization of GBP 92 million by AEGON UK, a 30-year USD 550 million Regulation XXX securitization and a private, 30-year USD 1.5 billion AXXX financing transaction with an initial size of USD 300 million. AEGON will continue to explore further opportunities for insurance-linked securitizations and other innovative capital market transactions as part of the Group's ongoing commitment to manage capital and reserve needs both efficiently and actively.

IN CONTROL STATEMENT

AEGON's internal audit function is responsible for ensuring that the design and operation of the Group's internal controls are both appropriate and effective. As part of this process, the internal audit departments carry out annual risk assessments.

In addition, AEGON also has a Group Risk and Capital Committee, which monitors AEGON's overall exposure to risk and makes recommendations for possible remedial action should it deem this risk to be excessive. This Committee is also responsible for ensuring that risk is properly measured and managed at country unit level. The Group Risk and Capital Committee reports its findings regularly to AEGON's Executive and Supervisory Boards.

AEGON's Executive Board documents and evaluates the effectiveness of internal controls over the Group's financial reporting process. As part of this, AEGON applies criteria established under 'Internal Control – Integrated Framework', the Treadway Commission's Committee of Sponsoring Organizations (COSO).

On the basis of this, AEGON's Executive Board makes the following statement regarding the Group's financial reporting risks:

- AEGON's risk management and control systems provide reasonable assurance that the Group's financial reporting does not contain any material inaccuracies;
- AEGON's risk management and control systems functioned properly in 2007;
- There are no indications to suggest that AEGON's risk management and control systems will not continue to function properly in 2008.

The risk management and control systems provide reasonable assurance regarding the reliability of financial reporting and the preparation and fair presentation of its published financial statements; however, cannot provide absolute assurance that a misstatement of AEGON'S financial statements would be prevented or detected.

CORPORATE GOVERNANCE AND REMUNERATION

The Remuneration Policy and Report can be found on pages 91 to 96. For detailed information about AEGON's corporate governance and compliance with the Dutch Corporate Governance Code, please refer to pages 97 to 100.

The Hague, March 5, 2008
THE EXECUTIVE BOARD

04 Chapter four
OUR GOVERNANCE

Serving customers and communities everywhere

REPORT OF THE SUPERVISORY BOARD

The Supervisory Board is entrusted with the task of supervising and advising the Executive Board on its management of the Group as well as overseeing AEGON's general course of affairs and strategy.

In performing their duties members of the Supervisory Board shall be guided by the interests of AEGON and its businesses and shall take into account the relevant interests of AEGON's stakeholders. The Supervisory Board is a separate corporate body, independent from the Executive Board. It currently consists of eleven members (further details on the composition of AEGON's Supervisory Board may be found on page 88-90).

The Supervisory Board makes recommendations to the General Meeting of Shareholders (AGM) concerning all appointments, reappointments and dismissals to and from both the Executive Board and the Supervisory Board itself. In addition, the Supervisory Board determines the remuneration of individual members of the Executive Board in line with the Remuneration Policy as adopted by the AGM.

In its meetings, the Supervisory Board regularly deals with the following issues:

- Business strategy
- Quarterly financial results
- Embedded value
- Accounting principles
- Dividend policy
- Capital position
- Budget
- Internal control procedures
- Risk management

CORPORATE GOVERNANCE

Details of AEGON's corporate governance structure as well as a summary of the Group's compliance with the Dutch Corporate Governance Code may be found on pages 97 to 100 of this Annual Report. In 2007, there were no material changes to AEGON's corporate governance structure. The full report on AEGON's compliance with the Code is published on the Group's website.

SUPERVISORY BOARD MEETINGS AND ACTIVITIES

ATTENDANCE

In 2007, the Supervisory Board held a total of seven meetings. The average attendance rate at the regular meetings was approximately 90%. No member of the Supervisory Board was frequently absent from the meetings.

In accordance with AEGON's Supervisory Board Rules, all regular meetings in 2007 were preceded by preparatory meetings, attended by the Chairman and Vice-Chairman of the Supervisory Board as well as the Chairman and CFO from the Executive Board. The committees of the Board held their meetings either before or after these meetings of the full Supervisory Board.

Members of AEGON's Executive Board attended all meetings held in 2007. Members of the Group's formed Management Board attended the meetings held in March, August, November and December.

AEGON's Director for Group Finance and Information also attended meetings during which the Supervisory Board discussed the annual results for 2006, interim and final shareholder dividends and all quarterly results and value of new business (VNB) figures published in 2007, as well as press releases related to these matters.

Representatives from Ernst & Young, AEGON's independent auditor, also attended the discussion on the Group's 2006 annual results.

In 2007, discussions within AEGON's Supervisory Board focused on the following issues:

- Strategy
- Finance and accounting
- Budget and capital
- Partnerships and acquisitions
- Appointments to both the Executive and Supervisory Boards
- Legal and compliance

In addition, the Board took time to review its own composition and performance and to discuss AEGON's risk management strategy in greater depth during its annual educational session.

STRATEGY

In May 2007, AEGON's Supervisory Board held its annual strategy meeting in Shanghai, China. This meeting was part of a visit to AEGON-CNOOC, the Group's life insurance joint venture in China, and to various government officials and regulators in Shanghai and Beijing. At the meeting the Supervisory Board discussed the Group's strategy, risk management and other business developments. The Supervisory Board attaches great importance to AEGON's recent efforts to expand its presence in Asia as a whole and in China in particular. Moreover, the Board also places value on regular meetings with AEGON's international senior management.

FINANCE/ACCOUNTING

In March 2007, the Supervisory Board discussed AEGON's annual results for 2006 and the Group's 2006 VNB figures. The Board also reviewed the Group's annual accounts 2006 and a proposal to the AGM for a final dividend for the year 2006.

In July, following a recommendation from the Audit Committee, the Supervisory Board agreed to a proposed change in accounting principles as applied by AEGON The Netherlands. This change served to increase the transparency of AEGON's financial results.

At meetings in August and November, the Supervisory Board reviewed the Group's second and third quarter results as well as separate disclosures on the VNB.

At the August meeting, the Group's interim dividend was approved, while in November the Board discussed a 2008 budget for VNB as well as a separate forecast covering the period 2009-2012. This forecast included the new VNB target for 2010, which was subsequently disclosed on November 26, 2007.

At several meetings held in the second half of 2007, the Supervisory Board and the Audit Committee were informed of developments in the US subprime market. Discussions focused both on market developments in general, and on AEGON's subprime exposure in particular.

BUDGET/CAPITAL

In August, the Board discussed and approved proposals for a EUR 1 billion share repurchase program in 2007. This program was completed as planned in November.

In its December meeting, the Supervisory Board's Audit Committee reviewed and discussed AEGON's Capital Plan 2008 as well as the Group's overall approach to questions of risk and capital management. The Board also received a separate report on these issues from AEGON's Audit Committee. The Board followed the recommendation of the Audit Committee to approve the budget and the budgeted Capital Plan for 2008 and to authorize the Executive Board to provide for AEGON's funding needs as budgeted for 2008. In addition, the Board approved a long-term incentive plan for AEGON staff worldwide, setting out terms for the distribution of stock option rights to employees in March 2008.

PARTNERSHIPS AND ACQUISITIONS

During its meetings in 2007, the Supervisory Board discussed a number of proposed new partnerships and acquisitions. Those announced during the year include the following:

- The partnership with Sony Life in Japan;
- The acquisition of Clark Inc. in the United States;
- The joint venture agreement with Taishin in Taiwan;
- The acquisition of Dutch life insurer OPTAS;
- The acquisition of US life insurance subsidiaries belonging to Merrill Lynch;
- The merger between AEGON's Polish pension fund management company with PTE Skarbiec-Emerytura.

APPOINTMENTS TO THE SUPERVISORY AND EXECUTIVE BOARDS

In March, the Supervisory Board agreed that shareholders be asked to approve:

- A new four-year term for Mr. Alexander R. Wynaendts as a member of AEGON's Executive Board;
- A new four-year term for Mr. Leo M. van Wijk as a member of the Group's Supervisory Board;
- The appointment of Ms. Karla M.H. Peijs and Mr. Antony Burgmans to the Supervisory Board.

All proposals above were accepted by shareholders at their AGM in April 2007.

In November, AEGON's Supervisory Board decided to appoint Mr. Alexander R. Wynaendts as successor to Mr. Donald J. Shepard as Chairman of the Group's Executive Board. Mr. Wynaendts will take up his new position on April 23, 2008, the date of Mr. Shepard's retirement from the Executive Board.

LEGAL AND COMPLIANCE

In 2007, the Supervisory Board again paid special attention to issues of compliance, in particular with regard to equity-linked insurance policies in the Netherlands as well as regulatory and other legal issues in Europe, the United States and Asia. The Board was also kept up to date with developments regarding AEGON's E-learning program and the Group's Code of Conduct.

In April, the AGM approved the amendment to the Articles of Incorporation, mainly dealing with facilitating electronic communications with shareholders and extending the locations for shareholders' meetings.

In November, the Board approved an amendment to the Executive Board Charter. Besides some minor legal updates, the revised internal control procedure for acquisitions, divestitures and joint ventures (as already approved in 2006) was added to the Charter. This Charter is published on AEGON's corporate website.

BOARD REVIEW AND EDUCATION

In December, the Supervisory Board reviewed and discussed its own composition and performance as well as that of the Executive Board, without Executive Board members being present.

Also in December, an annual educational session was held for members of the Supervisory Board. During this session, AEGON's Group Risk Officer gave a presentation on the company's approach to risk management, the implications of the new Solvency II capital adequacy requirements and AEGON's own Economic Capital Framework. These issues are of the utmost importance to AEGON and the Supervisory Board considered the presentation and the discussion that followed as extremely valuable.

RETIREMENT OF DONALD J. SHEPARD

In November 2007, it was announced that Mr. Shepard would be stepping down as Chairman of AEGON's Executive Board after six years at the helm of the company. Mr. Shepard's retirement takes effect at AEGON's 2008 General Meeting of Shareholders. In 2008, Mr. Shepard will be 62, his agreed retirement age.

Mr. Shepard led AEGON through challenging market conditions, particularly when he first took over as Chairman in 2002. During his time as Executive Board Chairman, AEGON has strengthened its financial position, expanded into new growth markets and is now well placed for future growth. The Supervisory Board would like to express its gratitude to Don Shepard for his many contributions to the growth of AEGON's businesses around the world during a career that has spanned almost four decades.

After a thorough selection process, the Supervisory Board identified Alexander R. Wynaendts as Mr. Shepard's successor. Mr. Wynaendts' strong financial background and broad international perspective make him the right person to lead AEGON into its next stage of growth. In addition, Mr. Wynaendts has been a vital and integral part of AEGON's senior management over the past several years. In particular, he has been instrumental in driving the recent expansion of the Group's international businesses. The Supervisory Board would like to wish Mr. Wynaendts every success in the years to come.

SUPERVISORY BOARD COMMITTEES

The Supervisory Board relies on its four committees, each made up of members selected from the Supervisory Board, to prepare specific issues for decision-making by the Board. In accordance with its Charter, each Committee reports its findings to the Supervisory Board during a subsequent Supervisory Board meeting.

In its December meeting the Board decided that the increasing importance of risk management warranted a separate committee to strengthen supervision of the Group's overall risk management strategy. This committee, called the Risk Committee, will initially consist of Messrs. Olcay (Chairman), Bailey and Levy. It will meet for the first time in March 2008. At the same time, it was decided that the tasks of the Strategy Committee would be taken over by the full Board.

THE AUDIT COMMITTEE

The Audit Committee held eight meetings in 2007, which also were attended by AEGON's Chief Financial Officer as well as other members of the Executive Board, the Director of Group Finance & Information and representatives of Ernst & Young, AEGON's independent auditor. AEGON's Group Internal Auditor, the Group Risk Officer and the Group Actuarial Officer also periodically attended Audit Committee meetings.

Discussions focused on the following topics:

- Quarterly results
- AEGON's annual accounts and the audit process
- Actuarial analyses
- Accounting principles as defined by IFRS and US GAAP
- Financial reports filed with the Securities and Exchange Commission
- AEGON's Capital Plan
- Reports on currency exposure
- Internal control systems
- Risk management
- External Auditor's Engagement Letter for 2007
- Integrated Audit Plan

The Audit Committee also discussed the publication of AEGON's 2006 Embedded Value Report and the Group's annual VNB figures. In July, the Audit Committee convened to discuss a proposed change to the accounting principles used in the Netherlands (see above).

External auditor

The Audit Committee recommended that Ernst & Young be reappointed for the 2007 financial year. It also discussed the role of independent auditors and the consequences of recent changes to the regulatory environment in both the United States and the Netherlands. In addition, the Committee confirmed that Shemaya Levy qualifies as a financial expert within the terms and conditions of both the Dutch Corporate Governance Code and the Sarbanes Oxley legislation in the United States. In accordance with legal requirements, the Audit Committee approved and recommended to the Supervisory Board to amend the Pre-approval Policy.

Internal auditor

Each quarter, the Audit Committee received an update on the activities of the Group's Internal Auditor as well as AEGON's compliance with US SOX 404 legislation and an overview of fraud and general compliance issues. During these meetings, the Audit Committee held separate sessions with the Group's Internal Auditor as well as with external auditors, to discuss their findings. Members of the Executive Board were not present at these sessions.

SEC filings

Two separate meetings, in March and September, were devoted to AEGON's filings during the year with the US Securities and Exchange Commission. These comprise the Group's:

- 2006 Annual Report (Form 20-F)
- Results for the first six months of 2007 (Form 6-K)

Risk management, capital and budget

During its meeting in December, the Audit Committee discussed AEGON's Risk Management Report with the Group Risk Officer. The Committee also conducted a review of the Group's 2008 budget, as well as the Group's Capital Plan. It conveyed its findings and recommendations to the Supervisory Board. The Audit Committee also advised the Board to authorize members of AEGON's Executive Board to provide for the Group's funding requirements as set out in the 2008 Capital Plan.

THE STRATEGY COMMITTEE

The Strategy Committee held two meetings in 2007, which were also attended by the members of AEGON's Executive Board. The purpose of the Strategy Committee is to review AEGON's overall business strategy, in addition to considering alternative strategies and material aspects relating to the realization of the Group's strategic objectives.

The Strategy Committee held extensive discussions on AEGON's corporate strategy and prepared a framework for the agenda of the Supervisory Board strategy meeting held in Shanghai in May. As required, all proceedings of the Strategy Committee's meetings were reported to the Supervisory Board. During 2007, these minutes were a regular item on the agenda of the Supervisory Board meetings. As mentioned above, the Strategy Committee was discontinued at the end of 2007.

THE NOMINATING COMMITTEE

AEGON's Nominating Committee held four meetings in 2007. The Chairman of the Executive Board attended all meetings. During the year, the Nominating Committee discussed the composition of the Supervisory Board and its committees as well as existing and forthcoming vacancies. It also advised the Supervisory Board on nominations for two appointments and one reappointment. In addition, the Nominating Committee reviewed the composition of the Executive Board and subsequently advised the Supervisory Board on Mr. Wynaendts' proposed new title of Chief Operating Officer. During the year, the Nominating Committee also discussed Mr. Shepard's succession. At its meeting on November 6, the Committee decided to recommend the Supervisory Board to appoint Mr. Wynaendts as Chairman of the Executive Board, effective April 23, 2008.

THE COMPENSATION COMMITTEE

The Compensation Committee held four meetings in 2007, also attended at certain moments by either the Chairman of the Executive Board or the Group's CFO. During the year, the Compensation Committee discussed Executive Board members' 2006 Short-Term and Long-Term Incentive Plans and advised the Supervisory Board on incentive payments in 2007. In February and March, the main item of discussion during the Committee's meetings was the new Remuneration Policy for the Executive Board. This new Remuneration Policy was proposed to and adopted by shareholders during their 2007 AGM in April and entered into effect January 1, 2007. The Committee also discussed AEGON's worldwide stock option plan. In December, the Committee reviewed Supervisory Board remuneration, comparing AEGON's arrangements with other leading Amsterdam-listed companies. The Committee decided to organize a benchmark assessment of AEGON's executive remuneration based on the Group's Dutch and international peers for the end of 2008. The Committee made use of the advice of Towers Perrin, external independent advisors.

REMUNERATION POLICY

The AGM adopted a new Remuneration Policy on April 25, 2007. Please refer to pages 92-96 of this Annual Report for the current Remuneration Policy and the full text of the Compensation Committee Remuneration Report and to pages 203-205 for further financial details.

COMPOSITION OF THE SUPERVISORY BOARD

All members of the Supervisory Board are considered independent according to the terms of the Dutch Corporate Governance Code with the exception of Mr. Storm. Mr. Storm is not regarded as independent within the definition of the Code since he served as Chairman of AEGON's Executive Board prior to his retirement in April 2002. Mr. Storm joined the Supervisory Board in July 2002.

In April 2007, shareholders appointed Ms. Peijs and Mr. Burgmans to the Supervisory Board. In addition, Mr. Van Wijk was reappointed to another four-year term of office after his previous mandate expired in 2007.

In 2008, the mandates of both Ms. Rembe and Mr. Olcay will expire. Neither is eligible for reappointment. Members of the Supervisory Board wish to thank both Ms. Rembe and Mr. Olcay for their long and distinguished service to AEGON. Also in 2008, the four-year term of Irving W. Bailey II and René Dahan will expire. During the 2008 AGM, the Board will propose shareholders reappoint Mr. Bailey for another four-year term. Mr. Dahan has informed the Board that, for personal reasons, he will not be available for reappointment. Following the advice of the Nominating Committee, the Supervisory Board has decided to nominate Cecelia Kempler, Rob Routs, Dirk Verbeek and Ben van der Veer for appointment. Their biographies will be provided together with the agenda for the 2008 AGM. These appointments bring the number of Supervisory Board members to twelve.

EXECUTIVE BOARD

In compliance with the Dutch Corporate Governance Code, members of the Executive Board are appointed by shareholders for a term of four years, with the possibility of reappointment for subsequent, additional four-year terms. A schedule for all members of the Executive Board is included in the Group's Executive Board Rules and posted on AEGON's corporate website.

In 2007, Mr. Wynaendts' mandate expired. He was elected to another term of four years by shareholders at the AGM in April 2007.

In 2006, it was decided to establish a separate Management Board to strengthen and coordinate the management of AEGON's business activities around the world. The Management Board came into effect on January 1, 2007.

Under this structure, the Executive Board continues as the Group's statutory executive body and legal representative of AEGON N.V., entrusted with the overall management and strategic direction of the company. The Management Board, meanwhile, oversees a broad range of other issues that affect AEGON's international business and growth objectives.

Throughout 2007, AEGON's Management Board comprised:

- Members of the Executive Board (Messrs. Shepard, Streppel and Wynaendts);
- The CEOs of AEGON USA, AEGON The Netherlands and AEGON UK (Messrs Baird, Van der Werf and Thoresen respectively).

The Chairman of the Executive Board also acts as Chairman of the Management Board.

In January 2008, Mr. Van der Werf resigned as CEO of AEGON The Netherlands. Members of the Supervisory Board would like to express their appreciation for the valuable contribution Mr. Van der Werf has made to AEGON during his 26 years of service with the Group.

ANNUAL ACCOUNTS AND DIVIDEND

This Annual Report includes the annual accounts for 2007, prepared by the Executive Board, discussed by both the Audit Committee and the Supervisory Board and submitted to shareholders for approval. The Supervisory Board recommends that shareholders adopt these annual accounts and approve the proposal to pay a total dividend for the 2007 financial year of EUR 0.62 per common share. This total dividend comprises a final dividend payment of EUR 0.32 per common share and an interim dividend payment of EUR 0.30 per common share which was made in September 2007.

ACKNOWLEDGEMENT

The Supervisory Board would like to congratulate the Executive Board and all members of the worldwide AEGON community for their ongoing commitment to growing AEGON's business profitably. Members of the Supervisory Board would also like to express their appreciation for the dedication and professionalism shown by AEGON employees in responding to an ever-changing market, business and regulatory environment.

The Hague, March 5, 2008

Dudley G. Eustace,
CHAIRMAN OF THE SUPERVISORY BOARD

MEMBERS OF THE SUPERVISORY BOARD

DUDLEY G. EUSTACE
Chairman of the Supervisory Board
Chairman of the Supervisory Board's Nominating and Strategy Committees
(1936, Nationality: joint British and Canadian)

Dudley G. Eustace is a former Chairman of London-based Smith & Nephew PLC. He also served as Vice-Chairman of Royal Philips Electronics NV. Mr. Eustace was appointed to AEGON's Supervisory Board in 1997. His current term will end in 2009. In addition to AEGON, Mr. Eustace also serves on the Supervisory Board of Royal KPN N.V. He is a member of the European Advisory Council for Rothschilds, Chairman of the Supervisory Board of the unlisted company The Nielsen Company and sits on the Council of the University of Surrey in the United Kingdom.

O. JOHN OLCAY
Vice-Chairman of the Supervisory Board
Chairman of the Supervisory Board's Risk Committee and member of the Nominating and Strategy Committees
(1936, Nationality: US citizen)

O. John Olcay is Vice-Chairman and Managing Director of Fischer, Francis, Trees and Watts Inc., based in New York. Mr. Olcay was appointed to AEGON's Supervisory Board in 1993. His term will end in 2008. Mr. Olcay is also Chairman of the investment funds FFTW Funds Selection in Luxembourg and FFTW Funds in Dublin.

IRVING W. BAILEY II
Member of the Supervisory Board
Member of the Supervisory Board's Audit, Risk and Strategy Committees
(1941, Nationality: US citizen)

Irving W. Bailey is a senior advisor to Chrysalis Ventures. He is also a former Chairman and CEO of Providian Corp., a former managing director of Chrysalis Ventures, as well as a former Chairman of the board of directors at AEGON USA. Mr. Bailey has been a member of AEGON's Supervisory Board since 2004. His current term will end in 2008. In addition to his position at AEGON, Mr. Bailey is also a member of the boards of directors at Computer Sciences Corp. and at Hospira Inc.

ANTONY BURGMANS
Member of the Supervisory Board
Member of the Supervisory Board's Audit Committee
(1947, Nationality: Dutch)

Antony Burgmans is a retired Chairman of the Anglo-Dutch group Unilever. He was appointed to AEGON's Supervisory Board in 2007. His current term ends in 2011. In addition to his position at AEGON, Mr. Burgmans is also a member of the Supervisory Board of Akzo Nobel N.V. and a member of the board of directors of BP plc.

RENÉ DAHAN

Member of the Supervisory Board
Chairman of the Supervisory Board's Compensation Committee and member of the Nominating Committee
(1941, Nationality: Dutch)

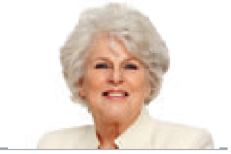
René Dahan was formerly Executive Vice-President and director of Exxon Corporation. He was appointed to AEGON's Supervisory Board in 2004. His current term will end in 2008. Mr. Dahan is also Chairman of the Supervisory Board of Ahold N.V. and a member of the Supervisory Board of TNT N.V. in the Netherlands as well as a member of the International Advisory Board of the Guggenheim Group.

SHEMAYA LEVY

Member of the Supervisory Board
Chairman of the Supervisory Board's Audit Committee and member of the Risk Committee
(1947, Nationality: French)

Shemaya Levy is a retired Executive Vice-President and CFO of Renault Group. He was appointed to AEGON's Supervisory Board in 2005. His current term will end in 2009. In addition to his position at AEGON, Mr. Levy is a non-executive director of Nissan Motor Company, Renault Spain and Safran. He is also a member of the Supervisory Boards of Segula Technologies Group and of TNT N.V.

KARLA M.H. PEIJS



Member of the Supervisory Board
Member of the Supervisory Board's Compensation Committee
(1944, Nationality: Dutch)

Karla M.H. Peijs is Queen's Commissioner for the province of Zeeland in the Netherlands. She was appointed to AEGON's Supervisory Board in 2007. Her current term will end in 2011. Ms. Peijs has served as a senior provincial government representative in Utrecht, a member of the European Parliament and from 2003 to 2007 was the Netherlands' Minister for Transport, Public Works and Water Management.

TONI REMBE

Member of the Supervisory Board
Member of the Supervisory Board's Audit Committee
(1936, Nationality: US citizen)

Toni Rembe is a former partner and senior advisor at Pillsbury Winthrop Shaw Pittman. She was appointed to AEGON's Supervisory Board in 2000. Her current term will end in 2008. Ms. Rembe is also a member of the board of directors of AT&T Inc. in the United States.

WILLEM F. C. STEVENS

Member of the Supervisory Board

Member of the Supervisory Board's Audit and Compensation Committees

(1938, Nationality: Dutch)

Willem F. C. Stevens is a retired partner of Baker & McKenzie and, until June 2003, served as a senator in the Dutch upper house. He joined AEGON's Supervisory Board in 1997. His current term ends in 2009. Mr. Stevens is also a member of the Supervisory Boards of N.V. Luchthaven Schiphol, TBI Holdings B.V., AZL N.V., Goedland N.V. and Ermenegildo Zegna International N.V.

KORNELIS J. STORM

Member of the Supervisory Board

Member of the Supervisory Board's Strategy Committee

(1942, Nationality: Dutch)

Kornelis J. Storm is a former Chairman of AEGON's Executive Board. He was appointed to the Group's Supervisory Board in 2002 when he stepped down from his executive role. His current term ends in 2010. In addition to AEGON, Mr. Storm is also Chairman of the Supervisory Board of KLM Royal Dutch Airlines N.V., Vice-Chairman of the Supervisory Board of Pon Holdings B.V. and a non-executive director of Unilever N.V. and Unilever PLC. Mr. Storm also serves as a member of the boards of directors of InBev SA and Baxter International Inc.

LEO M. VAN WIJK

Member of the Supervisory Board

Member of the Supervisory Board's Compensation Committee

(1946, Nationality: Dutch)

Leo M. van Wijk is Vice-Chairman of Air France-KLM S.A. He has been a member of AEGON's Supervisory Board since 2003. Mr. Van Wijk was re-elected to the Supervisory Board in 2007. His term will end in 2011. He is also a member of the Supervisory Boards of Randstad Holding N.V. and Martinair.

REMUNERATION POLICY AND REPORT

AEGON's Compensation Committee is responsible for designing, developing, implementing and reviewing the Group's Remuneration policy. This policy outlines:

- The terms and conditions for employment of Executive Board members;
- Remuneration for members of the Group's Supervisory Board.

The Compensation Committee has four members:

- René Dahan (Chairman)
- Karla M. H. Peijs
- Willem F.C. Stevens
- Leo M. van Wijk

Each year, AEGON's Compensation Committee reviews the Remuneration Policy based on information provided by the Group's independent external advisors Towers Perrin. This Committee may recommend changes in the Policy to the Supervisory Board. Any material changes must be referred to the General Meeting of Shareholders (AGM) for approval.

SUPERVISORY BOARD REMUNERATION

Members of AEGON's Supervisory Board are entitled to:

- A base fee for membership of the Supervisory Board itself;
- A fee for membership of each of the Supervisory Board's committees;
- An attendance fee for each committee meeting Supervisory Board members attend in person.

Each of these fees is a fixed amount. Members of AEGON's Supervisory Board do not receive any performance or equity-related compensation and do not accrue pension rights with the Group. These measures are designed to guarantee the independence of Supervisory Board deliberations and strengthen the overall effectiveness of AEGON's corporate governance.

The structure of Supervisory Board fees is as follows:

Base fee

For membership of the Supervisory Board

Amounts in EUR (per annum)	
Chairman	60,000
Vice-Chairman	50,000
Member	40,000

Committee fee

For membership of a Supervisory Board committee[1]

Amounts in EUR (per annum)	
Chairman of the Audit Committee	10,000
Member of the Audit Committee	8,000
Chairman of other committees	7,000
Member of other committees	5,000

[1] AEGON has four committees in total: Audit, Compensation Nominating and Strategy.

AEGON pays a premium to members of its Audit Committee because of the additional workload involved.

Attendance fee

For committee meetings attended in person

Amounts in EUR	
Audit Committee	3,000
Other committees [2]	1,250

[2] In case of intercontinental travel, this fee is doubled to EUR 2,500.

Information on the members of AEGON's Supervisory Board may be found on pages 88-90.

REMUNERATION POLICY

AEGON has a clear and well-defined policy toward executive remuneration. This policy is reviewed and assessed each year by the Group's Compensation Committee. If necessary, this Committee will recommend amendments to AEGON's Supervisory Board. Any material changes are then submitted by the Supervisory Board to the General Meeting of Shareholders for approval.

AEGON's Remuneration Policy has four main objectives:
- To enhance the simplicity, transparency and credibility of executive remuneration;
- To ensure AEGON is able to attract and retain highly qualified members for its Executive Board;
- To provide competitive, performance-related remuneration consisting of both fixed and variable components;
- To ensure the interests of Executive Board members are closely aligned with those of shareholders by linking remuneration directly to company performance.

The policy applies to all members of AEGON's Executive Board. In addition, it is also used as guidance when setting levels of remuneration for members of the Group's Management Board and other senior managers throughout the company. Executive Board members are appointed for an initial term of four years and may be reappointed for successive mandates also of four years. AEGON's current Remuneration Policy took effect January 1, 2007. It was approved by the AGM on April 25, 2007.

ENSURING COMPETITIVE REMUNERATION

As part of its overall remuneration policy, AEGON regularly compares the Group's levels of executive remuneration with those at selected peers. Two separate peer groups have been established, one for US-based Executive Board members and a second for European-based members.

Companies included in these two peer groups were chosen according to the following criteria:
- Industry: preferably life insurance;
- Size: companies with similar levels of assets, revenue and market capitalization;
- Geographic scope: preferably companies operating globally;
- Location: companies based in the United States and Europe.

AEGON's objective is to create stable and consistent peer groups. The Supervisory Board periodically reviews the composition of these two groups to ensure they continue to provide a reliable basis for comparison.

The two peer groups are made up of the following companies:

United States
- American International Group (AIG) (United States)
- Genworth Financial (United States)
- Hartford Financial Services (United States)
- Lincoln National (United States)
- Manulife Financial Corporation (Canada)
- Metlife (United States)
- Prudential Financial Inc. (United States)
- Sun Life Financial Group (Canada)

Europe
- Allianz (Germany)
- Aviva (United Kingdom)
- Axa (France)
- Fortis (Belgium/the Netherlands)
- ING Group (the Netherlands)
- Legal & General Group (United Kingdom)
- Munich Re (Germany)
- Prudential PLC (United Kingdom)
- Swiss Re (Switzerland)
- Zurich Financial (Switzerland)

ENSURING TRANSPARENT REMUNERATION

For each member of its Executive Board, AEGON sets a so-called 'Target Total Compensation'. This reflects the particular responsibilities and expertise of each Executive Board member and is entirely at the discretion of the Group's Supervisory Board.

When determining Target Total Compensation levels, the Supervisory Board uses a range between the 40^{th} and 60^{th} percentile of the relevant peer group as an objective. Each year, AEGON's Supervisory Board reviews Target Total Compensation levels to ensure they remain competitive and continue to provide proper incentives to members of the Group's Executive Board.

Target Total Compensation for Executive Board members comprises a fixed component, as well as both short-term and long-term incentive compensation. This structure ensures a balance between fixed and performance-related pay.

The table below gives a target breakdown for each of these three components. AEGON's long-term aim is to ensure that compensation for future members of the Group's Executive Board matches these targets as closely as possible. Current members of the Executive Board, however, have employment contracts that pre-date AEGON's existing Remuneration Policy. Terms and conditions of these contracts cannot be altered. As a result, the compensation breakdown for current members of the Executive Board may differ from the numbers below.

	Target % of fixed compensation	Target % of variable compensation	
		Short-term	Long-term
Executive Board position			
Chief Executive Officer	25%	25%	50%
Chief Financial Officer	40%	20%	40%
Member of the Executive Board	35%	25%	40%

FIXED COMPENSATION

It is the responsibility of AEGON's Supervisory Board to determine fixed salaries for each member of the Group's Executive Board, based on his or her qualifications, experience and expertise.

VARIABLE COMPENSATION

AEGON believes that variable compensation is an effective way of strengthening the commitment of individual Executive Board members to the Group's short-term and long-term objectives. Variable compensation under this Plan is granted once the Group's annual accounts have been formally approved by the AGM.

Short-Term Incentive compensation, or STI, is paid in cash. The Long-Term Incentive compensation, or LTI, on the other hand, is paid in the form of conditional shares. The value of these shares is calculated using the fair market value of a single share at the start of the financial year.

Fifty percent of shares granted under AEGON's LTI Plan vest four years after the grant date. The remaining 50% vest after a period of eight years.

Vesting shall occur automatically unless the Supervisory Board makes use of its discretionary right to annul the grant, in case of:

- Termination of employment before the vesting date;
- For reasons other than death or disability of the participant;
- For any acts by a participant which the Supervisory Board considers exceptionally detrimental to the company.

Variable compensation is only granted if the company's performance matches a series of pre-determined performance indicators. Together, these indicators provide an accurate and reliable reflection of AEGON's overall performance during the year in question.

These indicators are:

- Real net growth in operating earnings after tax [1];
- Growth in the value of new business [1];
- Total shareholder return.

At the beginning of every financial year, a target is set for each of the three indicators. A comparison is made at the end of the year between these targets and actual company performance. Entitlements for variable compensation are then calculated accordingly [2].

- Members of the Executive Board qualify for 100% of their entitlements if AEGON matches the pre-set performance targets;
- If AEGON's performance exceeds the targets, however, Executive Board members may receive up to 150% of their entitlement.

In addition, AEGON's Supervisory Board may make discretionary adjustments to Executive Board members'

[1] As publicly disclosed in AEGON's financial statements.
[2] For this calculation, the 'additive method' is used, i.e. targets are set and performance assessed for each separate indicator, independently of the targets and performances of other indicators.

variable compensation, but must adhere to the following procedure:

- If the Supervisory Board considers that AEGON's short-term or long-term business is being impacted by significant and exceptional circumstances that are not reflected in the pre-determined performance indicators, it may set up an ad hoc committee to consider possible adjustments;
- This committee will consist of the Chairman of the Supervisory Board, the Chairman of the Audit Committee and members of the Compensation Committee;
- This ad hoc committee will review all circumstances in detail and document its findings. The committee may then put forward a proposal to the Supervisory Board assuming, of course, that the committee's conclusions coincide in principle with those of the Supervisory Board;
- To reflect exceptional circumstances, variable compensation may be adjusted, but only to a level between 75% and 125% of the originally calculated entitlement[1].

PENSION AND OTHER BENEFITS

Members of AEGON's Executive Board are offered pensions and other benefits in line with local practices in their countries of residence. Executive Board members may also receive other benefits based on their contracts of employment, local practices and comparable arrangements for executives at other similar, multinational companies. AEGON does not grant Executive Board members personal loans, financial guarantees or the like, unless in the normal course of business and on terms applicable to all personnel. All such arrangements must have the prior approval of the Supervisory Board.

TERMINATION

Employment contracts for new members of AEGON's Executive Board contain a notice period of three months for the Executive Board member and six months for the Group. Termination arrangements conform to the Dutch Corporate Governance Code and to Dutch law. Existing rights of current Executive Board members will be respected. For further information, please refer to the agreements published on AEGON's website.

[1] The absolute maximum for the adjusted variable compensation as a percentage of the target is therefore 187.5% (in other words, 150% multiplied by 125%). While it is also theoretically possible under this system to arrive at a variable compensation of zero, AEGON's Supervisory Board has the authority, if justified by the circumstances, to grant a discretionary payment. It should also be noted that these discretionary adjustments concern variable compensation only, not fixed compensation.

REMUNERATION REPORT

COMPOSITION OF THE EXECUTIVE BOARD

In 2007, AEGON's Executive Board had three members:

- Donald J. Shepard, Chief Executive Officer, Chairman Executive Board;
- Joseph B.M. Streppel, Chief Financial Officer, member Executive Board;
- Alexander R. Wynaendts, Chief Operating Officer, member Executive Board.

Mr. Shepard will retire as Chief Executive Officer and Chairman of the Executive Board, with effect from the AGM scheduled for April 23, 2008. He will be succeeded by Mr. Wynaendts.

In April 2007, Mr. Wynaendts was reappointed to the Executive Board for another four-year term. Mr. Streppel's term as Executive Board member expires in 2010.

Johan G. van der Werf resigned from AEGON's Executive Board at the beginning of 2007 after being appointed to the Group's Management Board. He stepped down as Chief Executive Officer of AEGON The Netherlands in January 2008.

TOTAL COMPENSATION

AEGON sets a so-called 'Target Total Compensation' for each member of its Executive Board. This comprises both fixed and variable compensation. Please refer to pages 91-94 for full details of AEGON's Remuneration Policy.

Fixed compensation provides Executive Board members with a base salary. The amount is paid each year. Variable compensation, on the other hand, is based on the company's financial performance and amounts paid each year may vary as a result.

FIXED COMPENSATION

Base salaries for the three members of AEGON's Executive Board in 2007 can be found in the following table.

Base salaries	2006 [1]	2007
Executive Board member		
Donald J. Shepard (in USD)	1,000,000	1,000,000
Joseph B.M. Streppel (in EUR)	679,409	721,313
Alexander R. Wynaendts (in EUR)	575,086	676,313

1 For Dutch members of the Board, amounts include base salary, the customary employee profit sharing bonus as well as a tax-deferred employee savings plan.

Messrs. Wynaendts and Streppel were both granted base salary increases at the beginning of 2007. These increases amounted to 17.6% and 6.2% respectively. Mr. Shepard's base salary remained unchanged despite a significantly weaker US dollar-euro exchange rate. AEGON expects Mr. Wynaendts' base salary to be reviewed again during 2008 following his appointment as Chairman of the Executive Board.

VARIABLE COMPENSATION

In April 2007, shareholders approved a new Remuneration Policy for Executive Board members. This changed AEGON's previous policy in three important respects:

- First, all LTI payments now take the form of AEGON shares, rather than shares and stock options which had been the case previously;
- Second, for variable compensation, the performance period is now one year, rather than three.
- Third, fifty percent of the shares granted under the LTI Plan shall vest four years after grant date. The remaining fifty percent shall vest after a period of eight years.

SHORT-TERM INCENTIVES

STI bonuses for members of the Executive Board determined in accordance with the 2006 and 2007 STI Plans may be found in the table below.

STI bonuses Amounts in EUR	STI amount 2006 (paid in 2007)	STI amount 2007 (due in 2008) [2]	Decrease
Executive Board member			
Donald J. Shepard	1,502,467	609,516	(59.4%)
Joseph B.M. Streppel	542,477	237,500	(56.2%)
Alexander R. Wynaendts	717,216	301,000	(58.1%)

2 Bonuses for the 2007 financial year are based on earnings figures released on March 6, 2008. 2007 bonuses will be paid in 2008 after adoption of the annual accounts by shareholders. Full details will be published as part of AEGON's 2008 Annual Report.

Please note that the 2006 plan was part of AEGON's former Remuneration Policy. The 2007 Plan, on the other hand, was formulated under the Group's new Remuneration Policy.

In addition to his short-term incentive bonus, Mr. Shepard also received EUR 2,789,000 in 2007 as an additional bonus related to AEGON's net income for the 2006 financial year. This represents a rise of 2.1% from EUR 2,732,000 in 2006 in line with the increase in AEGON's net income for the year. This STI bonus for Mr. Shepard will amount to EUR 2,551,000 for the financial year 2007, to be paid in 2008, subject to the adoption of the 2007 annual accounts by the AGM on April 23, 2008. This is a decrease of 9% as compared to the bonus paid for the year 2006.

LONG-TERM INCENTIVES

There are two separate LTI compensation plans still running under the terms and conditions of AEGON's previous Remuneration Policy. They are:

- The 2005 Long-Term Incentive Plan, which matured at the start of 2008;
- The 2006 Long-Term Incentive Plan, which will mature at the start of 2009.

THE 2004 LONG-TERM INCENTIVE PLAN

AEGON's 2004 Long-Term Incentive Plan, agreed under the Group's former Remuneration Policy, matured at the beginning of 2007. Share rights under this Plan, however, did not vest as AEGON failed to reach its financial targets for the three-year period 2004-2006. Therefore, no LTI payments were made under this Plan.

THE 2005 LONG-TERM INCENTIVE PLAN

AEGON's 2005 Long-Term Incentive Plan, also formulated under AEGON's pre-2007 Remuneration Policy, matured at the beginning of 2008. All share rights under this Plan vested as targeted. Grants due in 2008 as part of the 2005 LTI Plan can be found in the following table.

2005 LTI Plan	Number of shares vested	Number of options vested [1]
Executive Board member		
Donald J. Shepard	38,542	77,084
Joseph B.M. Streppel	20,169	40,338
Alexander R. Wynaendts	17,066	34,132

[1] Exercise price EUR 9.91.

THE 2007 LONG-TERM INCENTIVE PLAN

AEGON's 2007 Long-Term Incentive Plan, agreed under the Group's current Remuneration Policy, also matured at the beginning of 2008. Based on AEGON's financial performance, the Group expects, as part of this 2007 plan, to:

- Pay in full the portion of variable compensation linked to the Group's target for value of new business;
- Pay nothing with respect either to the targets for real net growth in operating earnings after tax or total shareholder return.

While AEGON reported 19.6% growth in its value of new business in 2007, operating earnings after tax were 4.3% lower than in 2006. Total shareholder returns were also lower as concerns over international credit markets weighed on AEGON's stock price during the year.

For grants expected in 2008 as part of the 2007 LTI Plan please refer to the table below.

2007 LTI Plan Amounts in EUR	LTI amount (expected 2008)
Executive Board member	
Donald J. Shepard	730,834
Joseph B.M. Streppel	237,500
Alexander R. Wynaendts	270,000

Long-Term Incentive awards to Executive Board members under the 2005 and 2007 Long-Term Incentive Plans will mature and be determined in 2008. Full details will be published as part of AEGON's 2008 Annual Report.

PENSION ARRANGEMENTS

Mr. Shepard's pension benefits are based on 55% of his 'final average earnings' calculation, equivalent to his five highest complete and consecutive calendar years of pensionable earnings. For Messrs. Wynaendts and Streppel, their benefits are equal to 70% of their final base salary, provided they have completed 37 years of service.

CORPORATE GOVERNANCE

AEGON N.V. is a public company under Dutch law. It is governed by three corporate bodies: the General Meeting of Shareholders, the Executive Board and the Supervisory Board[1].

GENERAL MEETING OF SHAREHOLDERS

A General Meeting of Shareholders is held at least once a year. Its main function is to decide matters such as the adoption of annual accounts, the approval of dividend payments and appointments to AEGON's Executive and Supervisory Boards. Meetings are convened by public notice. When deemed necessary, the Executive or Supervisory Board has the authority to convene an Extraordinary General Meeting of Shareholders.

Any shareholder may request items be added to the agendas of these meetings. Generally, in accordance with AEGON's Articles of Incorporation, requests are granted providing they are supported by shareholders representing either at least 0.1% of the company's issued capital or a block of shares worth at least EUR 50 million.

Every shareholder is entitled to attend the General Meeting of Shareholders, to speak and vote at the meeting, either in person or by proxy granted in writing (including electronically embedded proxies). In accordance with the applicable statutory requirements, any shareholder wishing to take part must provide proof of his or her identity and shareholding and notify the company ahead of time of his or her intention to attend the meeting.

When convening a General Meeting of Shareholders, AEGON's Executive Board can set a date ('the record date'), which is used to determine the entitlement of shareholders to take part and vote at the meeting.

AEGON is a member of the Stichting Communicatiekanaal Aandeelhouders, a Dutch foundation dedicated to improving communications between listed companies and their shareholders and to encourage greater shareholder participation at general meetings. Through the 'Communicatiekanaal' participating shareholders can vote by proxy.

In addition, AEGON solicits proxies from New York Registry shareholders in line with common practice in the United States.

At the General Meeting of Shareholders, each share carries one vote. However, the holder of preferred shares, Vereniging AEGON, may cast 25/12 votes per share in certain circumstances (for further details please refer to page 215 of this Annual Report). Resolutions are adopted by an absolute majority of valid votes cast, unless the law or AEGON's Articles of Incorporation stipulate otherwise.

THE EXECUTIVE BOARD

The Executive Board is charged with the management of the company. Each member of the Board has duties related to his or her specific areas of expertise. The number of Executive Board members and the terms of their employment are determined by AEGON's Supervisory Board. Executive Board members are appointed by the General Meeting of Shareholders following nomination by the Supervisory Board.

Pension arrangements for Executive Board members are based on a retirement age of 62. Dutch members have the option of retiring earlier, at 60.

For certain decisions, set out in AEGON's Articles of Incorporation, the Executive Board must obtain the prior approval of the Supervisory Board. In addition, the Supervisory Board may subject other Executive Board decisions to its prior approval.

THE SUPERVISORY BOARD

AEGON's Supervisory Board oversees the management of the Executive Board as well as the overall course of the company's business and corporate strategy and shall take into account the relevant interests of AEGON's stakeholders.

[1] For further details on how AEGON's corporate governance practices differ from those required of US companies under New York Stock Exchange standards, please refer to the Corporate Governance section of AEGON's website (www.aegon.com).

The Supervisory Board operates according to the principles of collective responsibility and accountability. The Supervisory Board may also assist the Executive Board by offering advice. Members are appointed by the General Meeting of Shareholders following nomination by the Supervisory Board.

AEGON's Supervisory Board currently consists of eleven non-executive members, one of whom is a former member of the company's Executive Board. The Supervisory Board also oversees the work of several committees composed of its members, dealing with specific issues linked to AEGON's accounts, corporate strategy and executive remuneration and appointments.

AEGON is eager to ensure the composition of its Supervisory Board is well balanced. With that in mind, a profile has been drawn up outlining the required qualifications of its members. Supervisory Board members are no longer eligible for reappointment after the age of 70, unless the Board itself decides to make an exception to this rule. Supervisory Board members' remuneration is determined by the General Meeting of Shareholders.

DUTCH CORPORATE GOVERNANCE CODE

As a company based in the Netherlands, AEGON adheres to the Dutch Corporate Governance Code, which came into effect on January 1, 2004. AEGON endorses this Code and strongly supports its principles for sound and responsible corporate governance. AEGON regards the Code as an effective means of helping ensure that the interests of all stakeholders are duly represented and taken into account. The Code also promotes transparency in decision-making and helps strengthen the principles of good governance. Overseeing AEGON's overall corporate governance structure is the responsibility of both the Supervisory and Executive Boards. Any significant change to this structure is submitted for debate to the General Meeting of Shareholders.

Generally, AEGON applies the best practice provisions set out in the Dutch Corporate Governance Code. Please refer to AEGON's website for an extensive review of the Group's compliance with this Code. The cases where AEGON does not fully apply the best practice provisions of the Code are dealt with and explained below (the recorded references are to the relevant provisions of the Code). In these few cases AEGON adheres, as far as possible, to the spirit of the Code.

CODE II.2.7: For members of the Executive Board the Dutch Corporate Governance Code recommends that the maximum compensation in the event of dismissal should be one year's salary, or two years' salary in the event a maximum of one year's salary would be manifestly unreasonable for a member who is dismissed in his or her first term of office. AEGON is committed to applying this 'best practice' provision to all future Executive Board appointments. However, existing employment contracts with current members of the Board, in particular with reference to the severance payment arrangements, are not in line with this best practice provision. The employment agreements of the members of the Executive Board are disclosed on AEGON's website.

CODE II.3.3: The Code recommends that a member of the Executive Board should not take part in discussions or decision-making related to a subject or a transaction in which he or she has a conflict of interest. The fact that currently AEGON's CEO and CFO are also members of the Executive Committee of AEGON's largest shareholder, Vereniging AEGON, could be construed as a conflict of interest. In this connection it should be noted that the Articles of Association of Vereniging AEGON determine that AEGON's CEO and CFO are excluded from voting on certain issues directly related to AEGON or their position with AEGON. AEGON's Supervisory Board holds the view that, given the historic relationship between AEGON and Vereniging AEGON, it would not be in the Group's best interests to prevent the CEO and CFO from participating in discussions and decision-making related to Vereniging AEGON. For this reason, a protocol has been drafted specifically authorizing the CEO and CFO to continue their existing practice in dealings with Vereniging AEGON. The protocol is posted on AEGON's website.

CODE III.3.5: This provision of the Code stipulates that members of the Supervisory Board should serve no more than three consecutive four-year terms. For reasons of continuity, AEGON's Supervisory Board has asked Mr. O. John Olcay to complete his current term, which ends in 2008, though he had reached the maximum term stated in the Code in 2005.

CODE IV.1.1: The Dutch Corporate Governance Code recommends that the General Meeting of Shareholders may cancel the binding nature of nominations to the Executive and Supervisory Board with an absolute majority of votes and a limited quorum.

AEGON's current Articles of Incorporation, however, provide for a much larger majority and a higher quorum than those advocated by the Code. AEGON's Supervisory Board is of the view that, in the absence of any specific anti-takeover measures, the current system is appropriate within the context of the 1983 Merger Agreement. In order to mitigate the possible negative effects of these more stringent requirements in the ordinary course of AEGON's businesses, the Supervisory Board has decided, in the absence of any unfriendly actions, that it will only make nominations to the Executive and Supervisory Board that are non-binding in nature. For more detailed information, please see AEGON's corporate website.

EXERCISE OF CONTROL

As a publicly-listed company, AEGON is required to provide the following, detailed information regarding structures and measures that might hinder or prevent a third party from acquiring the company or exercising effective control over it.

CAPITAL STRUCTURE

AEGON has authorized capital of EUR 610,000,000, divided into 3,000,000,000 common shares, each with a par value of EUR 0.12, and 1,000,000,000 class A and class B preferred shares, with a par value of EUR 0.25. As of December 31, 2007, 1,636,544,530 common shares and 246,850,000 preferred shares were issued, representing respectively 76.1% and 23.9% of AEGON's total issued and fully paid-up capital.

The capital contribution made by class A preferred shares is a reflection of the market value of AEGON's common shares at the time this contribution was made. Preferred shares confer the right to receive a preferred dividend on the paid-in amount. No other dividend is paid on the preferred shares. In the event AEGON is liquidated, the paid-in amount on the preferred shares will be reimbursed before any payments on the common shares are made. Each share carries one vote. However, the holder of the preferred shares may cast 25/12 (approximately 2.08) votes per share in certain circumstances, as explained in more detail below, in line with the higher par value of the preferred shares.

TRANSFER OF SHARES

There are no restrictions on the transfer of common shares. As regards the transferability of preferred shares, please refer to clause 10.5 of the Amendment to the 1983 Merger Agreement, as published on AEGON's website.

SIGNIFICANT SHAREHOLDINGS

Vereniging AEGON holds 171,974,055 common shares, 211,680,000 class A preferred shares and 35,170,000 class B preferred shares. Together, this represents 34% of AEGON's voting capital, taking into account that the preferred shares are entitled to 25/12 votes per share. The 1983 Merger Agreement (as amended) provides that Vereniging AEGON has option rights to acquire additional class B preferred shares in order to prevent its voting power being diluted by issues of common shares by AEGON N.V., unless Vereniging AEGON as a result of exercising these option rights increases its voting power to more than 33%.

SPECIAL CONTROL RIGHTS

AEGON's major shareholder, Vereniging AEGON, has voluntarily waived its right to cast 25/12 vote per preferred share, except in the event of a 'special cause', as defined in greater detail in the Preferred Shares Voting Rights Agreement, published on AEGON's website. They include the acquisition by a third party of an interest in AEGON N.V. amounting to 15% or more, a tender offer for AEGON N.V. shares or a proposed business combination by any person or group of persons, whether individually or as a group, other than in a transaction approved by the Executive and Supervisory Boards.

If, at its sole discretion, Vereniging AEGON determines that a 'special cause' has occurred, it shall notify the General Meeting of Shareholders. In this event, Vereniging AEGON retains its full voting rights on the preferred shares for a period limited to six months. Based on its current shareholdings, Vereniging AEGON would for that limited period command 34% of the votes at a General Meeting of Shareholders. As a result of this and of the existence of certain qualified majority requirements specified in AEGON's Articles of Incorporation, Vereniging AEGON may effectively be in a position to block unfriendly actions by either a hostile bidder or others for a period of six months.

In the absence of a 'special cause', Vereniging AEGON's share of AEGON's voting capital represents 23.9%. For more information on Vereniging AEGON, please refer to page 215 of this Annual Report.

EXERCISE OF OPTION RIGHTS

Senior executives at AEGON companies and other employees have been granted share appreciation rights and share options. For further details, please refer to page 189 of this Annual Report. Under the terms of the existing share option plans, AEGON cannot possibly influence the exercise of granted rights.

RESTRICTIONS ON VOTING RIGHTS

There are no restrictions whatsoever on the exercise of voting rights by holders of common shares, either with regard to the number of votes or to the time period in which they may be exercised. The voting rights attached to preferred shares held by Vereniging AEGON are limited as mentioned above. Depositary receipts for AEGON shares are not issued with the company's cooperation.

SHAREHOLDER AGREEMENTS

AEGON has no knowledge of any agreement between shareholders that might restrict the transfer of shares or the voting rights pertaining to shares.

AMENDMENT OF THE ARTICLES OF INCORPORATION AND BOARD APPOINTMENTS

The General Meeting of Shareholders may, with an absolute majority of votes cast, pass a resolution to amend AEGON's Articles of Incorporation or to dissolve the company in accordance with a proposal made by the Executive Board and approved by the Supervisory Board.

The General Meeting of Shareholders appoints members of both the Executive and Supervisory Boards, following nomination by the Supervisory Board. This nomination is binding if at least two candidates are nominated. However, the General Meeting of Shareholders may cancel the binding character of such nominations with a majority of two-thirds of the votes cast, representing at least one-half of AEGON's issued capital.

The General Meeting of Shareholders may bring forward a resolution to appoint a person other than in accordance with a nomination by the Supervisory Board, but such a resolution also requires a two-thirds majority of the votes cast, representing at least one-half of AEGON's issued capital.

Members of AEGON's Executive and Supervisory Boards may only be dismissed by the General Meeting of Shareholders with the same qualified majority, unless this dismissal is proposed by the Supervisory Board.

The provisions on appointing board members were included as part of a broader review of AEGON's corporate governance and were adopted at the Extraordinary General Meeting of Shareholders held on May 9, 2003. The qualified majority requirements were included to give AEGON temporary protection against unfriendly actions from, for example, a hostile bidder. In effect, major shareholder Vereniging AEGON may block any hostile attempts to replace AEGON's Executive or Supervisory Board for a period of up to six months.

ISSUE AND REPURCHASE OF SHARES

New shares may be issued up to the maximum of the company's authorized capital pursuant to a resolution of the General Meeting of Shareholders. Shares may also be issued following a resolution of the Executive Board, if and to the extent that, the Board is empowered to do so by the General Meeting of Shareholders. An authorization to this end is usually presented to the annual General Meeting of Shareholders.

AEGON is entitled to acquire its own fully paid-up shares with due regard to the applicable legal requirements. The General Meeting of Shareholders usually authorizes the Executive Board to acquire shares of the company on conditions determined by the General Meeting of Shareholders.

SIGNIFICANT AGREEMENTS AND CHANGE OF CONTROL

AEGON is not party to any significant agreements which may take effect, alter, or terminate, conditional on a change of control following a public offer for the outstanding shares of the company, other than those customary in the financial markets (for example, financial arrangements, loan and joint venture agreements).

SEVERANCE PAYMENTS IN EMPLOYMENT AGREEMENTS

Executive Board members' employment agreements, as published on AEGON's website, contain provisions entitling members to severance payments should their employment be terminated as the result of a merger or takeover.

CORPORATE RESPONSIBILITY

AEGON's approach to issues of corporate responsibility mirrors the Group's overall structure. At Group level, AEGON sets out a number of basic principles, providing a framework for strategies that are carried out generally by individual country units.

In line with this approach, country and business units are encouraged to focus on issues specific to their local situations. This approach helps ensure that AEGON's common principles become an integral part of the Group's business activities, wherever they are located. More information on AEGON's corporate responsibility strategies and initiatives may be found in the Group's 2007 Corporate Responsibility Report available online [1].

COMMON PRINCIPLES

- AEGON endeavors to provide products and services that are transparent and easy to understand, helping customers secure their long-term financial futures;
- AEGON acts as a responsible employer, providing the conditions, incentives and formal training its employees require for personal success;
- AEGON takes measures to help reduce the impact of its business operations on the environment, seeking to limit energy use and curb unnecessary waste;
- AEGON recognizes its position as one of the world's leading investors and strives to ensure that its investment decisions take into account not only the need for profit but also the interests of all legitimate stakeholders and the wider communities in which the Group operates;
- AEGON endeavors always to provide clear, accurate, timely and transparent information so that investors, customers and other stakeholders can make the right financial decisions for themselves and their families;
- AEGON has four core values to guide its decision-making: Respect, Quality, Transparency and Trust.

CODE OF CONDUCT

AEGON's Code of Conduct contains rules, regulations and guidelines for employees that set out the Group's core values and its underlying principles of business practice. The Code, which applies to all AEGON employees, covers a number of different areas, including non-discrimination, protecting free and open competition in the Group's markets, preventing insider trading and money laundering, as well as ensuring clear, accurate, timely and transparent disclosure of financial and other information.

Importantly, the Code also includes 'whistleblower' provisions allowing employees to report suspected irregularities without jeopardizing their position.

AEGON's Code of Conduct operates in conjunction with national laws and separate provisions set out at country unit level.

AEGON'S STATEMENT OF PRINCIPLES

As a global company, AEGON has global responsibilities. We believe that business success is not incompatible with a respect for the environment and human rights. Indeed, we recognize that creating a sustainable business means taking into account the interests of all our stakeholders – customers, employees, business partners and shareholders. We also believe we can make a valuable contribution to the communities in which we operate not only as a provider of long-term financial products and services, but also as a responsible employer and investor. We will pursue our objectives through sound business principles based on our core values: Respect, Quality, Transparency and Trust.

[1] AEGON's 2007 Corporate Responsibility Report contains further information on the Group's corporate responsibility strategy and initiatives, as well as more detailed data on customer and employee satisfaction and AEGON's environmental and investment records.

INVESTING RESPONSIBLY

With more than EUR 370 billion in revenue-generating assets, AEGON is one of the world's leading institutional investors. It manages investments not only on its own account, but also on behalf of its various customers and policyholders. The Group places great importance on the responsibilities it has as an investor and recognizes that poor social or environmental practices can affect the value of the companies in which it invests.

AEGON's investment strategy consists in attempting to balance the need to maximize returns with consideration for social, environmental and other non-financial factors. Early in 2008, AEGON introduced a new Global Voting Policy to operate in conjunction with existing country unit voting policies.

In addition, AEGON adheres to a number of international agreements, which set out guidelines or minimum standards for pollution, human rights or labor conditions. These agreements help shape and inform the Group's investment decisions. They include:

- The Carbon Disclosure Project
- United Nations' Universal Declaration of Human Rights
- Core standards of the International Labor Organization
- Principles on human rights and labor standards contained in the UN Global Compact
- Global Reporting Initiative

AEGON also offers Socially Responsible Investment (SRI) funds in the United Kingdom, the Netherlands and Hungary. These funds invest only in companies that demonstrate ethically and environmentally sound business practices. Typically, SRI funds avoid investing in certain sectors of the economy, including armaments, firearms and gambling.

SUPPORTING GOOD CAUSES

In 2007, AEGON donated a total of EUR 6.57 million to charitable organizations around the world, down from EUR 7.18 million in 2006. These donations represent 0.3% of AEGON's 2007 net income. Most of AEGON's charitable donations in the United States are channelled through AEGON USA's non-profit organization, the AEGON Transamerica Foundation.

FINANCIAL LITERACY

AEGON places great importance on ensuring its customers have the information they need to make the right long-term financial decisions for themselves and their families. In each of the Group's three main markets – the United States, the Netherlands and the United Kingdom – AEGON organizes and supports initiatives aimed at improving levels of financial literacy in its local communities.

These initiatives include:

- AEGON USA contributes to LIFE – the Life and Health Insurance Foundation for Education – a non-profit organization that instructs people on the importance of life insurance and sound family financial planning;
- AEGON UK is backing the UK government's National Strategy for Financial Capability, a program designed to improve financial education;
- AEGON The Netherlands has set up an extensive training program for salesmen and intermediaries designed to improve the advice they give to customers on insurance and long-term savings products.

PROTECTING THE ENVIRONMENT

AEGON has a corporate group-wide environmental policy, which stresses the importance of respecting the environment, conserving energy and eliminating waste. In recent years, AEGON has endeavored to reduce its energy consumption and to make as much use as possible of renewable or recyclable sources. Two of AEGON's country units – AEGON UK and AEGON The Netherlands – have been certified ISO14001 compliant. Many AEGON country units also have their own environmental policies, which operate alongside the Group's overall corporate policy.

INDICES

AEGON has been included in both the Dow Jones Sustainability and FTSE4Good indices for the past several years and was again in 2007. These indices rank companies according to their ability to manage a range of economic, social and environmental risks.

Dow Jones Sustainability Indexes
Member 2007/08

FTSE4Good

05 Chapter five
FINANCIAL INFORMATION

Providing clear, accurate, timely, transparent information

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EXCHANGE RATES

Exchange rates at December 31, 2007

		EUR	USD	GBP	CAD	PLN	CNY	HUF	NTD	CZK	SKK
1	EUR	–	1.4721	0.7334	1.4449	3.5940	10.7524	253.730	47.7340	26.6280	33.5830
1	USD	0.679	–	0.498	0.982	2.441	7.304	172.359	32.426	18.088	22.813
1	GBP	1.364	2.007	–	1.970	4.900	14.661	345.964	65.086	36.308	45.791
1	CAD	0.692	1.019	0.508	–	2.487	7.442	175.604	33.036	18.429	23.242
1	PLN	0.278	0.410	0.204	0.402	–	2.992	70.598	13.282	7.409	9.344
1	CNY	0.093	0.137	0.068	0.134	0.334	–	23.598	4.439	2.476	3.123
100	HUF	0.394	0.580	0.289	0.569	1.416	4.238	–	18.813	10.495	13.236
100	NTD	2.095	3.084	1.536	3.027	7.529	22.526	531.550	–	55.784	70.354
100	CZK	3.755	5.528	2.754	5.426	13.497	40.380	952.869	179.262	–	126.119
100	SKK	2.978	4.383	2.184	4.302	10.702	32.017	755.531	142.137	79.290	–

Exchange rates at December 31, 2006

		EUR	USD	GBP	CAD	PLN	CNY	HUF	NTD	CZK	SKK
1	EUR	–	1.3170	0.6715	1.5281	3.8310	10.2793	251.770	42.835	27.485	34.435
1	USD	0.759	–	0.510	1.160	2.909	7.805	191.169	32.525	20.869	26.147
1	GBP	1.489	1.961	–	2.276	5.705	15.308	374.937	63.791	40.931	51.281
1	CAD	0.654	0.862	0.439	–	2.507	6.727	164.760	28.032	17.986	22.535
1	PLN	0.261	0.344	0.175	0.399	–	2.683	65.719	11.181	7.174	8.989
1	CNY	0.097	0.128	0.065	0.149	0.373	–	24.493	4.167	2.674	3.350
100	HUF	0.397	0.523	0.267	0.607	1.522	4.083	–	17.014	10.917	13.677
100	NTD	2.335	3.075	1.568	3.567	8.944	23.997	587.762	–	64.164	80.389
100	CZK	3.638	4.792	2.443	5.560	13.939	37.400	916.027	155.850	–	125.287
100	SKK	2.904	3.825	1.950	4.438	11.125	29.851	731.146	124.395	79.817	–

Weighted average exchange rates 2007

		EUR	USD	GBP	CAD	PLN	CNY	HUF	NTD	CZK	SKK
1	EUR	–	1.3683	0.6838	1.4681	3.7900	10.4610	251.2310	45.4200	27.5710	33.6890
1	USD	0.731	–	0.500	1.073	2.770	7.645	183.608	33.194	20.150	24.621
1	GBP	1.462	2.001	–	2.147	5.543	15.298	367.404	66.423	40.320	49.267
1	CAD	0.681	0.932	0.466	–	2.582	7.126	171.127	30.938	18.780	22.947
1	PLN	0.264	0.361	0.180	0.387	–	2.760	66.288	11.984	7.275	8.889
1	CNY	0.096	0.131	0.065	0.140	0.362	–	24.016	4.342	2.636	3.220
100	HUF	0.398	0.545	0.272	0.584	1.509	4.164	–	18.079	10.974	13.410
100	NTD	2.202	3.013	1.506	3.232	8.344	23.032	553.129	–	60.702	74.172
100	CZK	3.627	4.963	2.480	5.325	13.75	37.942	911.215	164.738	–	122.190
100	SKK	2.968	4.062	2.030	4.358	11.25	31.052	745.736	134.821	81.840	–

Weighted average exchange rates 2006

		EUR	USD	GBP	CAD	PLN	CNY	HUF	NTD	CZK	SKK
1	EUR	–	1.2566	0.6809	1.42360	3.8960	10.0080	264.268	41.250	28.259	37.005
1	USD	0.796	–	0.542	1.133	3.100	7.964	210.304	32.827	22.488	29.449
1	GBP	1.469	1.845	–	2.091	5.722	14.698	388.116	60.582	41.502	54.347
1	CAD	0.702	0.883	0.478	–	2.737	7.030	185.634	28.976	19.850	25.994
1	PLN	0.257	0.323	0.175	0.365	–	2.569	67.831	10.588	7.253	9.498
1	CNY	0.100	0.126	0.068	0.142	0.389	–	26.406	4.122	2.824	3.698
100	HUF	0.378	0.476	0.258	0.539	1.474	3.787	–	15.609	10.693	14.003
100	NTD	2.424	3.046	1.651	3.451	9.445	24.262	640.650	–	68.507	89.709
100	CZK	3.539	4.447	2.409	5.038	13.787	35.415	935.164	145.971	–	130.949
100	SKK	2.702	3.396	1.840	3.847	10.528	27.045	714.141	111.471	76.365	–

CONSOLIDATED BALANCE SHEET OF AEGON GROUP AS AT DECEMBER 31

Amounts in EUR million	Note	2007	2006 Adjusted [1]
ASSETS			
Intangible assets	5	4,894	4,338
Investments	6	133,191	136,131
Investments for account of policyholders	7	142,525	135,537
Derivatives	8	1,616	1,883
Investments in associates	9	472	478
Reinsurance assets	10	4,311	3,970
Defined benefit assets	24	387	398
Deferred tax assets	26	2	3
Deferred expenses and rebates	11	11,488	11,458
Other assets and receivables	12	6,803	7,473
Cash and cash equivalents	13	8,431	13,144
TOTAL ASSETS		**314,120**	**314,813**
EQUITY AND LIABILITIES			
Shareholders' equity	14	15,151	18,605
Other equity instruments	15	4,795	4,032
Issued capital and reserves attributable to equity holders of AEGON N.V.		**19,946**	**22,637**
Minority interest		16	16
GROUP EQUITY		**19,962**	**22,653**
Trust pass-through securities	16	143	123
Subordinated borrowings	17	34	34
Insurance contracts	18	88,496	89,194
Insurance contracts for account of policyholders	19	78,394	72,143
Investment contracts	20	36,089	36,618
Investment contracts for account of policyholders	21	63,756	64,097
Derivatives	8	2,226	1,788
Borrowings	22	6,021	4,991
Provisions	23	293	262
Defined benefit liabilities	24	2,136	2,040
Deferred revenue liabilities	25	50	43
Deferred tax liabilities	26	1,605	2,660
Other liabilities	27	14,458	17,734
Accruals	28	457	433
TOTAL LIABILITIES		**294,158**	**292,160**
TOTAL EQUITY AND LIABILITIES		**314,120**	**314,813**

[1] In 2007, AEGON changed its accounting policy regarding the valuation of minimum guarantees applied by AEGON The Netherlands. Further reference is made to note 2.2.1A.

CONSOLIDATED INCOME STATEMENT OF AEGON GROUP FOR THE YEAR ENDED DECEMBER 31

Amounts in EUR million (except per share data)	Note	2007	2006 Adjusted [1]	2005 Adjusted [1]
Income				
Premium income	29	26,900	24,570	18,882
Investment income	30	10,457	10,376	9,937
Fee and commission income	31	1,900	1,665	1,444
Other revenues	32	14	4	73
Total revenues		**39,271**	**36,615**	**30,336**
Income from reinsurance ceded		1,546	1,468	1,691
Results from financial transactions	33	4,545	9,397	12,820
Other income	34	214	11	176
TOTAL INCOME		**45,576**	**47,491**	**45,023**
Charges				
Premiums to reinsurers	29	1,606	1,671	1,554
Policyholder claims and benefits	35	34,135	35,267	34,626
Profit sharing and rebates	36	83	133	171
Commissions and expenses	37	5,939	6,085	5,522
Impairment charges/(reversals)	38	117	33	(2)
Interest charges and related fees	39	474	362	373
Other charges	40	181	1	3
TOTAL CHARGES		**42,535**	**43,552**	**42,247**
Income before share in profit/(loss) of associates and tax		**3,041**	**3,939**	**2,776**
Share in profit/(loss) of associates		36	32	20
Income before tax		**3,077**	**3,971**	**2,796**
Income tax	41	(526)	(802)	(651)
Net income		**2,551**	**3,169**	**2,145**
Attributable to minority interest		–	–	2
NET INCOME ATTRIBUTABLE TO EQUITY HOLDERS OF AEGON N.V.		**2,551**	**3,169**	**2,147**
Earnings and dividends per share				
Basic earnings per share (EUR per share) [2]	42	1.47	1.87	1.25
Diluted earnings per share (EUR per share) [2]	42	1.47	1.86	1.25
Dividend per share (EUR per share) [3]	43	0.62	0.55	0.45

[1] In 2007, AEGON changed its accounting policy regarding the valuation of minimum guarantees applied by AEGON The Netherlands. Further reference is made to note 2.2.1A.
[2] After deduction of preferred dividends and coupons on perpetuals.
[3] Includes proposal of final dividend for the year.

CONSOLIDATED CASH FLOW STATEMENT OF AEGON GROUP FOR THE YEAR ENDED DECEMBER 31

Amounts in EUR million	Note	2007	2006 Adjusted [1]	2005 Adjusted [1]
Income before tax		**3,077**	**3,971**	**2,796**
Results from financial transactions		(4,545)	(9,397)	(12,820)
Amortization and depreciation		1,446	1,916	1,792
Impairment losses		73	33	(2)
Income from associates		(36)	(32)	(20)
Other		133	7	334
Adjustments of non-cash items		**(2,929)**	**(7,473)**	**(10,716)**
Insurance and investment liabilities		4,046	1,354	4,355
Insurance and investment liabilities for account of policyholders		7,809	12,086	13,940
Accrued income and prepayments		(629)	(3,119)	(1,937)
Accrued expenses and other liabilities		(2,069)	2,729	(3,309)
Release of cash flow hedging reserve		25	(130)	63
Changes in accruals		**9,182**	**12,920**	**13,112**
Purchase of investments (other than money market investments)		(70,162)	(63,989)	(64,310)
Purchase of derivatives		(701)	(1,009)	(76)
Disposal of investments (other than money market investments)		67,150	64,046	61,943
Disposal of derivatives		(324)	855	35
Net purchase of investments for account of policyholders		(4,866)	(5,361)	(1,628)
Net change in cash collateral		(577)	5,774	(822)
Net purchase of money market investments		(1,256)	(1,623)	(57)
Cash flow movements on operating items not reflected in income		**(10,736)**	**(1,307)**	**(4,915)**
Tax paid		(98)	(442)	(680)
Other		148	185	(683)
NET CASH FLOWS FROM OPERATING ACTIVITIES		**(1,356)**	**7,854**	**(1,086)**

CONTINUATION ›

CONSOLIDATED CASH FLOW STATEMENT OF AEGON GROUP FOR THE YEAR ENDED DECEMBER 31 > CONTINUATION

Amounts in EUR million	Note	2007	2006 Adjusted [1]	2005 Adjusted [1]
Purchase of individual intangible assets (other than VOBA and future servicing rights)		(10)	(10)	(17)
Purchase of equipment		(75)	(62)	(80)
Acquisition of subsidiaries and associates		(2,625)	(143)	(174)
Disposal of individual intangible assets (other than VOBA and future servicing rights)		–	1	–
Disposal of equipment		31	19	9
Disposal of subsidiaries and associates		9	11	319
Dividend received from associates		7	4	3
Other		–	(19)	–
NET CASH FLOWS FROM INVESTING ACTIVITIES		**(2,663)**	**(199)**	**60**
Issuance of share capital		1	2	2
Issuance of perpetuals		745	638	1,457
Issuance and purchase of treasury shares		(1,439)	(262)	74
Proceeds from TRUPS, subordinated loans and borrowings		4,872	1,554	1,038
Repayment of perpetuals		–	–	(950)
Repayment of TRUPS, subordinated loans and borrowings		(3,986)	(2,109)	(1,573)
Dividends paid		(668)	(471)	(272)
Coupon on perpetuals		(235)	(204)	(192)
Other		11	(22)	(2)
NET CASH FLOWS FROM FINANCING ACTIVITIES		**(699)**	**(874)**	**(418)**
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS [2]		**(4,718)**	**6,781**	**(1,444)**
Net cash and cash equivalents at the beginning of the year		12,391	6,068	6,804
Effects of changes in exchange rate		(288)	(458)	708
NET CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	13	**7,385**	**12,391**	**6,068**

[1] In 2007, AEGON changed its accounting policy regarding the valuation of minimum guarantees applied by the AEGON The Netherlands. Further reference is made to note 2.2.1A.

[2] Included in net increase/(decrease) in cash and cash equivalents are interest received (EUR 8,715 million; 2006: EUR 9,458 million and 2005: EUR 9,099 million), dividends received (EUR 886 million; 2006: EUR 1,192 million and 2005: EUR 870 million) and interest paid (EUR 422 million; 2006: EUR 411 million and 2005: EUR 348 million).

The cash flow statement is prepared according to the indirect method.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY OF AEGON GROUP FOR THE YEAR ENDED DECEMBER 31, 2007

Amounts in EUR million	Note	Share capital	Retained earnings	Revaluation reserves	Other reserves	Other equity instruments	Issued capital and reserves [1]	Minority interest	Total
At January 1		6,572	10,923	1,648	(538)	4,032	22,637	16	22,653
Revaluations		–	–	(3,037)	–	–	(3,037)	–	(3,037)
Transfers between revaluation reserves and retained earnings		–	1	(1)	–	–	–	–	–
(Gains)/losses transferred to income statement on disposal and impairment		–	–	25			25	–	25
Equity movements of associates		–	–	–	(58)	–	(58)	–	(58)
Foreign currency translation differences		–	–	32	–	–	32	–	32
Movements in foreign currency translation and net foreign investment hedging reserves		–	–	–	(1,445)	–	(1,445)	–	(1,445)
Aggregate tax effect of items recognized directly in equity		–	–	787	–	–	787	–	787
Other		–	(32)	30	–	–	(2)	–	(2)
Net income recognized directly in equity		**–**	**(31)**	**(2,164)**	**(1,503)**	**–**	**(3,698)**	**–**	**(3,698)**
Net income recognized in the income statement		–	2,551	–	–	–	2,551	–	2,551
TOTAL RECOGNIZED NET INCOME FOR 2007		**–**	**2,520**	**(2,164)**	**(1,503)**	**–**	**(1,147)**	**–**	**(1,147)**
Shares issued		2	–	–	–	–	2	–	2
Treasury shares		(1,438)	–	–	–	–	(1,438)	–	(1,438)
Treasury shares - withdrawal		170	(170)	–	–	–	–	–	–
Other equity instruments issued		–	–	–	–	745	745	–	745
Dividends paid on ordinary shares		–	(583)	–	–	–	(583)	–	(583)
Preferred dividend		–	(85)	–	–	–	(85)	–	(85)
Coupons on perpetuals		–	(175)	–	–	–	(175)	–	(175)
Share options		–	–	–	–	18	18	–	18
Other		–	(28)	–	–	–	(28)	–	(28)
AT DECEMBER 31, 2007	**14, 15**	**5,306**	**12,402**	**(516)**	**(2,041)**	**4,795**	**19,946**	**16**	**19,962**

[1] Issued capital and reserves attributable to equity holders of AEGON N.V.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY OF AEGON GROUP FOR THE YEAR ENDED DECEMBER 31, 2006 - ADJUSTED[1]

Amounts in EUR million	Note	Share capital	Retained earnings	Revaluation reserves	Other reserves	Other equity instruments	Issued capital and reserves[2]	Minority interest	Total
At January 1		6,812	8,406	2,644	853	3,379	22,094	15	22,109
Revaluations		–	–	(1,158)	–	–	(1,158)	–	(1,158)
Transfers between revaluation reserves and retained earnings									
(Gains)/losses transferred to income statement on disposal and impairment		–	–	(130)	–	–	(130)	–	(130)
Equity movements of associates		–	–	–	(66)	–	(66)	–	(66)
Foreign currency translation differences		–	–	(77)	–	–	(77)	–	(77)
Movements in foreign currency translation and net foreign investment hedging reserves		–	–	–	(1,325)	–	(1,325)	–	(1,325)
Aggregate tax effect of items recognized directly in equity		–	–	281	–	2	283	–	283
Other		–	(15)	88	–	–	73	1	74
Net income recognized directly in equity		**–**	**(15)**	**(996)**	**(1,391)**	**2**	**(2,400)**	**1**	**(2,399)**
Net income recognized in the income statement		–	3,169	–	–	–	3,169	–	3,169
TOTAL RECOGNIZED NET INCOME FOR 2006		**–**	**3,154**	**(996)**	**(1,391)**	**2**	**769**	**1**	**770**
Shares issued		2	–	–	–	–	2	–	2
Treasury shares		(242)	(20)	–	–	–	(262)	–	(262)
Other equity instruments issued		–	–	–	–	638	638	–	638
Dividends paid on ordinary shares		–	(391)	–	–	–	(391)	–	(391)
Preferred dividend		–	(80)	–	–	–	(80)	–	(80)
Coupons on perpetuals		–	(143)	–	–	–	(143)	–	(143)
Share options		–	–	–	–	13	13	–	13
Other		–	(3)	–	–	–	(3)	–	(3)
AT DECEMBER 31, 2006	**14, 15**	**6,572**	**10,923**	**1,648**	**(538)**	**4,032**	**22,637**	**16**	**22,653**

[1] In 2007, AEGON changed its accounting policy regarding the valuation of minimum guarantees applied by AEGON The Netherlands. Further reference is made to note 2.2.1A.
[2] Issued capital and reserves attributable to equity holders of AEGON N.V.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY OF AEGON GROUP FOR THE YEAR ENDED DECEMBER 31, 2005 - ADJUSTED[1]

Amounts in EUR million	Note	Share capital	Retained earnings	Revaluation reserves	Other reserves	Other equity instruments	Issued capital and reserves[2]	Minority interest	Total
At January 1		6,590	6,498	2,141	(681)	2,869	17,417	15	17,432
Revaluations		–	–	205	–	–	205	–	205
Transfers between revaluation reserves and retained earnings		–	4	(4)	–	–	–	–	–
(Gains)/losses transferred to income statement on disposal and impairment		–	–	54	–	–	54	–	54
Equity movements of associates		–	–	–	19	–	19	–	19
Foreign currency translation differences		–	–	142	–	–	142	–	142
Movements in foreign currency translation and net foreign investment hedging reserves		–	–	–	1,515	–	1,515	–	1,515
Aggregate tax effect of items recognized directly in equity		–	–	95	–	–	95	–	95
Other		–	(55)	11	–	–	(44)	2	(42)
Net income recognized directly in equity		**–**	**(51)**	**503**	**1,534**	**–**	**1,986**	**2**	**1,988**
Net income recognized in the income statement		–	2,147	–	–	–	2,147	(2)	2,145
TOTAL RECOGNIZED NET INCOME FOR 2005		**–**	**2,096**	**503**	**1,534**	**–**	**4,133**	**–**	**4,133**
Shares issued		2	–	–	–	–	2	–	2
Treasury shares		220	(146)	–	–	–	74	–	74
Other equity instruments issued		–	–	–	–	1,457	1,457	–	1,457
Other equity instruments redeemed		–	–	–	–	(950)	(950)	–	(950)
Dividends paid on ordinary shares		–	(193)	–	–	–	(193)	–	(193)
Preferred dividend		–	(79)	–	–	–	(79)	–	(79)
Coupons on perpetuals		–	(132)	–	–	–	(132)	–	(132)
Share options		–	–	–	–	3	3	–	3
Other		–	362	–	–	–	362	–	362
AT DECEMBER 31, 2005	**14, 15**	**6,812**	**8,406**	**2,644**	**853**	**3,379**	**22,094**	**15**	**22,109**

[1] In 2007, AEGON changed its accounting policy regarding the valuation of minimum guarantees applied by AEGON The Netherlands. Further reference is made to note 2.2.1A.
[2] Issued capital and reserves attributable to equity holders of AEGON N.V.

1 GENERAL INFORMATION

AEGON N.V., incorporated and domiciled in the Netherlands, is a limited liability share company organized under Dutch law and recorded in the Commercial Register of The Hague under its registered address at AEGONplein 50, 2591 TV The Hague. AEGON N.V. serves as the holding company for the AEGON Group and has listings of its common shares in Amsterdam, New York, London and Tokyo.

AEGON N.V., its subsidiaries and its proportionally consolidated joint ventures (AEGON or 'the Group') have life insurance and pensions operations in over twenty countries in Europe, the Americas and Asia and are also active in savings and investment operations, accident and health insurance, general insurance and limited banking operations in a number of these countries. Headquarters are located in The Hague, the Netherlands. The Group employs approximately 30,000 people worldwide.

2 SUMMARY OF SIGNIFICANT ACCOUNTING PRINCIPLES

2.1 BASIS OF PREPARATION

2.1.1A INTRODUCTION

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS), as adopted by the European Union (EU) and to IFRS as issued by the International Accounting Standard Board, that are applicable for financial statements for the year 2007. In addition, changes in accounting policies adopted by the Group in 2007 that require retrospective application have been reflected in the consolidated financial statements. Further information on these changes in accounting policies is provided in paragraph 2.2. Information on the standards and interpretations that were adopted in 2007 is provided below in paragraph 2.1.1b. Certain amounts in prior years have been reclassified to conform to the current year presentation.

IFRS 7 'Financial instruments – disclosures' requires that the financial statements provide information concerning the nature and extent of risks arising from financial instruments. Please refer to Chapter 'Risk management – Financial and insurance risks' on pages 56 – 73 of the Report of the Executive Board for these disclosures. Although presented in the Report of the Executive Board, this information is included in the audit of the financial statements.

With regard to the income statement of AEGON N.V., article 402, Part 9 of Book 2 of the Netherlands Civil Code has been applied, allowing a simplified format.

The financial statements are put to the Annual General Meeting of Shareholders on April 23, 2008 for adoption. The shareholders' meeting can reject the financial statements but cannot amend them.

2.1.1B ADOPTION OF NEW IFRS ACCOUNTING STANDARDS

New standards become effective on the date specified by IFRS, but may allow companies to opt for an earlier adoption date. In 2007, the Group has adopted the following IASB standards and interpretations of the International Financial Reporting Interpretations Committee (IFRIC):

- IFRS 7 Financial instruments: Disclosures;
- The amendments to IAS 1 Capital disclosures;
- The amendments to the guidance on implementation of IFRS 4 Insurance Contracts;
- IFRIC 8 Scope IFRS 2 Share-based payments;
- IFRIC 9 Reassessment of embedded derivatives;
- IFRIC 10 Interim financial reporting and impairment;
- IFRIC 11 IFRS 2 Group and treasury transactions.

The adoption of these standards and interpretations did not have any impact on equity or net income.

IFRS 7, the related amendments to IAS 1 and the implementation guidance to IFRS 4 affect the disclosures on financial instruments, insurance contracts and capital provided in the Group's consolidated financial statements.

IFRIC 8 clarifies that IFRS 2 Share-based payment applies to all transactions in which an entity receives non-financial assets or services as consideration for the issue of its equity instruments, even where nil consideration seems to be received.

IFRIC 9 provides additional guidance to the principle in IAS 39 to assess whether a contract contains embedded derivatives that require bifurcation when the company first becomes a party to the contract. IFRIC 9 requires an additional assessment to be performed when there is a change in the terms of the contract that significantly modifies the contract's cash flows. The interpretation prohibits subsequent reassessments to be performed in other instances, with the exception of business combinations for which a scope exclusion is made. IFRIC 9 is consistent with the Group's current policy on the reassessment of embedded derivatives. Therefore, there has been no impact on equity or net income.

IFRIC 10 prohibits entities from reversing impairment losses recognized in previous interim periods in respect of goodwill or an investment in either an equity instrument or a financial asset carried at cost.

IFRIC 11 concerns share-based payment arrangements that involve two or more entities within the same group. This interpretation is relevant to AEGON because employees of the subsidiaries are granted rights to AEGON N.V. shares as consideration for the services provided to the subsidiary. AEGON's previous accounting policies were consistent with the guidance in IFRIC 11, and therefore the implementation has had no impact on equity or net income.

2.1.2 FUTURE ADOPTION OF NEW IFRS ACCOUNTING STANDARDS

The following standards and interpretations, published prior to January 1, 2008, will be applied in the coming years:

- IAS 1 Presentation of financial statements;
- IFRS 8 Operating segments;
- Amendments to IAS 23 Borrowing costs;
- IFRIC 12 Service concession arrangements;
- IFRIC 13 Customer loyalty programmes;
- IFRIC 14 IAS 19 The limit on a defined benefit asset, minimum funding requirements and their interlocation.

The revision of IAS 1 is aimed at improving users' ability to analyse and compare the information given in financial statements. It introduces for example a statement of comprehensive income. It will not impact net income or equity.

The IASB issued IFRS 8 as part of the convergence project with the US Financial Accounting Standards Board. This new standard replaces IAS 14 Segment reporting and adopts a management approach to segment reporting as required in SFAS 131 Disclosures about segments of an enterprise and related information. The adoption of IFRS 8 only impacts the segmental disclosures and therefore will not have an impact on equity or net income.

The amendments to IAS 23 remove the option of immediately recognizing as an expense borrowing costs that relate to assets that take a substantial period of time to get ready for use or sale. The adoption of the amendment will not impact equity or net income as AEGON's accounting policy is to capitalize borrowing costs.

IFRIC 12 applies to service concessions whereby a public service entity grants a contract to a private sector entity for the supply of infrastructure or other public services. It addresses how these service concession operators should account for the obligations they undertake and rights they receive. This interpretation has a required adoption date of January 1, 2008 and is not expected to have a material impact on equity or net income.

IFRIC 13 addresses accounting by entities that grant loyalty award credits (such as 'points' or travel miles) to customers who buy other goods or services. This interpretation has a required adoption date of January 1, 2008 and is not expected to have a material impact on equity or net income.

IFRIC 14 provides general guidance on how to assess the limit in IAS 19 Employee Benefits on the amount of the surplus that can be recognized as an asset in case of a surplus in the funding. It also explains how the pension asset or liability may be affected when there is a statutory or contractual minimum funding requirement. IFRIC 14 has a required adoption date of January 1, 2008. Adoption will not have a material impact on equity or net income.

2.2 CHANGES IN REPORTING

2.2.1 CHANGES IN ACCOUNTING POLICIES

As of January 1, 2007, the following changes of accounting policies were adopted:

- Accounting for minimum guarantees by AEGON The Netherlands;
- SOP 05-1 Accounting by Insurance Enterprises for Deferred Acquisition Costs in Connection with Modifications or Exchanges of Insurance Contracts.

A) ACCOUNTING FOR MINIMUM GUARANTEES BY AEGON THE NETHERLANDS

Effective January 1, 2007, AEGON changed the accounting policies it uses to value minimum interest rate guarantees related to insurance products offered by AEGON The Netherlands, including group pension contracts and traditional products. As allowed by IFRS 4 Insurance Contracts, the Group values its insurance contracts in accordance with the accounting principles that were applied prior to the transition to IFRS. The assets and liabilities relating to insurance contracts issued in the Netherlands are accounted for in accordance with Dutch Accounting Principles (DAP). In December 2006, new guidelines, related to the treatment of guarantees as part of the mandatory liability adequacy test were published, with additional interpretation issued early 2007. These guidelines, which are part of DAP, require that minimum guarantees be valued explicitly, whereas previously there was a choice between the alternative treatments. As allowed under DAP, AEGON adopted this guideline retrospectively in its primary accounting for insurance liabilities.

Effective January 1, 2007, AEGON The Netherlands valued the guarantees at fair value. Changes in the fair value are recognized in AEGON's income statement. Prior to 2007, guarantees embedded in the group pension contracts were valued applying a corridor approach. Changes in the provision, if outside the corridor, were reflected in operating earnings. The guarantees embedded in traditional products were not valued explicitly, but were considered in the liability adequacy test.

The change in accounting for the guarantee will ensure AEGON's financial statements better reflect the economic matching of its assets and liabilities. AEGON The Netherlands initiated a program to hedge its interest rate risks in connection with these guarantees. The implementation of this program was completed by the end of 2006.

Derivative instruments used to hedge these interest rate risks are carried at fair value. Any changes in the fair value are recognized in AEGON's income statement. Similarly, changes in the fair value of the guarantees will be reflected in AEGON's income statement. AEGON believes that this change in accounting principles increases the transparency of its financial results and should enhance the ability of investors, analysts and other interested parties to judge the performance of its business. The change in accounting policies applies only to AEGON The Netherlands and does not impact other country units.

The impact of the change in accounting principles, is shown in the table below (in EUR million, except per share data):

	2006	2005	
Net income attributable to equityholders of AEGON N.V. – based upon previous accounting principles	2,789	2,732	
Impact change in accounting principles	380	(585)	
NET INCOME ATTRIBUTABLE TO EQUITYHOLDERS OF AEGON N.V. - ADJUSTED	**3,169**	**2,147**	
Impact on basic earnings per share, in EUR	0.24	(0.38)	
Impact on diluted earnings per share, in EUR	0.24	(0.38)	
Basic earnings per share – adjusted, in EUR	1.87	1.25	
Diluted earnings per share – adjusted, in EUR	1.86	1.25	
	December 31, 2006	**December 31, 2005**	**January 1, 2005**
Shareholders' equity – based on previous accounting principles	19,137	19,276	14,875
Impact change in accounting principles	(532)	(561)	(327)
SHAREHOLDERS' EQUITY – ADJUSTED	**18,605**	**18,715**	**14,548**

The change in accounting principle impacted various financial statements lines: Insurance contracts, Deferred tax liabilities, Policyholder claims and benefits, Results from financial transactions and Income tax along with related items in the consolidated cash flow statement.

B) SOP 05-1 ACCOUNTING BY INSURANCE ENTERPRISES FOR DEFERRED ACQUISITION COSTS IN CONNECTION WITH MODIFICATIONS OR EXCHANGES OF INSURANCE CONTRACTS

As allowed by IFRS 4 Insurance Contracts, the Group values its insurance contracts in accordance with the accounting principles that were applied prior to the transition to IFRS. The assets and liabilities relating to insurance contracts issued in the United States and Canada are accounted for in accordance with United States Generally Accepted Accounting Principles (US GAAP).

On September 19, 2005, the American Institute of Certified Public Accountants (AICPA) released SOP 05-1 Accounting by Insurance Enterprises for Deferred Acquisition Costs in Connection with Modifications or Exchanges of Insurance Contracts. This SOP provides guidance on the accounting for replacements of one contract by another. Depending on whether certain conditions are met, the replacement is accounted for as either an extinguishment or as a continuation of the replaced contract. The classification affects the accounting for unamortized deferred policy acquisition costs (DPAC), unearned revenue liabilities and deferred sales inducement assets from the replaced contract. The Group has prospectively adopted SOP 05-1 for insurance contracts issued in the United States and Canada effective January 1, 2007. The adoption of SOP 05-1 is expected to result in an immaterial increase in DPAC amortization in future years. The actual impact will depend on policy modification activity as well as any possible exchange programs implemented in the future.

AEGON adopted SOP 05-1 effective January 1, 2007, resulting in an EUR 13 million charge, net of taxes, as the cumulative effect of adoption of this accounting principle on our IFRS equity, which has been included in Other within the statement of changes in equity. This change in accounting policy has been adopted prospectively effective January 1, 2007. Retrospective adoption is impracticable because information has not historically been accumulated at the level required by this new guidance to enable AEGON to identify deferred acquisition costs specific to prior internal replacements.

2.2.2 CHANGES IN PRESENTATION

As of January 1, 2007, the following changes in presentation were adopted:

- Change in secondary segment reporting;
- Netting in income statement of fair value gains and losses and realized gains and losses on investments into results from financial transactions.

A) CHANGE IN SECONDARY SEGMENT REPORTING

AEGON's primary format for segment reporting is by geographical area, which is consistent with the Group's management and internal reporting structure. The following segments have been established: Americas, the Netherlands, United Kingdom, Other countries, and Holdings and other activities.

Until January 1, 2007, AEGON's secondary format for segment reporting was based on product characteristics, such as traditional life and fixed annuities. As of 2007, AEGON introduced a new line of business format (LOB) as secondary segment format. The new LOB reporting format more closely aligns with the way AEGON's businesses are managed, whilst at the same time, highlights the performance of the key product groups (pensions, life insurance and investment products) and thereby provides an increased insight in the risks and returns of AEGON's business activities.

The following lines have been established:

- Life and protection, which includes products with mortality, morbidity and longevity risks;
- Individual savings and retirement products, which include products with no or insignificant longevity risk, primarily fixed and variable annuity products sold by AEGON Americas;
- Pensions and asset management, which includes both individual and group pension business and 401(k) and similar products, typically sponsored by or obtained through an employer.
  It comprises products in the accumulation phase as well as in the pay-out phase. In addition, asset management services provided to third parties are included in this line;
- Institutional products, which includes earnings from spread-based products like Guaranteed Investment Contracts (GICs) and funding agreements sold by AEGON Americas which are marketed to institutional clients such as pension funds, retirement plans, college savings plans, money market funds. This line also includes synthetic GIC products and Bank- or Corporate-Owned Life Insurance (BOLI/COLI);
- Reinsurance, which includes earnings on reinsurance business assumed from direct writers;
- Distribution, which includes commissions earned by independent financial advisors;
- General insurance, which includes mainly automotive insurance, liability insurance, household insurance and fire protection;
- Other is used to report any items which cannot be directly allocated to a specific line of business;
- Interest charges and other includes funding interest expenses and holding expenses. No changes have been made to what was previously reported in this line.

As of January 1, 2007 AEGON included its share of net results from associates in its operating earnings. Previously, results from associate companies were reported separately from operating earnings.

B) PRESENTATION IN THE INCOME STATEMENT

All gains and losses on investments, except for direct investment income, have been aggregated on the face of the income statement to one line item 'Results from financial transactions'. Until 2007 gains and losses on investments were netted by country, per category of financial asset and, in the case of available-for-sale financial assets, per type of instruments. Subsequently all gain positions were aggregated and presented as 'Net gains on investments', whilst all loss positions were aggregated and presented as 'Net losses on investments'. As of 2007, all gains and losses on investments are netted to one total amount which is presented as one line item on the face of the income statement. This change in presentation aligns the presentation in the income statement with industry practice. Included in Results from financial transactions are also fair value changes and foreign exchange gains and losses, to which a similar netting and aggregation methodology as described for gains and losses on investments has been applied.

The captions in the details in note 33 on Results from financial transactions have been revised to reflect the changes in presentation. The comparative information has been restated accordingly as follows:

	Note	2006	2005
Net fair value and foreign exchange gains		837	698
Net fair value and foreign exchange losses		(127)	(385)
Fair value changes and foreign exchange gains and losses		**710**	**313**
Net gains on investments for account of policyholders		9,313	11,340
Net losses on investments for account of policyholders		(1,174)	(2)
Gains and losses on investments for account of policyholders		**8,139**	**11,338**
Net gains on investments		1,065	1,269
Net losses on investments		(526)	(112)
Net gains and losses on investments		**539**	**1,157**
Minus: Reclass of Impairment charges on non-financial assets and receivables	38	**9**	**12**
RESULTS FROM FINANCIAL TRANSACTIONS		**9,397**	**12,820**

2.3 CHANGES IN ACCOUNTING ESTIMATES

In June 2007, AEGON The Netherlands refined its method of calculating the fair value of the guarantees included in its unit-linked products in order to align these calculations with the calculations introduced for the group pension contracts and traditional products of AEGON The Netherlands. This change in accounting estimate has been applied prospectively. The cumulative negative impact on net income recognized amounts to EUR 135 million and is reported as part of Other charges.

The actual impact will depend on the development of the interest yield curve and is therefore difficult to predict.

2.4 BASIS OF CONSOLIDATION

Business combinations that occurred before the adoption date of IFRS (January 1, 2004) have not been restated. No operations have been identified as assets held for sale or disposal unit.

A) SUBSIDIARIES

The consolidated financial statements include the financial statements of AEGON N.V. and its subsidiaries. Subsidiaries are entities over which AEGON has direct or indirect power to govern the financial and operating policies so as to obtain benefits from its activities ('control'). The assessment of control is based on the substance of the relationship between the Group and the entity and, among other things, considers existing and potential voting rights that are currently exercisable and convertible.

Special purpose entities are consolidated if, in substance, the activities of the entity are conducted on behalf of the Group, the Group has the decision-power to obtain control of the entity or has delegated these powers through an autopilot, the Group can obtain the majority of the entity's benefits or the Group retains the majority of the residual risks related to the entity or its assets.

The subsidiary's assets, liabilities and contingent liabilities are measured at fair value on the acquisition date and are subsequently accounted for in accordance with the Group's accounting principles and reporting year. Intra-group transactions, including AEGON N.V. shares held by subsidiaries, which are recognized as treasury shares in equity, are eliminated. Intra-group losses are eliminated, except to the extent that the underlying asset is impaired. Minority interests are initially stated at their share in the fair value of the net assets on the acquisition date and subsequently adjusted for the minority's share in changes in the subsidiary's equity.

The excess of the cost of acquisition, comprising the consideration paid to acquire the interest and the directly related costs, over the Group's share in the net fair value of assets, liabilities and contingent liabilities acquired is recognized as goodwill. Negative goodwill is recognized directly in the income statement. If the fair value of the assets, liabilities and contingent liabilities acquired in the business combination has been determined provisionally, adjustments to these values resulting from the emergence of new evidence within twelve months after the acquisition date are made against goodwill. Also, goodwill is adjusted for changes in the estimated value of contingent considerations given in the business combination when they arise. Contingent consideration is discounted and the unwinding is recognized in the income statement as an interest expense.

When control is obtained in successive share purchases, each significant transaction is accounted for separately. The identifiable assets, liabilities and contingent liabilities are stated at fair value when control is obtained.

Subsidiaries are deconsolidated when control ceases to exist. Any difference between the net proceeds and the carrying amount of the subsidiary is recognized in the income statement.

INVESTMENT FUNDS

Investment funds managed by the Group in which the Group holds an interest are consolidated in the financial statements if the Group can govern the financial and operating policies of the fund. In assessing control all interests held by the Group in the fund are considered, regardless of whether the financial risk related to the investment is borne by the Group or by the policyholders.

On consolidation of an investment fund, a liability is recognized to the extent that the Group is legally obliged to buy back participations held by third parties. Where this is not the case, other participations held by third parties are presented as minority interests in equity. The assets allocated to participations held by third parties or by the Group on behalf of policyholders are presented in the consolidated financial statements as investments for account of policyholders.

Equity instruments issued by the Group that are held by the investment funds are eliminated on consolidation. However, the elimination is reflected in equity and not in the measurement of the related financial liabilities towards policyholders or other third parties.

B) JOINTLY CONTROLLED ENTITIES

Joint ventures are contractual agreements whereby the Group undertakes with other parties an economic activity that is subject to joint control.

Interests in joint ventures are recognized using proportionate consolidation, combining items on a line by line basis from the date the jointly controlled interest commences. Gains and losses on transactions between the Group and the joint venture are recognized to the extent that they are attributable to the interests of other venturers, with the exception of losses that are evidence of impairment and that are recognized immediately.

The acquisition of an interest in a joint venture may result in goodwill, which is accounted for consistently with the goodwill recognized on the purchase of a subsidiary.

The use of proportionate consolidation is discontinued from the date on which the Group ceases to have joint control.

2.5 FOREIGN EXCHANGE TRANSLATION

A) TRANSLATION OF FOREIGN CURRENCY TRANSACTIONS

A group entity prepares its financial statements in the currency of the primary environment in which it operates. Transactions in foreign currencies are translated to the functional currency using the exchange rates prevailing at the date of the transaction.

At the balance sheet date monetary assets and monetary liabilities are translated at the closing rate. Non-monetary items carried at cost are translated using the exchange rate at the date of the transaction, whilst assets carried at fair value are translated at the exchange rate when the fair value was determined.

Exchange differences on monetary items are recognized in the income statement when they arise, except when they are deferred in equity as a result of a qualifying cash flow or net investment hedge. Exchange differences on non-monetary items are recognized in equity or the income statement, consistently with other gains and losses on these items.

B) TRANSLATION OF FOREIGN CURRENCY OPERATIONS

On consolidation, the financial statements of group entities with a foreign functional currency are translated to euro, the currency in which the consolidated financial statements are presented. Assets and liabilities are translated at the closing rates on the balance sheet date. Income, expenses and capital transactions (such as dividends) are translated at average exchange rates or at the prevailing rates on the transaction date, if more appropriate. Goodwill and fair value adjustments arising on the acquisition of a foreign entity are translated at the closing rates on the balance sheet date.

The resulting exchange differences are recognized in the 'foreign currency translation reserve', which is part of shareholders' equity. On disposal of a foreign entity the related cumulative exchange differences included in the reserve are recognized in the income statement.

On transition to IFRS on January 1, 2004, the foreign currency translation reserve was reset to nil.

2.6 SEGMENT REPORTING

As the Group's risks and rates of return are predominantly affected by the fact that it operates in different countries, the primary basis for segment reporting is geographical segments. Geographical segments are defined based on the location of where the activities are managed. Secondary segment information is reported for groups of related products – see note 2.2.2A for the change in presentation adopted as of January 1, 2007, which has been retrospectively applied in this Report.

The Group uses operating earnings before tax in its segment reporting as an important indicator of its financial performance. Included in operating earnings are segment revenues and segment expenses. Segment revenues consist of premium income, investment income, fee and commission income, income from banking activities and other revenues. Segment expenses consist of premiums to reinsurers, policyholder claims and benefits (excluding the effect of charges to policyholders in respect of income tax), profit sharing and rebates and commissions and expenses. In addition to segment revenues, the following income items are also included in the calculation of operating earnings: reinsurance claims and benefits, fair value and foreign exchange gains, gains on investments for account of policyholders and share in net results of associates. Similarly, in addition to segment expenses, the following expense items are also included in the calculation of operating earnings: fair value and foreign exchange losses, losses on investments for account of policyholders and interest and related charges.

Operating earnings before tax excludes:

- realized gains and losses on investments on general account financial assets, other than those classified as at fair value through profit or loss [1];
- gains and losses on investments in real estate [1];
- fair value changes in derivatives held for economic hedges for which no hedge accounting is applied and the economically hedged underlying assets or liabilities are not valued at fair value through profit or loss [1, 2];
- the difference between fair value movements of certain guarantees and the fair value changes of derivatives that hedge certain risks of these guarantees [1];
- the ineffective portion of hedge transactions for which hedge accounting is applied [1];
- realized gains and losses on repurchased debt;
- impairment charges and reversals for financial assets, excluding receivables and;
- certain other income (charges) items.

Deferred policy acquisition costs (DPAC) and value of business acquired (VOBA) offsetting charges for realized gains and losses and impairments on investments are included in the respective line items mentioned above.

Transfer prices between segments are on arm's length basis in a manner similar to transactions with third parties.

2.7 OFFSETTING OF ASSETS AND LIABILITIES

Financial assets and liabilities are offset in the balance sheet when the Group has a legally enforceable right to offset and has the intention to settle the asset and liability on a net basis or simultaneously.

2.8 INTANGIBLE ASSETS

A) GOODWILL

Goodwill is recognized as an intangible asset for interests in subsidiaries and joint ventures acquired after January 1, 2004 and is measured as the positive difference between the acquisition cost and the Group's interest in the net fair value of the entity's identifiable assets, liabilities and contingent liabilities. Subsequently, goodwill is carried at cost less accumulated impairment charges. It is derecognized when the interest in the subsidiary or joint venture is disposed of.

B) VALUE OF BUSINESS ACQUIRED

When a portfolio of insurance contracts is acquired, whether directly from another insurance company or as part of a business combination, the difference between the fair value and the carrying amount of the insurance liabilities is recognized as value of business acquired (VOBA). The Group also recognizes VOBA when it acquires a portfolio of investment contracts with discretionary participation features.

VOBA is amortized over the useful life of the acquired contracts, based on either the expected future premiums or the expected gross profit margins. For products sold in the United States and Canada, with amortization based on expected gross profit margins, the amortization period and pattern are reviewed at each reporting date. Any change in estimates is recorded in the income statement. For all products, VOBA is assessed for recoverability at least annually on a country-by-country basis and the portion determined not to be recoverable is charged to the income statement. VOBA is considered in the liability adequacy test for each reporting period.

When unrealized gains or losses arise on available-for-sale assets, VOBA is adjusted to equal the effect that the realization of the gains or losses would have had on VOBA. The adjustment is recognized directly in shareholders' equity. VOBA is derecognized when the related contracts are settled or disposed of.

[1] For segment reporting disclosure purposes the above items are aggregated in the line Gains and losses on investments.
[2] Derivatives are considered economic hedges of certain exposures related to an existing asset or liability and are part of the Group's asset liability management.

C) FUTURE SERVICING RIGHTS

On the acquisition of a portfolio of investment contracts without discretionary participation features under which AEGON will render investment management services, the present value of future servicing rights is recognized as an intangible asset. Future servicing rights can also be recognized on the sale of a loan portfolio or the acquisition of insurance agency activities.

The present value of the future servicing rights is amortized over the servicing period as the fees from services emerge and is subject to impairment testing. It is derecognized when the related contracts are settled or disposed of.

D) SOFTWARE AND OTHER INTANGIBLE ASSETS

Other intangible assets are recognized to the extent that the assets can be identified, are controlled by the Group, are expected to provide future economic benefits and can be measured reliably. The Group does not recognize internally generated intangible assets arising from research or internally generated goodwill, brands, customer lists and similar items.

The intangible assets are carried at cost less accumulated depreciation and impairment losses. Depreciation of the asset is over its useful life as the future economic benefits emerge and is recognized in the income statement as an expense. The depreciation period and pattern are reviewed at each reporting date, with any changes recognized in the income statement.

An intangible asset is derecognized when it is disposed of or when no future economic benefits are expected from its use or disposal.

2.9 INVESTMENTS

Investments for general account comprise financial assets, excluding derivatives, as well as investments in real estate and real estate held for own use.

A) FINANCIAL ASSETS

Financial assets are recognized on the trade date when the Group becomes a party to the contractual provisions of the instrument and are classified for accounting purposes depending on the characteristics of the instruments and the purpose for which they were purchased.

CLASSIFICATION

The following financial assets are measured at fair value through profit or loss: financial assets held for trading, financial assets managed on a fair value basis in accordance with the Group's risk management and investment strategy and financial assets containing an embedded derivative that is not closely related and that cannot be reliably bifurcated. In addition, in certain instances the Group designates financial assets to this category when by doing so a potential accounting mismatch in the financial statements is eliminated or significantly reduced.

Financial assets with fixed or determinable payments that are not quoted in an active market and that the Group does not intend to sell in the near future are accounted for as loans. To the extent that the Group has the intention and ability to hold a quoted financial asset with fixed payments to the maturity date, it is classified as held-to-maturity.

All remaining non-derivative financial assets are classified as available-for-sale.

MEASUREMENT

Financial assets are initially recognized at fair value excluding interest accrued to date plus, in the case of a financial asset not at fair value through profit or loss, any directly attributable incremental transaction costs.

Loans and assets held-to-maturity are subsequently carried at amortized cost using the effective interest rate method. Financial assets at fair value through profit or loss are measured at fair value with all changes in fair value recognized in the income statement as incurred. Available-for-sale assets are recorded at fair value with unrealized changes in fair value recognized directly in shareholders' equity. Financial assets that are designated as hedged items are measured in accordance with the requirements for hedge accounting.

AMORTIZED COST

The amortized cost of a debt instrument is the amount at which it is measured at initial recognition minus principal repayments, plus or minus the cumulative amortization of any difference between the initial amount and the maturity amount, and minus any reduction for impairment. The effective interest rate method is a method of calculating the amortized cost and of allocating the interest income or expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the debt instrument or, when appropriate, a shorter period to the net carrying amount of the instrument. When calculating the effective interest rate, all contractual terms are considered. Possible future credit losses are not taken into account. Charges and interest paid or received between parties to the contract that are an integral part of the effective interest rate, transaction costs and all other premiums or discounts are included in the calculation.

FAIR VALUE

The consolidated financial statements provide information on the fair value of all financial assets, including those carried at amortized cost where the values are provided in the notes to the financial statements.

The fair value of an asset is the amount for which it could be exchanged between knowledgeable, willing parties in an arm's length transaction. For quoted financial assets for which there is an active market, the fair value is the bid price at the balance sheet date. In the absence of an active market, fair value is estimated by using present value based or other valuation techniques. Where discounting techniques are applied the discount rate is based on current market rates applicable to financial instruments with similar characteristics. The valuation techniques that include non-market observable inputs can result in a different outcome than the actual transaction price at which the asset was acquired. Such differences are not recognized in the income statement immediately but are deferred. They are released over time to the income statement in line with the change in factors (including time) that market participants would consider in setting a price for the asset.

Interest accrued to date is not included in the fair value of the financial asset.

DERECOGNITION

A financial asset is derecognized when the contractual rights to the asset's cash flows expire, when the Group has transferred the asset and substantially all the risks and rewards of ownership, or when the Group has transferred the asset without transfer of substantially all the risks and rewards of ownership, provided the other party can sell or pledge the asset. Financial assets, in respect of which the Group has neither transferred nor retained all the risks and rewards, are recognized to the extent of the Group's continuing involvement. If significantly all risks are retained, the assets are not derecognized.

On derecognition, the difference between the disposal proceeds and the carrying amount is recognized in the income statement as a realized gain or loss. Any cumulative unrealized gain or loss previously recognized in the revaluation reserve in shareholders' equity is also recognized in the income statement.

SECURITY LENDING AND REPURCHASE AGREEMENTS

Financial assets that are lent to a third party or that are transferred subject to a repurchase agreement at a fixed price are not derecognized as the Group retains substantially all the risks and rewards of the asset. A liability is recognized for cash collateral received, on which interest is accrued.

A security that has been received under a borrowing or reverse repurchase agreement is not recognized as an asset. A receivable is recognized for any related cash collateral paid by AEGON. The difference between sale and repurchase price is treated as investment income. If the Group subsequently sells that security, a liability to repurchase the asset is recognized and initially measured at fair value.

COLLATERAL

With the exception of cash collateral, assets received as collateral are not separately recognized as an asset until the financial asset they secure is foreclosed. When cash collateral is recognized, a liability is recorded for the same amount.

B) REAL ESTATE

Property that is occupied by the Group and that is not intended to be sold in the near future is classified as real estate held for own use. Investments in real estate is property held to earn rentals or for capital appreciation, or both. Considering the Group's asset liability management policies, under which both categories of property can be allocated to liabilities resulting from insurance and investment contracts, both are presented as investments.

All property is initially recognized at cost. Subsequently, investments in real estate are measured at fair value with the changes in fair value recognized in the income statement. Real estate held for own use is carried at its revalued amount, which is the fair value at the date of revaluation less subsequent accumulated depreciation and impairment losses. Depreciation is calculated on a straight line basis over the useful life of a building. Land is not depreciated. On revaluation the accumulated depreciation is eliminated against the gross carrying amount of the asset and the net amount is restated to the revalued amount. Increases in the net carrying amount are recognized in the related revaluation reserve in shareholders' equity and are released to retained earnings over the remaining useful life of the property.

Valuations of both investments in real estate and real estate held for own use are conducted with sufficient regularity to ensure the value correctly reflects the fair value at the balance sheet date. Valuations are mostly based on active market prices, adjusted for any difference in the nature, location or condition of the specific property. If such information is not available, other valuation methods are applied, considering the current cost of reproducing or replacing the property, the value that the property's net earning power will support and the value indicated by recent sales of comparable properties. For property held for own use, valuers may also consider the present value of the future rental income cash flows that could be achieved had the real estate been let out.

On disposal of an asset, the difference between the net proceeds received and the carrying amount is recognized in the income statement. Any remaining surplus attributable to real estate in own use in the revaluation reserve is transferred to retained earnings.

PROPERTY UNDER CONSTRUCTION

The Group develops property itself with the intention to hold it as investments in real estate. During the construction phase both the land and the building are presented as real estate held for own use, are held at cost, including directly attributable borrowing costs, and are not depreciated. When the construction phase is completed, the property is transferred to investments in real estate and revalued at fair value. Any resulting gain or loss is recognized in the income statement.

MAINTENANCE COSTS AND OTHER SUBSEQUENT EXPENDITURE

Expenditure incurred after initial recognition of the asset is capitalized to the extent that the level of future economic benefits of the asset is increased. Costs that restore or maintain the level of future economic benefits are recognized in the income statement as incurred.

2.10 INVESTMENTS FOR ACCOUNT OF POLICYHOLDERS

Investments held for account of policyholders consist of investments in financial assets, excluding derivatives, as well as investments in real estate and real estate held for own use. Investment return on these assets is passed on to the policyholder. Also included are the assets held by consolidated investment funds that are backing liabilities towards third parties. The accounting principles are the same as those applicable to general account investments, as described in note 2.9.

2.11 DERIVATIVES

A) DEFINITION

Derivatives are financial instruments of which the value changes in response to an underlying variable, that require little or no net initial investment and are settled at a future date.

Assets and liabilities may include derivative-like terms and conditions. With the exception of features embedded in contracts held at fair value through profit or loss, embedded derivatives that are not considered closely related to the host contract are bifurcated, carried at fair value and presented as derivatives. In assessing whether a derivative-like feature is closely related to the contract in which it is embedded, the Group considers the similarity of the characteristics of the embedded derivative and the host contract. Embedded derivatives that transfer significant insurance risk are accounted for as insurance contracts.

Derivatives with positive values are reported as assets and derivatives with negative values are reported as liabilities. Derivatives for which the contractual obligation can only be settled by exchanging a fixed amount of cash for a fixed amount of AEGON N.V. equity instruments are accounted for in shareholders' equity and are therefore discussed in the notes on equity.

B) MEASUREMENT

All derivatives recognized on the balance sheet are carried at fair value.

The fair value is calculated net of the interest accrued to date and is based on market prices, when available. When market prices are not available, other valuation techniques, such as option pricing or stochastic modeling, are applied. The valuation techniques incorporate all factors that market participants would consider and are based on observable market data, when available.

C) HEDGE ACCOUNTING

As part of its asset liability management, the Group enters into economic hedges to limit its risk exposure. These transactions are assessed to determine whether hedge accounting can and should be applied.

To qualify for hedge accounting, the hedge relationship is designated and formally documented at inception, detailing the particular risk management objective and strategy for the hedge (which includes the item and risk that is being hedged), the derivative that is being used and how hedge effectiveness is being assessed. A derivative has to be effective in accomplishing the objective of offsetting either changes in fair value or cash flows for the risk being hedged. The effectiveness of the hedging relationship is evaluated on a prospective and retrospective basis using qualitative and quantitative measures of correlation. Qualitative methods may include comparison of critical terms of the derivative to the hedged item. Quantitative methods include a comparison of the changes in the fair value or discounted cash flow of the hedging instrument to the hedged item. A hedging relationship is considered effective if the results of the hedging instrument are within a ratio of 80% to 125% of the result of the hedged item.

For hedge accounting purposes, a distinction is made between fair value hedges, cash flow hedges and hedges of a net investment in a foreign operation.

Fair value hedges are hedges of a change in the fair value of an unrecognized firm commitment or an asset or liability that is not held at fair value through profit or loss. The hedged item is remeasured to fair value in respect of the hedged risk and the resulting adjustment is recorded in the income statement.

Cash flow hedges are hedges of the exposure to variability in cash flows that is attributable to a particular risk of a forecasted transaction or a recognized asset or liability and could affect profit or loss. To the extent that the hedge is effective, the change in the fair value of the derivative is recognized in the related revaluation reserve in shareholders' equity. Any ineffectiveness is recognized directly in the income statement. The amount recorded in shareholders' equity is released to the income statement to coincide with the hedged transaction, except when the hedged transaction is an acquisition of a non-financial asset or liability. In this case, the amount in shareholders' equity is included in the initial cost of the asset or liability.

Net investment hedges are hedges of currency exposures on a net investment in a foreign operation. To the extent that the hedge is effective, the change in the fair value of the hedging instrument is recognized in shareholders' equity. Any ineffectiveness is recognized in the income statement. The amount in shareholders' equity is released to the income statement when the foreign operation is disposed of.

Hedge accounting is discontinued prospectively for hedges that are no longer considered effective. When hedge accounting is discontinued for a fair value hedge, the derivative continues to be carried on the balance sheet with changes in its fair value recognized in the income statement. When hedge accounting is discontinued for a cash flow hedge because the cash flow is no longer expected to occur, the accumulated gain or loss in shareholders' equity is recognized immediately in the income statement. In other situations where hedge accounting is discontinued for a cash flow hedge, including those where the derivative is sold, terminated or exercised, accumulated gains or losses in shareholders' equity are amortized into the income statement when the income statement is impacted by the variability of the cash flow from the hedged item.

2.12 INVESTMENTS IN ASSOCIATES

Entities over which the Group has significant influence through power to participate in financial and operating policy decisions, but which do not meet the definition of a subsidiary or joint venture, are accounted for using the equity method. Interests held by venture capital entities, mutual funds and investment funds that qualify as an associate are accounted for as an investment held at fair value through profit or loss. Interests held by the Group in venture capital entities, mutual funds and investment funds that are managed on a fair value basis, are also accounted for as investments held at fair value through profit or loss.

Interests in associates are initially recognized at cost, which includes positive goodwill arising on acquisition. Negative goodwill is recognized in the income statement on the acquisition date. If associates are obtained in successive share purchases, each significant transaction is accounted for separately.

The carrying amount is subsequently adjusted to reflect the change in the Group's share in the net assets of the associate and is subject to impairment testing. The net assets are determined based on the Group's accounting policies. Any gains and losses recorded directly in shareholders' equity by the associate are reflected in other reserves in shareholders' equity, while the share in the associate's net income is recognized as a separate line item in the consolidated income statement. The Group's share in losses is recognized until the investment in the associate's equity and any other long-term interest that are part of the net investment are reduced to nil, unless guarantees exist.

Gains and losses on transactions between the Group and the associate are eliminated to the extent of the Group's interest in the entity, with the exception of losses that are evidence of impairment which are recognized immediately. Own equity instruments of AEGON N.V. that are held by the associate are not eliminated.

On disposal of an interest in an associate, the difference between the net proceeds and the carrying amount is recognized in the income statement and gains and losses previously recorded directly in shareholders' equity are reversed and recorded through the income statement.

2.13 REINSURANCE ASSETS

Reinsurance contracts are contracts entered into by the Group in order to receive compensation for losses on contracts written by the Group (outgoing reinsurance). For contracts transferring sufficient insurance risk, a reinsurance asset is recognized for the expected future benefits, less expected future reinsurance premiums. Reinsurance contracts with insufficient insurance risk transfer are accounted for as investment or service contracts, depending on the nature of the agreement.

Reinsurance assets are measured consistently with the amounts associated with the underlying insurance contracts and in accordance with the terms of each reinsurance contract. They are subject to impairment testing and are derecognized when the contractual rights are extinguished or expire or when the contract is transferred to another party.

2.14 DEFERRED EXPENSES AND REBATES

A) DEFERRED POLICY ACQUISITION COSTS

DPAC relates to insurance contracts and investment contracts with discretionary participation features and represents the variable costs that are related to the acquisition or renewal of these contracts.

Acquisition costs are deferred to the extent that they are recoverable and are subsequently amortized based on either the expected future premiums or the expected gross profit margins. For products sold in the United States and Canada with amortization based on expected gross profit margins, the amortization period and pattern are reviewed at each reporting date and any change in estimates is recognized in the income statement. Estimates include, but are not limited to: an economic perspective in terms of future returns on bond and equity instruments, mortality, disability and lapse assumptions, maintenance expenses and expected inflation rates. For all products, DPAC is assessed for recoverability at least annually on a country-by-country basis and is considered in the liability adequacy test for each reporting period. If appropriate, the assumptions included in the determination of estimated gross profits are adjusted. The portion of DPAC that is determined not to be recoverable is charged to the income statement.

When unrealized gains or losses arise on available-for-sale assets, DPAC is adjusted to equal the effect that the realization of the gains or losses would have had on its measurement. This is recognized directly in the related revaluation reserve in shareholders' equity.

DPAC is derecognized when the related contracts are settled or disposed of.

B) DEFERRED TRANSACTION COSTS

Deferred transaction costs relate to investment contracts without discretionary participation features under which AEGON will render investment management services. Incremental costs that are directly attributable to securing these investment management contracts are recognized as an asset if they can be identified separately and measured reliably and if it is probable that they will be recovered.

For contracts involving both the origination of a financial liability and the provision of investment management services, only the transaction costs allocated to the servicing component are deferred. The other transaction costs are included in the carrying amount of the financial liability.

The deferred transaction costs are amortized in line with fee income, unless there is evidence that another method better represents the provision of services under the contract. Deferred transaction costs are subject to impairment testing at least annually.

C) DEFERRED INTEREST REBATES

An interest rebate is a form of profit sharing whereby the Group gives a discount on the premium payable (usually single premium) based on the expected surplus interest that will be earned on the contract. The expected surplus interest is calculated with reference to a portfolio of government bonds. The rebate can be subject to additional conditions concerning actual returns or the continuation of the policy for a specified number of years.

Interest rebates that are expected to be recovered in future periods are deferred and amortized as the surplus interest is realized. They are considered in the liability adequacy test for insurance liabilities.

2.15 OTHER ASSETS AND RECEIVABLES

Other assets include trade and other receivables, prepaid expenses and fixed assets other than property. Trade and other receivables are initially recognized at fair value and are subsequently measured at amortized cost. Fixed assets are initially carried at cost, depreciated on a straight line basis over their useful life to their residual value and are subject to impairment testing.

2.16 CASH AND CASH EQUIVALENTS

Cash comprises cash at banks and in-hand. Cash equivalents are short-term, highly liquid investments that are readily convertible to known cash amounts, are subject to insignificant risks of changes in value and are held for the purpose of meeting short-term cash requirements. Money market investments that are held for investment purposes (backing insurance liabilities, investment liabilities or equity based on asset liability management considerations) are not included in cash and cash equivalents but are presented as investment or investment for account of policyholders.

2.17 IMPAIRMENT OF ASSETS

An asset is impaired if the carrying amount exceeds the amount that would be recovered through its use or sale. For tangible and intangible assets, financial assets and reinsurance assets, if not held at fair value through profit or loss, the recoverable amount of the asset is estimated when there are indications that the asset may be impaired. Irrespective of the indications, goodwill and other intangible assets with an indefinitive useful life that are not amortized, are tested at least annually.

A) IMPAIRMENT OF NON-FINANCIAL ASSETS

Assets are tested individually for impairment when there are indications that the asset may be impaired. The impairment loss is calculated as the difference between the carrying and the recoverable amount of the asset, which is the higher of an asset's value in use and its net selling price. The value in use represents the discounted future net cash flows from the continuing use and ultimate disposal of the asset and reflects its known inherent risks and uncertainties.

Impairment losses are charged to shareholders' equity to the extent that they offset a previously recorded revaluation reserve relating to the same item. Any further losses are recognized directly in the income statement.

With the exception of goodwill, impairment losses are reversed when there is objective evidence that there has been a change in the estimates used to determine the asset's recoverable amount since the recognition of the last impairment loss. The reversal is recognized in the income statement to the extent that it reverses impairment losses previously recognized in the income statement. The carrying amount after reversal cannot exceed the amount that would have been recognized had no impairment taken place.

Assets that only generate cash flows in combination with other assets and liabilities are tested for impairment at the level of the cash-generating unit. When impairing a cash-generating unit, any goodwill allocated to the unit is first written-off and recognized in the income statement. The remaining impairment loss is allocated on a pro rata basis among the other assets, on condition that the resulting carrying amounts do not fall below the individual assets' recoverable amounts. With the exception of goodwill, impairment losses on non-financial assets can be reversed.

B) IMPAIRMENT OF DEBT INSTRUMENTS

Debt instruments are impaired when it is considered probable that not all amounts due will be collected as scheduled. Individually significant loans and other receivables are first assessed separately. All non-impaired assets measured at amortized cost are then grouped by credit risk characteristics and collectively tested for impairment.

For debt instruments carried at amortized cost, the carrying amount of impaired financial assets is reduced through an allowance account. The impairment loss is calculated as the difference between the carrying and recoverable amount of the investment. The recoverable amount is determined by discounting the estimated probable future cash flows at the original effective interest rate of the asset. For variable interest debt instruments, the current effective interest rate under the contract is applied.

For debt instruments classified as available-for-sale, the asset is impaired to its fair value. Any unrealized gain or loss previously recognized in shareholders' equity is taken to the in the income statement in the impairment loss. After impairment the interest accretion on debt instruments that are classified as available-for-sale is based on the rate of return that would be required by the market for similar rated instruments at the date of impairment.

Impairment losses recognized for debt instruments can be reversed if in subsequent periods the amount of the impairment loss decreases and that decrease can be related objectively to a credit related event occurring after the impairment was recognized. For debt instruments carried at amortized cost, the carrying amount after reversal cannot exceed its amortized cost at the reversal date.

C) IMPAIRMENT OF EQUITY INSTRUMENTS

For equity instruments, a significant or prolonged decline in fair value below initial cost is considered objective evidence of impairment and always results in a loss being recognized in the income statement. Equity investments are impaired to the asset's fair value and any unrealized gain or loss previously recognized in shareholders' equity is taken to the income statement in the impairment loss. The amount exceeding the balance of previously recognized unrealized gains or loss is recognized in the income statement.

Impairment losses on equity instruments cannot be reversed.

D) IMPAIRMENT OF REINSURANCE ASSETS

Reinsurance assets are impaired if there is objective evidence, as a result of an event that occurred after initial recognition of the reinsurance asset, that not all amounts due under the terms of the contract will be received and the impact of the event on the amount to be received from the reinsurer can be reliably measured. Impairment losses are recognized in the income statement.

2.18 EQUITY

Financial instruments that are issued by the Group are classified as equity if they represent a residual interest in the assets of the Group after deducting all of its liabilities. In addition to common shares and preferred shares, the Group has issued perpetual securities that are classified as equity, rather than as debt, as these securities have no final maturity date, repayment is at the discretion of AEGON and AEGON has the option to defer coupon payments at its discretion. These securities are measured at par and those that are denominated in US dollars are translated using historical exchange rates.

Incremental external costs that are directly attributable to the issuing or buying back of own equity instruments are recognized in equity, net of tax.

Dividends and other distributions to holders of equity instruments are recognized directly in equity, net of tax. A liability for non-cumulative dividends payable is not recognized until the dividends have been declared and approved.

Treasury shares are own equity instruments reacquired by the Group. They are deducted from shareholders' equity, regardless of the objective of the transaction. No gain or loss is recognized in the income statement on the purchase, sale, issue or cancellation of the instruments. If sold, the difference between the carrying amount and the proceeds is reflected in retained earnings. The consideration paid or received is recognized directly in shareholders' equity. All treasury shares are eliminated in the calculation of earnings per share and dividend per share.

2.19 TRUST PASS-THROUGH SECURITIES, SUBORDINATED BORROWINGS AND OTHER BORROWINGS

A financial instrument issued by the Group is classified as a liability if the contractual obligation must be settled in cash or another financial asset or through the exchange of financial assets and liabilities at potentially unfavorable conditions for the Group.

Trust pass-through securities, subordinated loans and other borrowings are initially recognized at their fair value and are subsequently carried at amortized cost using the effective interest rate method, with the exception of specific borrowings that are designated as at fair value through profit or loss to eliminate, or significantly reduce, an accounting mismatch, or specific borrowings which are carried as at fair value through the profit and loss as part of a fair value hedge relationship. The liability is derecognized when the Group's obligation under the contract expires, is discharged or is cancelled.

2.20 INSURANCE CONTRACTS

Insurance contracts are contracts under which the Group accepts a significant risk – other than a financial risk – from a policyholder by agreeing to compensate the beneficiary on the occurrence of an uncertain future event by which he or she will be adversely affected. Contracts that do not meet this definition are accounted for as investment contracts. The Group reviews homogeneous books of contracts to assess whether the underlying contracts transfer significant insurance risk on an individual basis. This is considered the case when at least one scenario with commercial substance can be identified in which the Group has to pay significant additional benefits to the policyholder. Contracts that have been classified as insurance are not reclassified subsequently.

Insurance liabilities are recognized when the contract is entered into and the premiums are charged. The liability is derecognized when the contract expires, is discharged or is cancelled.

Insurance assets and liabilities are valued in accordance with the accounting principles that were applied by the Group prior to the transition to IFRS, as further described in the following paragraphs. In order to reflect the specific nature of the products written, subsidiaries are allowed to apply local accounting principles to the measurement of insurance contracts. All valuation methods used by the subsidiaries are based on the general principle that the carrying amount of the net liability must be sufficient to meet any reasonably foreseeable obligation resulting from the insurance contracts.

A) LIFE INSURANCE CONTRACTS

Life insurance contracts are insurance contracts with guaranteed life-contingent benefits. The measurement of the liability for life insurance contracts varies depending on the nature of the product.

Some products, such as traditional life insurance products in continental Europe and products in the United States, for which account terms are fixed and guaranteed, are measured using the net premium method. The liability is determined as the sum of the discounted value of the expected benefits and future administration expenses directly related to the contract, less the discounted value of the expected theoretical premiums that would be required to meet the future cash outflows based on the valuation assumptions used. The liability is either based on current assumptions or calculated using the assumptions established at the time the contract was issued, in which case a margin for risk and adverse deviation is generally included. A separate reserve for longevity may be established and included in the measurement of the liability. Furthermore, the liability for life insurance comprises reserves for unearned premiums and unexpired risks as well as for claims outstanding, which includes an estimate of the incurred claims that have not yet been reported to the Group.

Other products with account terms that are not fixed or guaranteed are generally measured at the policyholder's account balance. Depending on local accounting principles, the liability may include amounts for future services on contracts where the policy administration charges are higher in the initial years than in subsequent years. In establishing the liability, guaranteed minimum benefits issued to the policyholder are measured as described in 2.20C or, if bifurcated from the host contract, as described in 2.11.

One insurance product in the United States is carried at fair value through profit or loss as it contains an embedded derivative that could not be reliably bifurcated. The fair value of the contract is measured using market consistent valuation techniques.

B) LIFE INSURANCE CONTRACTS FOR ACCOUNT OF POLICYHOLDERS

Life insurance contracts under which the policyholder bears the risks associated with the underlying investments are classified as insurance contracts for account of policyholders.

The liability for the insurance contracts for account of policyholders is measured at the policyholder account balance. Contracts with unit-denominated payments are measured at current unit values, which reflect the fair values of the assets of the fund. If applicable, the liability representing the nominal value of the policyholder unit account is amortized over the term of the contract so that interest on actuarial funding is at an expected rate of return.

C) EMBEDDED DERIVATIVES AND PARTICIPATION FEATURES

Life insurance contracts typically include derivative-like terms and conditions. With the exception of policyholder options to surrender the contract at a fixed amount, contractual features that are not closely related to the insurance contract and that do not themselves meet the definition of insurance contracts are accounted for as derivatives. If the embedded derivative cannot be reliably bifurcated, the entire insurance contract is carried at fair value through profit or loss.

Other terms and conditions, such as participation features and expected lapse rates are considered when establishing the insurance liabilities. Where the Group has discretion over the amount or timing of the bonuses distributed resulting from participation features, a liability is recognized equal to the amount that is available at the balance sheet date for future distribution to policyholders.

GUARANTEED MINIMUM BENEFITS

The Group issues life insurance contracts, which, as a rule, do not expose the Group to interest risk as the account terms are not fixed or guaranteed or because the return on the investments held is passed on to the policyholder. However, in some cases these contracts may contain guaranteed minimum benefits. An additional liability for life insurance is established for guaranteed minimum benefits that are not bifurcated. Bifurcated guaranteed minimum benefits are classified as derivatives.

In the United States, the additional liability for guaranteed minimum benefits that are not bifurcated is determined each period by estimating the expected value of benefits in excess of the projected account balance and recognizing the excess over the accumulation period based on total expected assessments. The estimates are reviewed regularly and any resulting adjustment to the additional liability is recognized in the income statement. The benefits used in calculating the liabilities are based on the average benefits payable over a range of stochastic scenarios. Where applicable, the calculation of the liability incorporates a percentage of the potential annuitizations that may be elected by the contract holder.

In the Netherlands, an additional liability is established for guaranteed minimum benefits that are not bifurcated on group pension plans and on traditional insurance contracts with profit sharing based on an external interest index. The guarantees are measured at fair value.

D) SHADOW ACCOUNTING

Shadow accounting ensures that all gains and losses on investments affect the measurement of the insurance assets and liabilities in the same way, regardless of whether they are realized or unrealized and regardless of whether the unrealized gains and losses are recognized in the income statement or directly in equity in the revaluation reserve. In some instances, realized gains or losses on investments have a direct effect on the measurement of the insurance assets and liabilities. For example, some insurance contracts include benefits that are contractually based on the investment returns realized by the insurer. In addition, realization of gains or losses on available-for-sale investments can lead to unlocking of VOBA or DPAC and can also affect the outcome of the liability adequacy test to the extent that it considers actual future investment returns. For similar changes in unrealized gains and losses, shadow accounting is applied. If an unrealized gain or loss triggers a shadow accounting adjustment to VOBA, DPAC or the insurance liabilities, the corresponding adjustment is recognized in shareholders' equity in the revaluation reserve, together with the unrealized gain or loss.

Some profit sharing schemes issued by the Group entitle the policyholder to a bonus which is based on the actual total return on specific assets held. To the extent that the bonus relates to gains on available-for-sale investments for which the unrealized gains are recognized in the revaluation reserve in equity, shadow accounting is applied. This means that the increase in the liability is also charged to equity to offset the unrealized gains rather than to the income statement.

E) LIABILITY ADEQUACY TESTING

At each reporting date the adequacy of the life insurance liabilities, net of VOBA and DPAC, is assessed using the existing liability adequacy test that is acceptable under local accounting principles. Additional recoverability tests for policies written in the last year may also result in loss recognition.

Life insurance contracts for account of policyholders and any related VOBA and DPAC are considered in the liability adequacy test performed on insurance contracts. To the extent that the account balances are insufficient to meet future benefits and expenses, additional liabilities are established and included in the liability for life insurance.

All tests performed within the Group are based on current estimates of all contractual future cash flows, including related cash flows and policyholder options and guarantees. A number of valuation methods are applied, including discounted cash flow methods, option pricing models and stochastic modeling. Aggregation levels and the level of prudence applied in the test are consistent with local requirements. To the extent that the tests involve discounting of future cash flows, the interest rate applied may be prescribed by the local regulator or may be based on management's expectation of the future return on investments.

Any resulting deficiency is recognized in the income statement, initially by impairing the DPAC and VOBA and subsequently by establishing a technical reserve for the remaining loss. In subsequent periods, the liability for a block of business that has failed the adequacy test is based on the assumptions that are established at the time of loss recognition. The assumptions do not include a margin for adverse deviation, unless required under local accounting policies. Impairment losses resulting from liability adequacy testing can only be reversed if allowed by local accounting principles.

F) NON-LIFE INSURANCE CONTRACTS

Non-life insurance contracts are insurance contracts where the insured event is not life-contingent. For non-life products the insurance liability generally includes reserves for unearned premiums, unexpired risk, inadequate premium levels and outstanding claims and benefits. No catastrophe or equalization reserves are included in the measurement of the liability.

The reserve for unearned premiums includes premiums received for risks that have not yet expired. Generally the reserve is released over the term of the contract and is recognized as premium income.

The liability for outstanding claims and benefits is established for claims that have not been settled and any related cash flows, such as claims handling costs. It includes claims that have been incurred but have not been reported to the Group. The liability is calculated at the reporting date using statistical methods based on empirical data and current assumptions that may include a margin for adverse deviation. Liabilities for claims subject to periodic payment are calculated using actuarial methods consistent with those applied to life insurance contracts. Discounting is applied if allowed by the local accounting principles used to measure the insurance liabilities. Discounting of liabilities is generally applied when there is a high level of certainty concerning the amount and settlement term of the cash outflows.

The adequacy of the non-life insurance liability is tested at each reporting date. Changes in expected claims that have occurred, but that have not been settled, are reflected by adjusting the liability for claims and future benefits. The reserve for unexpired risk is increased to the extent that the future claims and expenses in respect of current insurance contracts exceed the future premiums plus the current unearned premium reserve.

2.21 INVESTMENT CONTRACTS

Contracts issued by the Group that do not transfer significant insurance risk, but do transfer financial risk from the policyholder to the Group are accounted for as investment contracts. Depending on whether the Group or the policyholder runs the risks associated with the investments allocated to the contract, the liabilities are classified as investment contracts or as investment contracts for account of policyholders. Investment contract liabilities are recognized when the contract is entered into and are derecognized when the contract expires, is discharged or is cancelled.

A) INVESTMENT CONTRACTS WITH DISCRETIONARY PARTICIPATION FEATURES

Some investment contracts have participation features whereby the policyholder has the right to receive potentially significant additional benefits which are based on the performance of a specified pool of investment contracts, specific investments held by the Group or on the issuer's net income. If the Group has discretion over the amount or timing of the distribution of the returns to policyholders, the investment contract liability is measured based on the accounting principles that apply to insurance contracts with similar features.

Some unitized investment contracts provide policyholders with the option to switch between funds with and without discretionary participation features. The entire contract is accounted for as an investment contract with discretionary participation features if there is evidence of actual switching resulting in discretionary participation benefits that are a significant part of the total contractual benefits.

B) INVESTMENT CONTRACTS WITHOUT DISCRETIONARY PARTICIPATION FEATURES

At inception investment contracts without discretionary features are designated as at fair value through profit or loss if by doing so a potential accounting mismatch is eliminated or significantly reduced or if the contract is managed on a fair value basis. Some investment contracts with embedded derivatives that have not been bifurcated are also carried at fair value through profit or loss. All other contracts are carried at amortized cost.

The contracts are initially recognized at transaction price less, in the case of investment contracts not carried at fair value through profit or loss, any transaction costs directly attributable to the issue of the contract. Fees and commissions incurred with the recognition of a contract held at fair value through profit or loss and that are not related to investment management services provided under the contract are recognized immediately in the income statement.

Subsequently, contracts designated as at fair value through profit or loss are measured at fair value, which generally equals the contractholder's account value. All changes in the fair value are recognized in the income statement as incurred. Other investment contracts without discretionary participation features are carried at amortized cost based on the expected cash flows and using the effective interest rate method. The expected future cash flows are re-estimated at each reporting date and the carrying amount of the financial liability is recalculated as the present value of estimated future cash flows using the financial liability's original effective interest rate. Any adjustment is immediately recognized in the income statement.

The consolidated financial statements provide information on the fair value of all financial liabilities, including those carried at amortized cost. As these contracts are not quoted in active markets, their value is determined by using valuation techniques, such as discounted cash flow methods and stochastic modeling. For investment contracts that can be cancelled by the policyholder, the fair value cannot be less than the surrender value.

C) INVESTMENT CONTRACTS FOR ACCOUNT OF POLICYHOLDERS

Investment contracts for account of policyholders are investment contracts for which the actual return on investments allocated to the contract is passed on to the policyholder. Also included are participations held by third parties in consolidated investment funds that meet the definition of a financial liability.

Investment contracts for account of policyholders are designated as at fair value through profit or loss. Contracts with unit-denominated payments are measured at current unit values, which reflect the fair values of the assets of the fund.

For unit-linked contracts without discretionary participation features and subject to actuarial funding, the Group recognizes a liability at the funded amount of the units. The difference between the gross value of the units and the funded value is treated as an initial fee paid by the policyholder for future asset management services and is deferred. It is subsequently amortized over the life of the contract or a shorter period, if appropriate.

2.22 PROVISIONS

A provision is recognized for present legal or constructive obligations arising from past events, when it is probable that it will result in an outflow of economic benefits and the amount can be reliably estimated.

The amount recognized as a provision is the best estimate of the expenditure required to settle the present obligation at the balance sheet date, considering all its inherent risks and uncertainties, as well as the time value of money. The unwinding of the effect of discounting is recorded in the income statement as an interest expense.

ONEROUS CONTRACTS

With the exception of insurance contracts and investment contracts with discretionary participation features for which potential future losses are already considered in establishing the liability, a provision is recognized for onerous contracts in which the unavoidable costs of meeting the resulting obligations exceed the expected future economic benefits.

2.23 ASSETS AND LIABILITIES RELATING TO EMPLOYEE BENEFITS

A) SHORT-TERM EMPLOYEE BENEFITS

A liability is recognized for the undiscounted amount of short-term employee absences expected to be paid within one year after the end of the period in which the service was rendered. Accumulating short-term absences are recognized over the period in which the service is provided. Benefits that are not service-related are recognized when the event that gives rise to the obligation occurs.

B) POST-EMPLOYMENT BENEFITS

The Group has issued defined contribution plans and defined benefit plans. A plan is classified as a defined contribution plan when the Group has no further obligation than the payment of a fixed contribution. All other plans are classified as defined benefit plans.

DEFINED CONTRIBUTION PLANS

The contribution payable to a defined contribution plan for services provided is recognized as an expense in the income statement. An asset is recognized to the extent that the contribution paid exceeds the amount due for services provided.

DEFINED BENEFIT PLANS

The defined benefit obligation is based on the terms and conditions of the plan applicable on the balance sheet date. Plan improvements are charged directly to the income statement, unless they are conditional on the continuation of employment. In this case the related cost is deducted from the liability as past service cost and amortized over the vesting period.

In measuring the defined benefit obligation the Group uses the projected unit credit method and actuarial assumptions that represent the best estimate of future variables. The benefits are discounted using an interest rate based on the market yields for high-quality corporate bonds on the balance sheet date.

Plan assets are qualifying insurance policies and assets held by long-term employee benefit funds that can only be used to pay the employee benefits under the plan and are not available to the Group's creditors. They are measured at fair value and are deducted in determining the amount recognized on the balance sheet.

The cost of the plans is determined at the beginning of the year, based on the prevalent actuarial assumptions, discount rate and expected return on plan assets. Changes in assumptions, discount rate and experience adjustments are not charged to the income statement in the period in which they occur, but are deferred.

The unrecognized actuarial gains and losses are amortized in a straight line over the average remaining working life of the employees covered by the plan, to the extent that the gains or losses exceed the corridor limits. The corridor is defined as ten percent of the greater of the defined benefit obligation or the plan assets. The amortization charge is reassessed at the beginning of each year. The corridor approach described above was not applied retrospectively to periods prior to the transition to IFRS (January 1, 2004).

C) SHARE-BASED PAYMENTS

The Group has issued share-based plans that entitle employees to receive equity instruments issued by the Group or cash payments based on the price of AEGON N.V. common shares. Some plans provide employees of the Group with the choice of settlement.

For share option plans that are equity-settled, the expense recognized is based on the fair value on the grant date of the share options, which does not reflect any performance conditions other than conditions linked to the price of the Group's shares. The cost is recognized in the income statement, together with a corresponding increase in shareholders' equity, as the services are rendered. During this period the cumulative expense recognized at the reporting date reflects management's best estimate of the number of shares expected to vest ultimately.

Share appreciation right plans are initially recognized at fair value at the grant date, taking into account the terms and conditions on which the instruments were granted. The fair value is expensed over the period until vesting, with recognition of a corresponding liability. The liability is remeasured at each reporting date and at the date of settlement, with any changes in fair value recognized in the income statement.

Share option plans that can be settled in either shares or cash at the discretion of the employee are accounted for as a compound financial instrument, which includes a debt component and an equity component.

2.24 DEFERRED REVENUE LIABILITY

Initial fees and front-end loadings paid by policyholders and other clients for future investment management services related to investment contracts without discretionary participation features are deferred and recognized as revenue when the related services are rendered.

2.25 TAX ASSETS AND LIABILITIES

A) CURRENT TAX ASSETS AND LIABILITIES

Tax assets and liabilities for current and prior periods are measured at the amount that is expected to be received from or paid to the taxation authorities, using the tax rates that have been enacted or substantively enacted by the reporting date.

B) DEFERRED TAX ASSETS AND LIABILITIES

Deferred tax assets and liabilities are recognized for the estimated future tax effects of temporary differences between the carrying value of an item and its tax value, with the exception of differences arising from the initial recognition of goodwill and of assets and liabilities that do not impact taxable or accounting profits. A tax asset is recognized for tax loss carryforwards to the extent that it is probable at the reporting date that future taxable profits will be available against which the unused tax losses and unused tax credits can be utilized.

Deferred tax liabilities relating to investments in subsidiaries, associates and joint ventures are not recognized if the Group is able to control the timing of the reversal of the temporary difference and it is probable that the difference will not be reversed in the foreseeable future.

Deferred tax assets and liabilities are reviewed at the balance sheet date and are measured at tax rates that are expected to apply when the asset is realized or the liability is settled. The carrying amount is not discounted and reflects the Group's expectations concerning the manner of recovery or settlement.

2.26 CONTINGENT ASSETS AND LIABILITIES

Contingent assets are disclosed in the notes if the inflow of economic benefits is probable, but not virtually certain. When the inflow of economic benefits becomes virtually certain, the asset is no longer contingent and its recognition is appropriate.

A provision is recognized for present legal or constructive obligations arising from past events, when it is probable that it will result in an outflow of economic benefits and the amount can be reliably estimated. If the outflow of economic benefits is not probable, a contingent liability is disclosed, unless the possibility of an outflow of economic benefits is remote.

2.27 PREMIUM INCOME

Gross premiums, including recurring and single premiums, from life and non-life insurance and investment contracts with discretionary participation features are recognized as revenue when they become receivable. Not reflected as premium income are deposits from certain products that are sold only in the United States and Canada, such as deferred annuities. For these products the surrender charges and charges assessed have been included in gross premiums.

Premium loadings for installment payments and additional payments by the policyholder towards costs borne by the insurer are included in the gross premiums. Rebates that form part of the premium rate, such as no-claim rebates, are deducted from the gross premium, others are recognized as an expense. Depending on the applicable local accounting principles, bonuses that are used to increase the insured benefits may be recognized as gross premiums.

2.28 INVESTMENT INCOME

For interest-bearing assets, interest is recognized as it accrues and is calculated using the effective interest rate method. Fees and commissions that are an integral part of the effective yield of the financial assets or liabilities are recognized as an adjustment to the effective interest rate of the instrument. Investment income includes the interest income and dividend on financial assets carried at fair value through profit or loss.

Investment income also includes dividends accrued and rental income due, as well as fees received for security lending.

2.29 FEE AND COMMISSION INCOME

Fees and commissions from investment management services and mutual funds, and from sales activities are recognized as revenue over the period in which the services are performed or the sales have been closed.

2.30 POLICYHOLDER CLAIMS AND BENEFITS

Policyholder claims and benefits consists of claims and benefits paid to policyholders, including benefit claims in excess of account value for products for which deposit accounting is applied and the change in the valuation of liabilities for insurance and investment contracts. It includes internal and external claims handling costs that are directly related to the processing and settlement of claims. Amounts receivable in respect of salvage and subrogation are also considered.

2.31 RESULTS FROM FINANCIAL TRANSACTIONS

Results from financial transactions include:

NET FAIR VALUE CHANGE OF GENERAL ACCOUNT FINANCIAL INVESTMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS, OTHER THAN DERIVATIVES

Net fair value change of general account financial investments at fair value through profit or loss, other than derivatives include fair value changes of financial assets carried at fair value through profit or loss. The net gains and losses do not include interest or dividend income.

REALIZED GAINS AND LOSSES ON FINANCIAL INVESTMENTS

Gains and losses on financial investments include realized gains and losses on general account financial assets, other than those classified as at fair value through profit or loss

NET FAIR VALUE CHANGE OF DERIVATIVES

All changes in fair value are recognized in the income statement, unless the derivative has been designated as a hedging instrument in a cash flow hedge or a hedge of a net investment in a foreign operation. Fair value movements of fair value hedge instruments are offset by the fair value movements of the hedged item, the resulting hedge ineffectiveness, if any, is included in this line. In addition the fair value movements of bifurcated embedded derivatives are included in this line.

NET FAIR VALUE CHANGE ON FOR ACCOUNT OF POLICYHOLDER FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

Net fair value change on for account of policyholder financial assets at fair value through profit or loss include fair value movements of investments held for account of policyholders (refer note 2.10). The net fair value change does not include interest or dividend income.

OTHER

In addition Results from financials transactions include gains/losses on real estate (general account and account of policyholder), net foreign currency gains/(loss) and net fair value change on borrowings and other financial liabilities and realized gains on repurchased debt.

2.32 IMPAIRMENT CHARGES

Impairment charges include impairments on investments in financial assets, impairments on the valuation of insurance assets and liabilities and other non-financial assets and receivables. Refer to note 38.

2.33 LEASES

Arrangements that do not take the form of a lease but convey a right to use an asset in return for a payment are assessed at inception to determine whether they are, or contain, a lease. This involves an assessment of whether fulfilment of the arrangement is dependent on the use of a specific asset and whether the purchaser (lessee) has the right to control the use of the underlying asset.

Leases that do not transfer substantially all the risks and rewards of ownership are classified as operating leases.

Payments made under operating leases, where the Group is the lessee, are charged to the income statement on a straight line basis over the period of the lease.

Where the Group is the lessor under an operating lease, the assets subject to the operating lease arrangement are presented in the balance sheet according to the nature of the asset. Income from these leases are recognized in the income statement on a straight line basis over the lease term, unless another systematic basis is more representative of the time pattern in which use benefit derived from the leased asset is diminished.

2.34 EVENTS AFTER THE BALANCE SHEET DATE

The financial statements are adjusted to reflect events that occurred between the balance sheet date and the date when the financial statements are authorized for issue, provided they give evidence of conditions that existed at the balance sheet date.

Events that are indicative of conditions that arose after the balance sheet date are disclosed, but do not result in an adjustment of the financial statements themselves.

3 CRITICAL ACCOUNTING ESTIMATES AND JUDGMENT IN APPLYING ACCOUNTING POLICIES

Application of the accounting policies in the preparation of the financial statements requires management to apply judgment involving assumptions and estimates concerning future results or other developments, including the likelihood, timing or amount of future transactions or events. There can be no assurance that actual results will not differ materially from those estimates. Accounting policies that are critical to the financial statement presentation and that require complex estimates or significant judgment are described in the following sections.

VALUATION OF ASSETS AND LIABILITIES ARISING FROM LIFE INSURANCE CONTRACTS

The liability for life insurance contracts with guaranteed or fixed account terms is either based on current assumptions or on the assumptions established at inception of the contract, reflecting the best estimates at the time increased with a margin for adverse deviation. All contracts are subject to liability adequacy testing which reflects management's current estimates of future cash flows. To the extent that the liability is based on current assumptions, a change in assumptions will have an immediate impact on the income statement. Also, if a change in assumption results in the failure of the liability adequacy test, the entire deficiency is recognized in the income statement. To the extent that the failure relates to unrealized gains and losses on available -for-sale investments, the additional liability is recognized in the revaluation reserve in equity.

Some insurance contracts without a guaranteed or fixed contract term contain guaranteed minimum benefits. Depending on the nature of the guarantee, it may either be bifurcated and presented as a derivative or be reflected in the value of the insurance liability in accordance with local accounting principles. Given the dynamic and complex nature of these guarantees, stochastic techniques under a variety of market return scenarios are often used for measurement purposes. Such models require management to make numerous estimates based on historical experience and market expectations. Changes in these estimates will immediately affect the income statement.

In addition, certain acquisition costs related to the sale of new policies and the purchase of policies already in force are recorded as DPAC and VOBA assets respectively and are amortized to the income statement over time. If the assumptions relating to the future profitability of these policies are not realized, the amortization of these costs could be accelerated and may even require write offs due to unrecoverability.

ACTUARIAL ASSUMPTIONS

The main assumptions used in measuring DPAC, VOBA and the liabilities for life insurance contracts with fixed or guaranteed terms relate to mortality, morbidity, investment return and future expenses. Depending on local accounting principles, surrender rates may be considered.

Mortality tables applied are generally developed based on a blend of company experience and industry wide studies, taking into consideration product characteristics, own risk selection criteria, target market and past experience. Mortality experience is monitored through regular studies, the results of which are fed into the pricing cycle for new products and reflected in the liability calculation when appropriate. For contracts insuring survivorship, allowance may be made for further longevity improvements. Morbidity assumptions are based on own claims severity and frequency experience, adjusted where appropriate for industry information.

Investment assumptions are either prescribed by the local regulator or based on management's future expectations. In the latter case, the anticipated future investment returns are set by management on a countrywide basis, considering available market information and economic indicators. A significant assumption related to estimated gross profits on variable annuities and variable life insurance products in the United States, Canada and some of the smaller country units, is the annual long-term growth rate of the underlying assets. As equity markets do not move in a systematic manner, assumptions as to the long-term growth rate are made after considering the effects of short-term variances from the long-term assumptions (a reversion to the mean assumption). The reconsideration of this assumption may affect the original DPAC or VOBA amortization schedule, referred to as DPAC or VOBA unlocking. The difference between the original DPAC or VOBA amortization schedule and the revised schedule, which is based on estimates of actual and future gross profits, is recognized in the income statement as an expense or a benefit in the period of determination.

Assumptions on future expenses are based on the current level of expenses, adjusted for expected expense inflation if appropriate.

Surrender rates depend on product features, policy duration and external circumstances such as the interest rate environment and competitor and policyholder behavior. Credible own experience, as well as industry published data, are used in establishing assumptions. Lapse experience is correlated to mortality and morbidity levels, as higher or lower levels of surrenders may indicate future claims will be higher or lower than anticipated. Such correlations are accounted for in the mortality and morbidity assumptions based on the emerging analysis of experience.

FAIR VALUE OF INVESTMENT CONTRACTS

Investment contracts issued by AEGON are either carried at fair value (if they are designated as financial liabilities at fair value through profit or loss) or amortized cost (with fair value being disclosed in the notes to the consolidated financial statements). These contracts are not quoted in active markets and their fair values are determined by using valuation techniques, such as discounted cash flow methods and stochastic modeling or in relation to the unit price of the underlying assets. All models are validated and calibrated. A variety of factors are considered, including time value, volatility, policyholder behavior, servicing costs and fair values of similar instruments. Changes in own credit risk are not considered when determining the fair value of insurance and investment liabilities as these contractholders have precedent over other creditors in case of default. Own credit risk is considered in measuring the fair value of borrowings and other liabilities.

FAIR VALUE OF INVESTMENTS AND DERIVATIVES DETERMINED USING VALUATION TECHNIQUES

FINANCIAL INSTRUMENTS

In the absence of an active market, the fair value of non-quoted investments in financial assets is estimated by using present value or other valuation techniques. For example, the measurement of interests held in non-quoted investments funds is based on the fair value of the underlying assets. The fair value of non-quoted fixed interest debt instruments is estimated by discounting expected future cash flows using a current market rate applicable to financial instruments with similar yield, credit quality and maturity characteristics. For mortgage and other loans originated by the Group interest rates currently being offered for similar loans to borrowers with similar credit ratings are applied. The fair value of floating interest rate debt instruments and assets maturing within a year is assumed to be approximated by their carrying amount.

FINANCIAL DERIVATIVES

Where quoted market prices are not available, other valuation techniques, such as option pricing or stochastic modeling, are applied. The valuation techniques incorporate all factors that market participants would consider and are based on observable market data when available. All models are validated before they are used and calibrated to ensure that outputs reflect actual experience and comparable market prices.

Fair values for exchange-traded derivatives, principally futures and certain options, are based on quoted market prices. Fair values for over-the-counter (OTC) derivative financial instruments represent amounts estimated to be received from or paid to a third party in settlement of these instruments. These derivatives are valued using pricing models based on the net present value of estimated future cash flows, directly observed prices from exchange-traded derivatives, other OTC trades, or external pricing services. Most valuations are derived from swap and volatility matrices, which are constructed for applicable indices and currencies using current market data from many industry standard sources. Option pricing is based on industry standard valuation models and current market levels, where applicable. The pricing of complex or illiquid instruments is based on internal models. For long-dated illiquid contracts, extrapolation methods are applied to observed market data in order to estimate inputs and assumptions that are not directly observable. The values for OTC derivatives are verified using observed market information, other trades in the market and dealer prices, along with management judgment.

DERIVATIVES EMBEDDED IN INSURANCE AND INVESTMENT CONTRACTS

Certain bifurcated embedded derivatives in insurance and investment products are not quoted in active markets and their fair values are determined by using valuation techniques. Because of the dynamic and complex nature of these cash flows, stochastic techniques under a variety of market return scenarios are often used. A variety of factors are considered, including expected market rates of return, market volatility, correlations of market returns, discount rates and actuarial assumptions.

The expected returns are based on risk-free rates, such as the current London Inter-Bank Offered Rate (LIBOR) forward curve or the current rates on local government bonds. Market volatility assumptions for each underlying index are based on observed market implied volatility data or observed market performance. Correlations of market returns across underlying indices are based on actual observed market returns and relationships over a number of years preceding the valuation date. The current risk-free spot rate is used to determine the present value of expected future cash flows produced in the stochastic projection process.

Assumptions on customer behavior, such as lapses, included in the models are derived in the same way as the assumptions used to measure insurance liabilities.

FAIR VALUE MEASUREMENT

The fair values of the general account financial instruments carried at fair value were determined as follows:

Amounts in EUR million	Published price quotations in an active market [1]	Valuation technique-based on market observable inputs [2]	Valuation technique-not based on market observable inputs [3]	2007 Total	Published price quotations in an active market [1]	Valuation technique-based on market observable inputs [2]	Valuation technique-not based on market observable inputs [3]	2006 Total
Financial assets								
Available for sale assets	58,675	38,090	1,282	98,047	58,955	41,492	1,448	101,895
Financial assets at fair value through profit or loss	3,079	3,330	1,454	7,863	4,376	3,317	1,855	9,548
Derivatives	(7)	(238)	(600)	(845)	12	223	(455)	(220)
Borrowings	–	980	–	980	–	938	–	938

1 Included in this category are financial assets and liabilities that are measured in whole or in part by reference to published quotes in an active market. A financial instrument is regarded as quoted in an active market if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service or regulatory agency and those prices represent actual and regularly occurring market transactions on an arm's length basis. Main asset classes included in this category are financial assets for which the fair value is obtained via pricing vendors or binding broker quotes and assets for which the fair value is determined by reference to indices.

2 Included in this category are financial assets and liabilities that are measured using a valuation technique based on assumptions that are supported by prices from observable current market transactions in the same instrument or based on available market data. Main asset classes included in this category are financial assets for which pricing is obtained via pricing services but where prices have not been determined in an active market, financial assets with fair values based on broker quotes, investments in hedge funds, private equity funds with fair value obtained via fund managers and assets that are valued using own models whereby the majority of assumptions are market observable.

3 Not based upon market observable input means that fair values are determined in whole or in part using a valuation technique (model) based on assumptions that are neither supported by prices from observable current market transactions in the same instrument nor are they based on available market data. Main asset classes in this category are hedge funds, private equity funds and limited partnerships.

Valuation techniques are used to the extent that observable inputs are not available, thereby allowing for situations in which there is little, if any, market activity for the asset or liability at the measurement date. However, the fair value measurement objective remains the same, that is, an exit price from the perspective of AEGON. Therefore, unobservable inputs reflect AEGON's own assumptions about the assumptions that market participants would use in pricing the asset or liability (including assumptions about risk). These inputs are developed based on the best information available, which might include AEGON's own data.

The potential effect of using reasonably possible alternative assumptions for valuing financial instruments would not have a significant impact on AEGON's net profit.

The total net amount of changes in fair value recognized in net income of the financial instruments of which the valuation technique includes non market observable inputs amount to EUR 57 million.

IMPAIRMENT OF FINANCIAL ASSETS

There are a number of significant risks and uncertainties inherent in the process of monitoring investments and determining if impairment exists. These risks and uncertainties include the risk that the Group's assessment of an issuer's ability to meet all of its contractual obligations will change based on changes in the credit characteristics of that issuer and the risk that the economic outlook will be worse than expected or have more of an impact on the issuer than anticipated. Also, there is a risk that new information obtained by the Group or changes in other facts and circumstances will lead the Group to change its investment decision. Any of these situations could result in a charge against the income statement in a future period to the extent of the impairment charge recorded.

AEGON regularly monitors industry sectors and individual debt securities for evidence of impairment. This evidence may include one or more of the following: 1) deteriorating market to book ratio, 2) increasing industry risk factors, 3) deteriorating financial condition of the issuer, 4) covenant violations, 5) high probability of bankruptcy of the issuer or 6) nationally recognized credit rating agency downgrades. Additionally, for asset-backed securities, cash flow trends and underlying levels of collateral are monitored. A security is impaired if there is objective evidence that a loss event has occurred after the initial recognition of the asset that has a negative impact on the estimated future cash flows. A specific security is considered to be impaired when it is determined that it is probable that not all amounts due (both principal and interest) will be collected as scheduled.

Objective evidence of impairment of an investment in an equity instrument classified as available for sale includes information about significant changes with an adverse effect that have taken place in the technological, market, economic or legal environment in which the issuer operates, and indicates that the cost of the investment in the equity instrument may not be recovered. A significant or prolonged decline in the fair value of an investment in an equity instrument below its cost is also objective evidence of impairment. Equity securities held in an unrealized loss position that are below cost for over six months or significantly below cost at the balance sheet date are evaluated for possible impairment.

VALUATION OF DEFINED BENEFIT PLANS

The liabilities or assets recognized in the balance sheet in respect of defined benefit plans is the difference between the present value of the projected defined benefit obligation at the balance sheet date and the fair value of plan assets, together with adjustments for unrecognized actuarial gains or losses and past service costs. The present value of the defined benefit obligation is determined by discounting the estimated future cash flows using interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid and that have terms to maturity that approximate the terms of the related pension liability. Actuarial assumptions used in the measurement of the liability include the discount rate, the expected return on plan assets, estimated future salary increases and estimated future pension increases. To the extent that actual experience deviates from these assumptions, the valuation of defined benefit plans and the level of pension expenses recognized in the future may be affected.

RECOGNITION OF DEFERRED TAX ASSETS

Deferred tax assets are established for the tax benefit related to deductible temporary differences, carryforwards of unused tax losses and carryforwards of unused tax credits when in the judgment of management it is more likely than not that AEGON will receive the tax benefits. Since there is no absolute assurance that these assets will ultimately be realized, management reviews AEGON's deferred tax positions periodically to determine if it is more likely than not that the assets will be realized. Periodic reviews include, among other things, the nature and amount of the tax income and expense items, the expected timing when certain assets will be used or liabilities will be required to be reported and the reliability of historical profitability of businesses expected to provide future earnings. Furthermore, management considers tax-planning strategies it can utilize to increase the likelihood that the tax assets will be realized. These strategies are also considered in the periodic reviews.

VALUATION OF SHARE APPRECIATION RIGHTS AND SHARE OPTIONS

Because of the inability to measure the fair value of employee services directly, fair value is measured by reference to the fair value of the rights and options granted. This value is estimated using the binomial option pricing model, taking into account the respective vesting and exercise periods of the share appreciation rights and share options.

The volatility is derived from quotations from external market sources and the expected dividend yield is derived from quotations from external market sources and the binomial option pricing model. Future blackout periods are taken into account in the model in conformity with current blackout periods. The expected term is explicitly incorporated in the model by assuming that early exercise occurs when the share price is greater than or equal to a certain multiple of the exercise price. This multiple has been set at two based on empirical evidence. The risk free rate is the interest rate for Dutch government bonds.

RECOGNITION OF PROVISIONS

Provisions are established for contingent liabilities when it is probable that a past event has given rise to a present obligation or loss and the amount can be reasonably estimated. Management exercises judgment in evaluating the probability that a loss will be incurred. The estimate of the amount of a loss requires management judgment in the selection of a proper calculation model and the specific assumptions related to the particular exposure.

4 SEGMENT INFORMATION

Income statement – Operating earnings – 2007	Americas	The Netherlands	United Kingdom	Other countries	Holding and other activities	Eliminations	Total
Life and protection	969	228	78	57	–	–	1,332
Individual savings and retirement products	521	–	–	3	–	–	524
Pensions and asset management	138	107	202	11	–	–	458
Institutional products	339	–	–	–	–	–	339
Reinsurance	135	–	–	–	–	–	135
Distribution	–	16	(10)	–	–	–	6
General insurance	–	8	–	39	–	–	47
Interest charges and other	–	–	–	–	(195)	10	(185)
Share in net results of associates	–	3	1	32	–	–	36
Operating earnings before tax	**2,102**	**362**	**271**	**142**	**(195)**	**10**	**2,692**
Gains and losses on investments	275	140	(8)	14	–	–	421
Impairment charges	(104)	(31)	(4)	–	–	–	(139)
Impairment reversals	56	7	–	–	–	–	63
Other non-operating income/(charges)	–	30	8	–	1	1	40
Income before tax	**2,329**	**508**	**267**	**156**	**(194)**	**11**	**3,077**
Income tax	(733)	98	–	(83)	192	–	(526)
Net income	**1,596**	**606**	**267**	**73**	**(2)**	**11**	**2,551**
Attributable to minority interest	–	–	–	–	–	–	–
NET INCOME ATTRIBUTABLE TO EQUITY HOLDERS OF AEGON N.V.	**1,596**	**606**	**267**	**73**	**(2)**	**11**	**2,551**

Income statement – Operating earnings – 2006	Americas	The Netherlands	United Kingdom	Other countries	Holding and other activities	Eliminations	Total
Life and protection	920	316	20	27	–	–	1,283
Individual savings and retirement products	598	35	–	(2)	–	–	631
Pensions and asset management	111	720	211	(17)	–	–	1,025
Institutional products	382	–	–	–	–	–	382
Reinsurance	163	–	–	–	–	–	163
Distribution	–	18	(6)	–	–	–	12
General insurance	–	26	–	29	–	–	55
Interest charges and other	–	–	–	–	(238)	(4)	(242)
Share in net results of associates	–	7	1	24	–	–	32
Operating earnings before tax	**2,174**	**1,122**	**226**	**61**	**(238)**	**(4)**	**3,341**
Gains and losses on investments	(22)	513	16	20	42	–	569
Impairment charges	(115)	(27)	(1)	–	–	–	(143)
Impairment reversals	103	15	–	–	–	–	118
Other non-operating income/(charges)	–	–	90	–	–	(4)	86
Income before tax	**2,140**	**1,623**	**331**	**81**	**(196)**	**(8)**	**3,971**
Income tax	(587)	(203)	(99)	(45)	132	–	(802)
Net income	**1,553**	**1,420**	**232**	**36**	**(64)**	**(8)**	**3,169**
Attributable to minority interest	–	–	–	–	–	–	–
NET INCOME ATTRIBUTABLE TO EQUITY HOLDERS OF AEGON N.V.	**1,553**	**1,420**	**232**	**36**	**(64)**	**(8)**	**3,169**

Income statement – Operating earnings – 2005	Americas	The Netherlands	United Kingdom	Other countries	Holding and other activities	Eliminations	Total
Life and protection	845	21	2	27	–	–	895
Individual savings and retirement products	461	15	–	(4)	–	–	472
Pensions and asset management	115	(568)	200	2	–	–	(251)
Institutional products	373	–	–	–	–	–	373
Reinsurance	105	–	–	–	–	–	105
Distribution	–	5	(40)	–	–	–	(35)
General insurance	–	30	–	25	–	–	55
Other	–	–	–	(6)	–	–	(6)
Interest charges and other	–	–	–	–	(260)	(20)	(280)
Share in net results of associates	–	4	–	16	–	–	20
Operating earnings before tax	**1,899**	**(493)**	**162**	**60**	**(260)**	**(20)**	**1,348**
Gains and losses on investments	240	985	9	12	(89)	–	1,157
Impairment charges	(100)	(44)	(3)	–	–	–	(147)
Impairment reversals	142	19	–	–	–	–	161
Other non-operating income/(charges)	–	–	104	176	(3)	–	277
Income before tax	**2,181**	**467**	**272**	**248**	**(352)**	**(20)**	**2,796**
Income tax	(566)	(38)	(128)	(37)	118	–	(651)
Net income	**1,615**	**429**	**144**	**211**	**(234)**	**(20)**	**2,145**
Attributable to minority interest	2	–	–	–	–	–	2
NET INCOME ATTRIBUTABLE TO EQUITY HOLDERS OF AEGON N.V.	**1,617**	**429**	**144**	**211**	**(234)**	**(20)**	**2,147**

The Group uses operating earnings before tax in its segment reporting as an important indicator of its financial performance. The reconciliation of this measure to the Income before tax is shown below. AEGON believes that Operating earnings before tax, together with the other information included in this report, provides a meaningful measure for the investing public to evaluate AEGON's business relative to the businesses of our peers.

	Note	2007	2006	2005
Operating earnings before tax		**2,692**	**3,341**	**1,348**
Realized gains and losses on financial investments	33	957	597	704
Gains and losses on investments in real estate	33	137	134	222
Fair value changes on economic hedges for which no hedge accounting is applied	33	(340)	(193)	200
Difference between fair value movements of certain guarantees and the fair value changes of derivatives that hedge certain risks on these guarantees	33, 35	(325)	–	–
Ineffective portion of hedge transactions for which hedge accounting is applied	33	16	12	32
Realized gains and losses on repurchased debt	33	–	(12)	–
DPAC / VOBA offset	37	1	29	–
Impairment (charges)/reversals of financial assets, excluding receivables	38	(88)	(24)	14
Other income/(charges)	34, 35, 40	27	87	276
INCOME BEFORE TAX		**3,077**	**3,971**	**2,796**

Income statement – Segment revenues – 2007	Americas	The Netherlands	United Kingdom	Other countries	Holding and other activities	Elimi-nations	Total
Life and protection	7,217	2,434	2,419	2,594	–	–	14,664
Individual savings and retirement products	2,515	246	–	14	–	–	2,775
Pensions and asset management	1,394	2,927	11,064	40	–	–	15,425
Institutional products	3,356	–	–	–	–	–	3,356
Reinsurance	1,848	–	–	–	–	–	1,848
Distribution	–	295	209	–	–	–	504
General insurance	–	471	–	149	–	–	620
Other	10	–	–	1	907	(839)	79
	16,340	**6,373**	**13,692**	**2,798**	**907**	**(839)**	**39,271**
Income from reinsurance ceded	1,288	(4)	253	271	–	(262)	1,546
Results from financial transactions [1]	3,565	(693)	968	46	2	10	3,898
Segment expenses [2]	(18,878)	(5,241)	(14,630)	(3,003)	(95)	262	(41,585)
Interest charges and related fees	(213)	(76)	(13)	(2)	(1,009)	839	(474)
Share in net results of associates	–	3	1	32	–	–	36
OPERATING EARNINGS BEFORE TAX	**2,102**	**362**	**271**	**142**	**(195)**	**10**	**2,692**

[1] Results from financial transactions exclude certain results on financial transactions (refer to note 2.6).
[2] Charges to policyholders in respect of income tax in AEGON UK for an amount of EUR 8 million are excluded from segment expenses and included in other non-operating income/(charges).

Income statement – Segment revenues – 2006	Americas	The Netherlands	United Kingdom	Other countries	Holding and other activities	Elimi-nations	Total
Life and protection	7,552	2,335	1,836	2,074	–	–	13,797
Individual savings and retirement products	2,872	230	–	8	–	–	3,110
Pensions and asset management	996	2,767	9,872	25	–	–	13,660
Institutional products	3,234	–	–	–	–	–	3,234
Reinsurance	1,725	–	–	–	–	–	1,725
Distribution	–	232	197	–	–	–	429
General insurance	–	470	–	140	–	–	610
Other	–	–	–	–	895	(845)	50
	16,379	**6,034**	**11,905**	**2,247**	**895**	**(845)**	**36,615**
Income from reinsurance ceded	1,342	1	115	10	–	–	1,468
Results from financial transactions [1]	5,524	536	2,669	135	–	(6)	8,858
Segment expenses [2]	(20,971)	(5,403)	(14,449)	(2,355)	(92)	–	(43,270)
Interest charges and related fees	(100)	(53)	(15)	–	(1,041)	847	(362)
Share in net results of associates	–	7	1	24	–	–	32
OPERATING EARNINGS BEFORE TAX	**2,174**	**1,122**	**226**	**61**	**(238)**	**(4)**	**3,341**

[1] Results from financial transactions exclude certain results on financial transactions (refer to note 2.6).
[2] Charges to policyholders in respect of income tax in AEGON UK to the amount of EUR 75 million are excluded from segment expenses and included in other non-operating income/(charges).

Income statement – Segment revenues – 2005	Americas	The Netherlands	United Kingdom	Other countries	Holding and other activities	Elimi-nations	Total
Life and protection	7,736	2,380	990	1,489	–	–	12,595
Individual savings and retirement products	2,898	246	–	2	–	–	3,146
Pensions and asset management	753	2,865	6,396	19	–	–	10,033
Institutional products	1,992	–	–	–	–	–	1,992
Reinsurance	1,476	–	–	–	–	–	1,476
Distribution	–	197	154	–	–	–	351
General insurance	–	476	–	143	–	–	619
Other	–	–	–	3	741	(620)	124
	14,855	**6,164**	**7,540**	**1,656**	**741**	**(620)**	**30,336**
Income from reinsurance ceded	1,407	–	278	6	–	–	1,691
Results from financial transactions [1]	3,277	1,852	6,490	52	11	(18)	11,664
Segment expenses [2]	(17,582)	(8,463)	(14,144)	(1,670)	(131)	–	(41,990)
Interest charges and related fees	(58)	(50)	(2)	–	(881)	618	(373)
Share in net results of associates	–	4	–	16	–	–	20
OPERATING EARNINGS BEFORE TAX	**1,899**	**(493)**	**162**	**60**	**(260)**	**(20)**	**1,348**

[1] Results from financial transactions exclude certain results on financial transactions (refer to note 2.6).
[2] Charges to policyholders in respect of income tax in AEGON UK to the amount of EUR 104 million are excluded from segment expenses and included in other non-operating income/(charges).

Other selected income statement items 2007	Americas	The Netherlands	United Kingdom	Other countries	Holding and other activities	Total
Amortization of deferred expenses, VOBA and future servicing rights	743	161	278	99	–	1,281
Depreciation	41	16	17	11	1	86
Impairment charges/(reversals) on financial assets, excluding receivables	44	24	3	–	–	71
Impairment charges/(reversals) on non-financial assets and receivables	28	–	–	2	–	30

Other selected income statement items 2006	Americas	The Netherlands	United Kingdom	Other countries	Holding and other activities	Total
Amortization of deferred expenses, VOBA and future servicing rights	999	199	276	83	–	1,557
Depreciation	47	13	40	10	2	112
Impairment charges/(reversals) on financial assets, excluding receivables	12	12	1	–	–	25
Impairment charges/(reversals) on non-financial assets and receivables	9	–	–	–	–	9

Other selected income statement items 2005	Americas	The Netherlands	United Kingdom	Other countries	Holding and other activities	Total
Amortization of deferred expenses, VOBA and future servicing rights	832	157	187	66	–	1,242
Depreciation	45	12	46	9	13	125
Impairment charges/(reversals) on financial assets, excluding receivables	(42)	25	3	–	–	(14)
Impairment charges/(reversals) on non-financial assets and receivables	3	–	–	2	7	12

Number of employees 2007	Americas	The Netherlands	United Kingdom	Other countries	Holding and other activities	Total
Employees - excluding agents	12,778	5,138	4,851	2,488	191	25,446
Agent-employees	2,379	1,062	139	1,388	–	4,968
TOTAL	**15,157**	**6,200**	**4,990**	**3,876**	**191**	**30,414**

Number of employees 2006	Americas	The Netherlands	United Kingdom	Other countries	Holding and other activities	Total
Employees - excluding agents	11,753	5,048	4,489	2,113	173	23,576
Agent-employees	2,483	1,356	150	1,161	–	5,150
TOTAL	**14,236**	**6,404**	**4,639**	**3,274**	**173**	**28,726**

Number of employees 2005	Americas	The Netherlands	United Kingdom	Other countries	Holding and other activities	Total
Employees - excluding agents	11,361	4,211	4,378	1,794	186	21,930
Agent-employees	2,654	1,487	161	927	–	5,229
TOTAL	**14,015**	**5,698**	**4,539**	**2,721**	**186**	**27,159**

Revenue from transactions between reporting segments were not material during the financial period, with the exception of the interest income on intercompany loans issued by a holding company in the Holdings and other activities segment amounting to EUR 839 million (2006: EUR 845 million and 2005: 620 million) and transactions related to international reinsurance business. All intercompany loans are transacted at an arms' length basis, based on readily available information.

Analysis of operating earnings before tax from non-life business 2007	Accident and health insurance	General insurance	Total
Premium income	2,124	568	2,692
Investment income	258	52	310
Fee and commission income	115	–	115
Income from reinsurance ceded	331	(2)	329
Gains and losses on investments	10	2	12
Premiums to reinsurers	(307)	(19)	(326)
Policyholder claims and benefits	(1,344)	(345)	(1,689)
Commissions and expenses	(820)	(209)	(1,029)
TOTAL	367	47	414

Analysis of operating earnings before tax from non-life business 2006	Accident and health insurance	General insurance	Total
Premium income	2,241	561	2,802
Investment income	240	49	289
Fee and commission income	116	–	116
Income from reinsurance ceded	336	3	339
Gains and losses on investments	14	9	23
Premiums to reinsurers	(318)	(20)	(338)
Policyholder claims and benefits	(1,420)	(348)	(1,768)
Commissions and expenses	(840)	(199)	(1,039)
TOTAL	369	55	424

Analysis of operating earnings before tax from non-life business 2005	Accident and health insurance	General insurance	Total
Premium income	2,230	573	2,803
Investment income	225	54	279
Fee and commission income	134	–	134
Income from reinsurance ceded	390	–	390
Gains and losses on investments	15	7	22
Premiums to reinsurers	(326)	(20)	(346)
Policyholder claims and benefits	(1,478)	(359)	(1,837)
Commissions and expenses	(866)	(200)	(1,066)
TOTAL	324	55	379

Summarized assets and liabilities per geographical segment	Americas	The Netherlands	United Kingdom	Other countries	Holding and other activities	Elimi-nations	Total
2007							
ASSETS							
VOBA and future servicing rights	3,113	172	991	92	–	–	4,368
Investments general account	91,634	30,945	5,668	4,838	112	(6)	133,191
Investments for account of policyholders	55,474	21,354	62,991	2,730	–	(24)	142,525
Investments in associates	22	42	17	390	4	(3)	472
Deferred expenses	6,857	612	3,305	478	–	–	11,252
Other assets	8,613	8,884	2,696	677	8,707	(7,265)	22,312
TOTAL ASSETS	**165,713**	**62,009**	**75,668**	**9,205**	**8,823**	**(7,298)**	**314,120**
LIABILITIES							
Insurance contracts general account	55,923	21,652	6,550	4,371	–	–	88,496
Insurance contracts for account of policyholders	44,106	20,427	11,172	2,689	–	–	78,394
Investment contracts general account	29,419	5,857	677	136	–	–	36,089
Investment contracts for account of policyholders	11,427	3	52,286	40	–	–	63,756
Other liabilities	11,881	10,990	2,027	555	5,780	(3,810)	27,423
TOTAL LIABILITIES	**152,756**	**58,929**	**72,712**	**7,791**	**5,780**	**(3,810)**	**294,158**

Summarized assets and liabilities per geographical segment	Americas	The Netherlands	United Kingdom	Other countries	Holding and other activities	Elimi-nations	Total
2006							
ASSETS							
VOBA and future servicing rights	2,800	117	1,120	41	–	–	4,078
Investments general account	97,973	29,382	4,408	4,352	36	(20)	136,131
Investments for account of policyholders	48,187	20,725	64,999	1,646	–	(20)	135,537
Investments in associates	24	32	17	404	5	(4)	478
Deferred expenses	6,801	686	3,286	446	–	–	11,219
Other assets	13,458	8,286	2,207	666	8,120	(5,367)	27,370
TOTAL ASSETS	**169,243**	**59,228**	**76,037**	**7,555**	**8,161**	**(5,411)**	**314,813**
LIABILITIES							
Insurance contracts general account	61,159	18,918	5,043	4,075	–	–	89,195
Insurance contracts for account of policyholders	36,986	20,331	13,201	1,624	–	–	72,142
Investment contracts general account	30,380	5,492	591	155	–	–	36,618
Investment contracts for account of policyholders	11,201	798	52,075	23	–	–	64,097
Other liabilities	14,486	9,452	1,724	343	7,770	(3,667)	30,108
TOTAL LIABILITIES	**154,212**	**54,991**	**72,634**	**6,220**	**7,770**	**(3,667)**	**292,160**

Segment assets by line of business [1] 2007	Americas	The Netherlands	United Kingdom	Other countries	Holding and other activities	Elimi-nations	Total
Life and protection	39,101	23,622	6,886	8,345	–	–	77,954
Individual savings and retirement products	59,555	4,787	–	201	–	–	64,543
Pensions and asset management	19,861	32,213	68,659	158	–	–	120,891
Institutional guaranteed products	41,378	–	–	–	–	–	41,378
Reinsurance	5,780	–	–	–	–	–	5,780
Distribution	–	359	106	–	–	–	465
General insurance	–	986	–	110	–	–	1,096
Other	–	–	–	–	8,783	(7,298)	1,485
Share in results of associates	22	42	17	391	–	–	472
TOTAL SEGMENT ASSETS	**165,697**	**62,009**	**75,668**	**9,205**	**8,783**	**(7,298)**	**314,064**

Segment assets by line of business [1]	Americas	The Netherlands	United Kingdom	Other countries	Holding and other activities	Elimi-nations	Total
2006							
Life and protection	37,718	23,257	5,744	6,841	–	–	73,560
Individual savings and retirement products	66,659	6,172	–	35	–	–	72,866
Pensions and asset management	20,266	28,420	70,042	70	–	–	118,798
Institutional guaranteed products	38,356	–	–	–	–	–	38,356
Reinsurance	5,795	–	–	–	–	–	5,795
Distribution	–	291	104	–	–	–	395
General insurance	–	1,057	–	201	30	–	1,288
Other	–	–	–	–	8,429	(5,411)	3,018
Share in results of associates	24	32	17	405	–	–	478
TOTAL SEGMENT ASSETS	**168,818**	**59,229**	**75,907**	**7,552**	**8,459**	**(5,411)**	**314,554**

[1] Segment assets include all assets, except income tax receivables.

Cost to acquire investments in real estate, software and equipment were not material during the financial period.

5 INTANGIBLE ASSETS

Net book value	Goodwill	VOBA	Future servicing rights	Software	Other	Total
At January 1, 2006	65	4,396	151	60	6	4,678
At December 31, 2006	221	3,959	119	34	5	4,338
AT DECEMBER 31, 2007	**433**	**3,927**	**441**	**33**	**60**	**4,894**
Cost						
At January 1, 2006	65	7,645	229	264	8	8,211
Additions	–	11	–	10	–	21
Acquisitions through business combinations	160	114	–	–	–	274
Disposals	–	(29)	–	(7)	–	(36)
Deferred tax	(1)	–	–	–	–	(1)
Net exchange differences	(3)	(635)	(12)	1	–	(649)
AT DECEMBER 31, 2006	**221**	**7,106**	**217**	**268**	**8**	**7,820**
Accumulated amortization, depreciation and impairment losses						
At January 1, 2006	–	3,249	78	204	2	3,533
Amortization / depreciation through income statement	–	246	22	35	1	304
Shadow accounting adjustments	–	(20)	1	–	–	(19)
Disposals	–	–	–	(7)	–	(7)
Net exchange differences	–	(328)	(3)	2	–	(329)
AT DECEMBER 31, 2006	**–**	**3,147**	**98**	**234**	**3**	**3,482**
Cost						
At January 1, 2007	221	7,106	217	268	8	7,820
Additions	–	7	–	10	–	17
Acquisitions through business combinations	228	526	379	–	61	1,194
Disposals	–	–	–	(1)	–	(1)
Deferred tax	–	–	–	–	–	–
Net exchange differences	(16)	(620)	(41)	(14)	(5)	(696)
Other	–	5	–	5	–	10
AT DECEMBER 31, 2007	**433**	**7,024**	**555**	**268**	**64**	**8,344**
Accumulated amortization, depreciation and impairment losses						
At January 1, 2007	–	3,147	98	234	3	3,482
Amortization / depreciation through income statement	–	210	27	13	1	251
Shadow accounting adjustments	–	(86)	(1)	–	–	(87)
Disposals	–	–	–	(1)	–	(1)
Net exchange differences	–	(287)	(10)	(15)	–	(312)
Other	–	113	–	4	–	117
AT DECEMBER 31, 2007	**–**	**3,097**	**114**	**235**	**4**	**3,450**

In the preparation of the Opening Balance Sheet under IFRS as at January 1, 2004, business combinations prior to that date have not been restated and goodwill previously written off through equity has not been reinstated.

Amortization and depreciation through the income statement is included in 'Commissions and expenses'.

None of the intangible assets have titles that are restricted or have been pledged as security for liabilities.

Of the additions to goodwill in 2007, an amount of EUR 187 million relates to the acquisitions of Clark and Merrill Lynch by AEGON USA during 2007. The recoverable amount of the acquired goodwill is based upon fair value of the net assets acquired. Please refer to note 48 for further information on the business combinations entered into by AEGON in 2006 and 2007. The initial allocation of goodwill has not been completed for all business combinations included in the financial statements of 2007. The deferred tax in 2006 relates to an adjustment to goodwill resulting from the subsequent recognition of a deferred tax asset for the acquisition of Nationwide Poland, completed in the last quarter of 2005.

With the exception of goodwill, all intangible assets have a finite useful life and are amortized accordingly. VOBA and Future Servicing Rights are amortized over the term of the related insurance contracts, which can vary significantly depending on the maturity of the acquired portfolio. The VOBA currently recognized is amortized over an average period of 12 to 15 years, with an average remaining amortization period of 13 years (2006: 13 years). Future Servicing Rights are amortized over an average period up to 35 years, of which 10 remains at December 31, 2007 (2006: 16years). Software is generally depreciated over a period of three to five years. At December 31, 2007, the remaining depreciation period was 2 years (2006: 2 years).

VOBA per line of business	Americas	The Netherlands	United Kingdom	Other countries	Total
2007					
Life and protection	1,739	5	2	22	1,768
Individual savings and retirement products	317	–	–	–	317
Pensions and asset management	46	65	953	15	1,079
Institutional products	54	–	–	–	54
Reinsurance	607	–	–	–	607
Distribution	–	102	–	–	102
TOTAL VOBA	**2,763**	**172**	**955**	**37**	**3,927**
2006					
Life and protection	1,786	6	2	30	1,824
Individual savings and retirement products	152	–	–	–	152
Pensions and asset management	35	–	1,074	11	1,120
Institutional products	42	–	–	–	42
Reinsurance	710	–	–	–	710
Distribution	–	111	–	–	111
TOTAL VOBA	**2,725**	**117**	**1,076**	**41**	**3,959**

6 INVESTMENTS

Investments for general account comprise financial assets, excluding derivatives, as well as investments in real estate and real estate held for own use. Refer to note 7 for investments for which the investment risk is borne by the policyholders and to note 8 for details on general account derivatives.

Investments for general account	Note	2007	2006
Available-for-sale (AFS)		98,047	101,895
Loans		22,554	20,605
Held-to-maturity (HTM)		1,876	1,527
Financial assets at fair value through profit or loss (FVTPL)[1]		7,863	9,548
Total financial assets, excluding derivatives		**130,340**	**133,575**
Investments in real estate	6.1	2,522	2,243
Real estate held for own use	6.2	329	313
TOTAL INVESTMENTS FOR GENERAL ACCOUNT		**133,191**	**136,131**

[1] Refer to note 45 for a summary of all financial assets and financial liabilities at fair value through profit or loss.

					2007					2006
Financial assets, excluding derivatives	AFS	Loans	HTM	FVTPL	Total	AFS	Loans	HTM	FVTPL	Total
Shares	1,933	–	–	2,002	3,935	4,963	–	–	2,782	7,745
Bonds	89,967	–	1,846	3,119	94,932	91,637	–	1,502	4,415	97,554
Money market and other short-term investments	5,280	–	–	107	5,387	4,387	–	–	38	4,425
Mortgages	–	17,853	–	–	17,853	–	16,171	–	–	16,171
Private loans	–	804	–	–	804	–	307	–	–	307
Deposits with financial institutions	–	1,322	–	–	1,322	–	1,995	–	–	1,995
Policy loans	–	2,253	–	–	2,253	–	1,557	–	–	1,557
Receivables out of share lease agreements	–	137	–	–	137	–	373	–	–	373
Other	867	185	30	2,635	3,717	908	202	25	2,313	3,448
AT DECEMBER 31	**98,047**	**22,554**	**1,876**	**7,863**	**130,340**	**101,895**	**20,605**	**1,527**	**9,548**	**133,575**

Of the bonds, money market and other short-term investments, mortgages and private loans EUR 11,082 million is current (2006: EUR 11,555 million).

Fair value of investments classified as 'held to maturity' amount to EUR 1,845 million at December 31, 2007 (2006: EUR 1,582 million). Fair value of the loans amount to EUR 22,540 million at December 31, 2007 (2006: EUR 20,930 million).

DERECOGNITION

As part of the AEGON Levensverzekering N.V. funding program the company regularly enters into securitization contracts for its mortgage loans. At December 31, 2007 a total of five publicly placed and one privately placed securitization contracts were outstanding with a total value of EUR 4.7 billion. Although no new securitizations took place in 2007 there were replenishments of SAECURE 6, the most recent publicly placed securitization. In the last quarter of 2007 the first of the publicly placed securitizations was called by the special purpose vehicle. In 2006, AEGON Levensverzekering N.V. terminated one of the two privately placed securitization transactions reported in prior years. Also, it completed one publicly placed securitization transaction in 2006, whereby the economic ownership of EUR 2.1 billion of aggregate mortgage receivables was conveyed to a special purpose company. The special purpose company funded this purchase with the issuance of mortgage-backed securities. The transfer of ownership title will take place only if the borrowers are duly notified by the special purpose company upon the occurrence of certain pre-defined 'notification events'. At the same time AEGON entered into a fixed-to-floating swap agreement with the contract parties under which AEGON agreed to pay the floating rate (EURIBOR based) and receive the fixed rate (yield from the mortgage receivables). After a period of seven years, the interest of the notes issued by the special purpose company in respect of this transaction will step-up, together with a similar step-up in the fixed-to-floating swap agreement. At that same time, the special purpose company has the right to call the notes. A deferred purchase arrangement forming part of the contract to sell the mortgage loans to the special purpose company entitles AEGON Levensverzekering N.V. to any specified residual positive value of the special purpose entity at maturity. A 3.3% portion of securitized mortgage loans forming part of SAECURE 4 and amounting to EUR 18 million (2006: EUR 24 million and 2005: EUR 28 million) continues to be recognized as a financial asset on balance, representing the interest rate risk retained by AEGON in respect of the fourth publicly placed securitization contract.

In the year ending December 31, 2006, AEGON USA had sold EUR 105 million of AAA-wrapped municipal debt securities to SPEs. Due to AEGON's continuing involvement with the assets in these SPEs, it consolidates these entities. The fair value of all such debt securities reflected in investments and also measured at fair value through profit or loss is EUR 592 million as of December 31, 2007 (2006: EUR 678 million). The acquisition of these securities was financed by the SPEs through issuance of floating rate notes at par value to third parties and issuance of a de minimus residual investment to AEGON. Upon early termination of a SPE, up to 10% of the excess of the fair value of the securities over the notes value may be shared with the noteholders, with residual flowing to AEGON. In the event that the fair value of the securities is less than the notes value at early termination and the securities have maintained their investment grade rating, AEGON will reimburse the SPE liquidity provider for this shortfall. AEGON must pledge collateral to support these shortfall agreements. At December 31, 2007, the fair value of the bonds was in excess of the par value of the floating rate notes and no collateral was pledged. The maximum exposure to loss resulting from AEGON's involvement is the December 31, 2007 unpaid principal and accrued interest on the notes of EUR 578 million (2006: EUR 649 million) reflected in financial liabilities-investment contracts. Management does not anticipate any future funding requirements with respect to these guarantees that would have a material effect on reported financial results.

MEASUREMENT

AEGON owns EUR 120 million (2006: EUR 113 million) of shares in the Federal Home Loan Bank of Des Moines, Iowa, that are measured at par. The bank has implicit financial support from the United States government. The redemption value of the shares is fixed at par and can only be redeemed by the bank.

Only other insignificants amounts of unquoted equity instruments are measured at cost. Refer to note 3 for information on the fair value measurement.

OTHER

Movement on the loan allowance account during the year were as follows:

	2007	2006
At January 1	(75)	(97)
Addition charged to earnings	(6)	(15)
Amounts written off and other charges	10	15
Net exchange differences	1	1
Other	12	21
AT DECEMBER 31	(58)	(75)

Refer to note 47 for a discussion of collateral received and paid.
No financial assets were reclassified during the financial year.

6.1 INVESTMENTS IN REAL ESTATE

	2007	2006
At January 1	2,243	2,068
Additions	254	41
Subsequent expenditure capitalized	8	11
Transfers from real estate held for own use and mortgage loans	49	140
Disposals	(115)	(140)
Fair value gains/(losses)	135	166
Net exchange differences	(52)	(43)
AT DECEMBER 31	**2,522**	**2,243**

97% of all properties were last valued in 2007. More than 91% of these valuations were performed by independent external appraisers.

AEGON USA has entered into commercial property leases on its investment property portfolio, consisting of office, retail and industrial buildings. These non-cancelable leases have remaining lease terms up to 12 years. Most leases include a clause to enable upward revision of the rental charge on an annual basis according to either a fixed schedule or prevailing market conditions.

AEGON The Netherlands has entered into long-term residential property leases that can be terminated subject to a short-term notice. Under Dutch law, the maximum annual rent increase on residential property rented for less than EUR 622 per month is specified by the Dutch national government and equals the annual inflation rate plus a small margin.

Refer to note 46 for description of non-cancelable lease rights.

Rental income of EUR 89 million (2006: EUR 90 million; 2005: EUR 92 million) is reported as part of investment income in the income statement. Of this amount, nil (2006: EUR 2 million; 2005: EUR 3 million) is attributable to rent on foreclosed real estate. Direct operating expenses (including repairs and maintenance) arising from investment property that generated rental income during the period amounted to EUR 53 million (2006: EUR 28 million; 2005: EUR 33 million). EUR 1 million (2006: EUR 0 million; 2005: EUR 2 million) of direct operating expenses related to investment property that did not generate rental income during the period.

There are no restrictions on the realizability of investment property or the remittance of income and proceeds of disposal.

Refer to note 46 for a summary of contractual obligations to purchase investment property or for repairs, maintenance or enhancements.

6.2 REAL ESTATE HELD FOR OWN USE

Net book value	
At January 1, 2006	355
At December 31, 2006	313
AT DECEMBER 31, 2007	329

	2007	2006
Cost		
At January 1	341	377
Additions	75	90
Acquired through business combinations	4	18
Capitalized subsequent expenditure	3	5
Disposals	(2)	(3)
Unrealized gains/(losses) through equity	9	16
Realized gains/(losses) through income statement	3	(5)
Transfers to investments in real estate	(49)	(136)
Net exchange differences	(21)	(21)
AT DECEMBER 31	363	341

Accumulated depreciation and impairment losses	2007	2006
At January 1	28	22
Depreciation through income statement	8	8
Disposals	–	(1)
Net exchange differences	(2)	(1)
AT DECEMBER 31	34	28

General account real estate held for own use are mainly held by AEGON USA and AEGON The Netherlands, with relatively smaller holdings in Hungary and Spain and are carried at revalued amounts. The carrying value under a historical cost model amounts to EUR 213 million (2006: EUR 169 million).

61% of the real estate held for own use was last revalued in 2007, based on market value appraisals by qualified internal and external appraisers. All of the appraisals in 2007 were performed by independent external appraisers.

Real estate held for own use has not been pledged as security for liabilities, nor are there any restrictions on title. Depreciation expenses are charged in 'Commissions and expenses' in the income statement. The useful lives of buildings range between 40 and 50 years.

Refer to note 46 for a summary of contractual commitments for the acquisition of real estate held for own use.

7 INVESTMENTS FOR ACCOUNT OF POLICYHOLDERS

Investments for account of policyholders comprise financial assets at fair value through profit or loss, excluding derivatives, as well as investments in real estate and real estate held for own use. Refer to note 8 for details on derivatives for account of policyholders.

Investments for account of policyholders	Note	2007	2006
Shares			
- Listed		40,629	44,663
- Unlisted		1,052	53
Bonds			
- Listed		28,019	30,339
- Unlisted		1,072	35
Money market and other short-term investments		2,844	2,248
Deposits with financial institutions		3,740	2,344
Separate accounts and unconsolidated investment funds		61,484	51,874
Other		1,036	1,504
Total investments for account of policyholders at fair value through profit or loss, excluding derivatives [1]		139,876	133,060
Investments in real estate	7.1	2,508	2,327
Real estate held for own use		141	150
TOTAL INVESTMENTS FOR ACCOUNT OF POLICYHOLDERS		142,525	135,537

[1] Refer to note 45 for a summary of all financial assets and financial liabilities at fair value through profit or loss.

7.1 INVESTMENTS IN REAL ESTATE

	2007	2006
At January 1	2,327	1,266
Additions	835	814
Subsequent expenditure capitalized	9	36
Disposals	(37)	(16)
Fair value gains/(losses)	(402)	187
Net exchange differences	(224)	40
AT DECEMBER 31	2,508	2,327

No property interests held under operating leases are classified and accounted for as investment property. The investment property is fully leased out under operating leases.

Rental income of EUR 134 million (2006: EUR 90 million) is reported as part of investment income in the income statement. There are no restrictions on the realizability of investment property or the remittance of income and proceeds of disposal.

Refer to note 46 for a summary of contractual obligations to purchase investment property or for repairs, maintenance or enhancements.

8 DERIVATIVES

	Derivative asset		Derivative liability	
	2007	2006	2007	2006
Derivatives for general account				
Derivatives not designated in a hedge	652	860	1,261	1,079
Derivatives designated as fair value hedges	179	256	601	480
Derivatives designated as cash flow hedges	336	197	197	133
Net foreign investment hedges	93	197	46	38
	1,260	1,510	2,105	1,730
Derivatives for account of policyholders				
Derivatives not designated in a hedge	356	373	121	58
	356	373	121	58
TOTAL DERIVATIVES [1]	1,616	1,883	2,226	1,788

[1] Refer to note 45 for a summary of all financial assets and financial liabilities at fair value through profit or loss.

Of these derivatives EUR 55 million net asset is current (2006: EUR 57 million net liability). See note 3 for details on measurement of derivatives.

USE OF DERIVATIVES

	Derivative asset		Derivative liability	
Derivatives not designated in a hedge – general account	2007	2006	2007	2006
Derivatives held as an economic hedge	575	762	148	197
Other	56	84	115	48
Bifurcated embedded derivatives	21	14	998	834
TOTAL	652	860	1,261	1,079

AEGON utilizes derivative instruments as a part of its asset liability risk management practices. The derivatives held for risk management purposes are classified as economic hedges to the extent that they do not qualify for hedge accounting, or that AEGON has elected not to apply hedge accounting. The economic hedges of certain exposures relate to an existing asset or liability or the future reinvestment risk. In all cases, these are in accordance with internal risk guidelines and are closely monitored for continuing compliance.

Derivatives are used to add risk by selling protection in the form of single name credit default swaps and tranches of synthetic collateralized debt and commodity obligations. Another strategy used is to synthetically replicate corporate credit exposures with credit derivatives. This involves the purchase of high quality low risk assets and the sale of credit derivatives. The program is designed to purchase asset positions that are already subject to review by management, but may not be available under the same terms and conditions in the cash bond market. AEGON holds financial derivatives for trading purposes.

Furthermore, synthetic GICs, liquidity agreements and principal protection agreements are sold by AEGON to earn a fee.

In addition to these instruments, embedded derivatives that are not closely related to the host contracts have been bifurcated and recorded at fair value in the balance sheet. These bifurcated embedded derivatives are embedded in various institutional products, modified coinsurance and unit linked insurance contracts in the form of guarantees for minimum benefits.

DERIVATIVE INSTRUMENTS DESIGNATED AS FAIR VALUE HEDGES

AEGON has entered into interest rate swap agreements that effectively convert certain fixed-rate assets and liabilities to a floating-rate basis (generally to six months or less LIBOR) in order to more closely match the performance of the assets and liabilities within AEGON's portfolio. These agreements involve the payment or receipt of fixed-rate interest amounts in exchange for floating-rate interest amounts over the life of the agreement without the exchange of the underlying principal amounts.

AEGON has entered into cross-currency interest rate swap agreements that effectively convert certain foreign currency fixed- and floating-rate assets and liabilities to US dollar floating-rate assets and liabilities. These agreements involve the exchange of the underlying principal amounts.

For the years ended December 31, 2007, 2006 and 2005, AEGON recognized gains and losses related to the ineffective portion of designated fair value hedges of EUR 11 million, EUR 5 million and EUR 32 million respectively. No portion of derivatives was excluded when assessing hedge effectiveness.

DERIVATIVE INSTRUMENTS DESIGNATED AS CASH FLOW HEDGES

AEGON has entered primarily into interest rate swap agreements that effectively convert certain variable-rate assets and liabilities to a fixed-rate basis in order to match the cash flows of the assets and liabilities within AEGON's portfolio more closely. These agreements involve the payment or receipt of variable-rate interest amounts in exchange for fixed-rate interest amounts over the life of the agreement without the exchange of the underlying principal amounts. AEGON is hedging its exposure to the variability of future cash flows from the interest rate movements for terms up to 29 years for hedges converting existing floating-rate assets and liabilities to fixed-rate assets. Approximately 5% of the hedged cash flows are expected to occur in within one year, 60% within 1- 10 years and 35% after 10 years.

AEGON uses forward starting interest rate swap agreements to hedge the variability in future cash flows associated with the forecasted purchase of fixed-income assets. These agreements reduce the impact of future interest rate changes on the forecasted transaction. Fair value adjustments for these interest rate swaps are deferred and recorded in equity until the occurrence of the forecasted transaction at which time the interest rate swaps will be terminated. The accumulated gain or loss in equity will be amortized into investment income as the acquired asset affects income. AEGON is hedging its exposure to the variability of future cash flows from interest rate movements for terms up to 25 years. Approximately 20% of the expected hedged cash flows are expected to occur in within one year, 50% within 1- 10 years and 30% after 10 years. The cash flows from these hedging instruments are expected to affect the profit and loss for approximately the next 44 years. For the year ended December 31, 2007, none of AEGON's cash flow hedges has been discontinued, as it was probable that the original forecasted transactions would occur by the end of the originally specified time period documented at inception of the hedging relationship.

In addition, AEGON also makes use of cross currency swaps to convert variable foreign currency cash flows into fixed cash flows in local currencies. The cash flows from these hedging instruments are expected to occur over the next 25 - 30 years. These agreements involve the exchange of the underlying principal amounts.

For the year ended December 31, 2007 AEGON recognized a gain of EUR 5 million of hedge ineffectiveness on cash flow hedges. In 2006 and 2005 respectively EUR 7 million and EUR 0 million of hedge ineffectiveness were recorded in the income statement. The amount of deferred gains or losses to be reclassified from equity into net income during the next twelve months is expected to be immaterial. AEGON did not exclude any portion of the derivative when assessing hedge effectiveness.

DERIVATIVE INSTRUMENTS DESIGNATED AS NET FOREIGN INVESTMENT HEDGES

AEGON funds its investments in insurance subsidiaries with a mixture of debt and equity. AEGON aims to denominate debt funding in the same currency as the functional currency of the investment. Investments outside the Eurozone, the United States, United Kingdom and Canada are funded in Euros. When the debt funding of investments is not in the functional currency of the investment, AEGON uses derivatives to swap the currency exposure of the debt instrument to the appropriate functional currency. This policy will ensure that total capital will reflect currency movements without distorting debt to shareholders' equity ratios. AEGON utilizes various financial instruments as designated hedging instruments of its foreign investments. These instruments include subordinated borrowings, long-term and short-term borrowings, short-term debts to credit institutions, cross currency swap contracts and forward foreign exchange contracts.

9 INVESTMENTS IN ASSOCIATES

	Note	2007	2006
At January 1		478	542
Additions		26	26
Consolidation following acquisition of remaining shares in an associate		–	(41)
Share in net income		36	32
Share in changes in associate's equity	14.5	(58)	(68)
Dividend		(7)	(4)
Other		(3)	(9)
AT DECEMBER 31		472	478

All associates are unlisted and are accounted for using the equity method and are considered to be non-current. The investments in associates include interest in insurance companies who are required to maintain a minimum solvency margin based on local directives. While management does not believe that such restrictions will affect the ability of these associates to transfer funds in the form of cash dividends, or repayment of loans or advances, there can be no assurance that these restrictions will not become a limitation in the future. There are also no unrecognized shares of losses of associates.

Summarized financial information of associates	2007	2006
Assets	10,807	9,504
Liabilities	10,509	9,181
Revenue	1,781	1,895
Net income	36	32

The summarized financial information is based on the Group's relative holding and excludes any goodwill included in the measurement of the investment in associates. Refer to note 49 for a listing of the principal investments in associates and the Group's percentage holding.

10 REINSURANCE ASSETS

Assets arising from reinsurance contracts related to:	2007	2006
Life insurance general account	3,279	2,901
Life insurance for account of policyholders	237	279
Non-life insurance	792	785
Investment contracts	3	5
TOTAL REINSURANCE ASSETS	4,311	3,970

Amounts due from reinsurers in respect of claims already paid by the Group on the contracts that are reinsured are included in other assets and receivables (note 12).

EUR 90 million of the reinsurance assets are current (2006: EUR 96 million).

Movements during the year in reinsurance assets relating to life insurance	Life insurance general account	Life insurance for account of policyholders	Total life insurance
At January 1, 2006	3,001	320	3,321
Acquisitions through business combinations	–	–	–
Portfolio transfers and acquisitions	(19)	(18)	(37)
Gross premium and deposits – existing and new business	970	103	1,073
Unwind of discount / interest credited	136	11	147
Technical reserves released	(955)	(139)	(1,094)
Changes to valuation of expected future benefits	16	(1)	15
Net exchange differences	(255)	3	(252)
Other movements	7	–	7
AT DECEMBER 31, 2006	**2,901**	**279**	**3,180**

Movements during the year in reinsurance assets relating to life insurance	Life insurance general account	Life insurance for account of policyholders	Total life insurance
At January 1, 2007	2,901	279	3,180
Acquisitions through business combinations	15	–	15
Portfolio transfers and acquisitions	420	(76)	344
Gross premium and deposits – existing and new business	933	94	1,027
Unwind of discount / interest credited	146	3	149
Technical reserves released	(897)	(50)	(947)
Changes to valuation of expected future benefits	13	(3)	10
Net exchange differences	(224)	(10)	(234)
Other movements	(28)	–	(28)
AT DECEMBER 31, 2007	**3,279**	**237**	**3,516**

Movements during the year in reinsurance assets relating to non-life insurance	2007	2006
At January 1	785	799
Gross premium and deposits – existing and new business	282	313
Unwind of discount / interest credited	34	34
Technical reserves released	(170)	(185)
Changes to valuation of expected future benefits	7	3
Changes in unearned premiums	(95)	(89)
Changes in unexpired risks	(3)	(3)
Incurred related to current year	110	106
Incurred related to prior years	22	18
Release for claims settled current year	(15)	(26)
Release for claims settled prior years	(87)	(109)
Change in IBNR	3	13
Net exchange differences	(83)	(84)
Other movements	2	(5)
AT DECEMBER 31	**792**	**785**

11 DEFERRED EXPENSES AND REBATES

	2007	2006
DPAC for insurance contracts and investment contracts with discretionary participation features	10,957	10,938
Deferred transaction costs for investment management services	295	281
Unamortized interest rate rebates	236	239
AT DECEMBER 31	**11,488**	**11,458**
Current	1,130	1,206
Non-current	10,358	10,252

	DPAC	Deferred transaction costs	Unamortized interest rate rebates
At January 1, 2006	10,789	287	272
Costs deferred/rebates granted during the year	1,891	83	16
Amortization through income statement	(1,243)	(45)	(49)
Disposal of group assets	–	(29)	–
Shadow accounting adjustments	157	–	–
Net exchange differences	(697)	(12)	–
Other	41	(3)	–
AT DECEMBER 31, 2006	**10,938**	**281**	**239**

	DPAC	Deferred transaction costs	Unamortized interest rate rebates
At January 1, 2007	10,938	281	239
Costs deferred/rebates granted during the year	1,803	88	42
Amortization through income statement	(998)	(48)	(45)
Disposal of group assets	–	–	–
Shadow accounting adjustments	117	–	–
Net exchange differences	(922)	(29)	–
Other	19	3	–
AT DECEMBER 31, 2007	**10,957**	**295**	**236**

At December 31, 2007, the reversion to the mean assumptions for variable products, primarily variable annuities, were as follows in the United States: gross long-term equity growth rate of 9% (2006: 9%); gross short-term growth rate of 6% (2006: 4.75 %); gross short- and long-term fixed security growth rate of 6% (2006: 6%); and the gross short- and long-term growth rate for money market funds of 3.5% (2006: 3.5%). For Canada these assumptions, at December 31, 2007, were as follows: gross long-term equity growth rate of 9% (2006: 9%); and gross short-term growth rate of 10.75% (2006: 9%). For both countries the reversion period for the short-term rate is five years.

DPAC per line of business	Americas	The Netherlands	United Kingdom	Other countries	Total
2007					
Life and protection	4,519	535	231	474	5,759
Individual savings and retirement products	1,197	–	–	–	1,197
Pensions and asset management	–	77	2,916	1	2,994
Institutional products	219	–	–	–	219
Reinsurance	786	–	–	–	786
General insurance	–	–	–	2	2
AT DECEMBER 31	**6,721**	**612**	**3,147**	**477**	**10,957**
2006					
Life and protection	4,461	596	224	443	5,724
Individual savings and retirement products	1,268	–	–	–	1,268
Pensions and asset management	–	77	2,928	–	3,005
Institutional products	172	–	–	–	172
Reinsurance	767	–	–	–	767
General insurance	–	–	–	2	2
AT DECEMBER 31	**6,668**	**673**	**3,152**	**445**	**10,938**

12 OTHER ASSETS AND RECEIVABLES

	Note	2007	2006
Equipment	12.1	202	236
Receivables	12.2	4,249	5,414
Accrued income	12.3	2,352	1,823
AT DECEMBER 31		**6,803**	**7,473**

12.1 EQUIPMENT

Net book value	
At January 1, 2006	270
At December 31, 2006	236
AT DECEMBER 31, 2007	**202**

	2007	2006
Cost		
At January 1	589	640
Additions	75	62
Acquisitions through business combinations	6	9
Disposal	(64)	(83)
Net exchange differences	(36)	(39)
Other	(15)	–
AT DECEMBER 31	**555**	**589**

	2007	2006
Accumulated depreciation and impairment losses		
At January 1	353	370
Depreciation through income statement	65	68
Disposal	(30)	(65)
Net exchange differences	(21)	(20)
Other	(14)	–
AT DECEMBER 31	**353**	**353**

Included in the net book value is equipment held for lease of EUR 16 million (2006: EUR 40 million).

Equipment has not been pledged as security for liabilities, nor is there any restrictions on title.

Depreciation expenses have been charged in 'Commissions and expenses' in the income statement. Equipment is generally depreciated over a period of three to five years.

12.2 RECEIVABLES

	2007	2006
Loans to associates	24	11
Finance lease assets	39	63
Receivables from policyholders	1,783	3,632
Receivables from brokers and agents	162	184
Receivables from reinsurers	363	278
Cash outstanding from assets sold	26	8
Trade receivables	545	527
Cash collateral on securities borrowed	333	34
Reverse repurchase agreements	66	4
Income tax receivable	56	259
Other	1,015	572
Provision for impairment	(163)	(158)
AT DECEMBER 31	**4,249**	**5,414**
Current	3,813	5,017
Non-current	436	397
Fair value non-current receivables	411	382

The movements in the provision for impairment during the year were as follows:

	2007	2006
At January 1	(158)	(148)
Additions charged to earnings	(2)	(9)
Amount written off and other charges	–	28
Net exchange differences	8	6
Other	(11)	(35)
AT DECEMBER 31	**(163)**	**(158)**

12.3 ACCRUED INCOME

	2007	2006
Accrued interest	2,347	1,821
Other	5	2
AT DECEMBER 31	2,352	1,823

All accrued income is current.

13 CASH AND CASH EQUIVALENTS

	2007	2006
Cash at bank and in hand	808	686
Short-term deposits	1,795	1,884
Money market investments	355	5,859
Short term collateral	5,473	4,715
AT DECEMBER 31	8,431	13,144

The carrying amounts disclosed reasonably approximate the fair values as at the year end.

EUR 9.0 billion (2006: EUR 10.0 billion) cash collateral is received of which EUR 5.5 billion is included in cash and cash equivalents. A corresponding liability to repay the cash is recognized in other liabilities (note 27). Refer to note 47 for a discussion of collateral received and paid. Investment of cash collateral received is restricted through limitations on credit worthiness, duration, approved investment categories and borrower limits. AEGON earns a share of the spread between the collateral earnings and the rebate paid to the borrower of the securities. Income from security lending programs was approximately EUR 23 million (2006: EUR 26 million; 2005: EUR 21 million).

The weighted effective interest rate on short-term deposits was 4.46% (2006: 4.21%) and these deposits have an average maturity of 6.39 days (2006: 4.31 days).

For the purposes of the cash flow statement, cash and cash equivalents comprise the following:

	Note	2007	2006
Cash and cash equivalents		8,431	13,144
Bank overdrafts	22	(1,046)	(753)
NET CASH AND CASH EQUIVALENTS		7,385	12,391

The majority of cash is not subject to any restrictions. However, the Dutch National Bank (DNB) requires AEGON The Netherlands to hold 2% of its assets relating to banking activities in an account with the DNB. This amount on deposit is reassessed on a monthly basis and carries interest at approximately 2%. The balance at the end of the year was EUR 81 million (2006: EUR 90 million).

14 SHAREHOLDERS' EQUITY

Issued share capital and reserves attributable to shareholders of AEGON N.V.

	Note	2007	2006	2005
Share capital - par value	14.1	258	255	251
Share premium	14.2	7,101	7,104	7,106
Treasury shares	14.3	(2,053)	(787)	(545)
Total share capital		**5,306**	**6,572**	**6,812**
Retained earnings		12,402	10,923	8,406
Revaluation reserves	14.4	(516)	1,648	2,644
Other reserves	14.5	(2,041)	(538)	853
TOTAL SHAREHOLDERS' EQUITY		**15,151**	**18,605**	**18,715**

14.1 SHARE CAPITAL - PAR VALUE

	2007	2006	2005
Common shares	196	195	192
Preferred shares A	53	53	53
Preferred shares B	9	7	6
TOTAL SHARE CAPITAL - PAR VALUE	**258**	**255**	**251**

Common shares	2007	2006	2005
Authorized share capital	360	360	360
Number of authorized shares (in millions)	3,000	3,000	3,000
Par value in cents per share	12	12	12

	Number of shares (thousands)	Total amount
At January 1, 2005	1,552,685	186
Share dividend	46,292	6
At December 31, 2005	**1,598,977**	**192**
Share dividend	23,950	3
At December 31, 2006	**1,622,927**	**195**
Withdrawal	(11,600)	(2)
Share dividend	25,218	3
AT DECEMBER 31, 2007	**1,636,545**	**196**

Preferred shares	2007	2006	2005
Authorized share capital	250	250	250
Par value in cents per share	25	25	25

	Preferred shares A		Preferred shares B	
	Number of shares (thousands)	**Total amount**	Number of shares (thousands)	**Total amount**
At January 1, 2005	211,680	53	16,900	4
Shares issued	–	–	6,950	2
At December 31, 2005	**211,680**	**53**	**23,850**	**6**
Shares issued	–	–	5,440	1
At December 31, 2006	**211,680**	**53**	**29,290**	**7**
Shares issued	–	–	5,880	2
AT DECEMBER 31, 2007	**211,680**	**53**	**35,170**	**9**

All issued common and preferred shares are fully paid. Repayment of capital can only be initiated by the Executive Board, is subject to approval of the Supervisory Board and must be resolved by the General Meeting of Shareholders. Moreover, repayment on preferred shares needs approval of the related shareholders.

There are restrictions on the amount of funds that companies within the Group may transfer in the form of cash dividends or otherwise to the parent company. These restrictions stem from solvency and legal requirements. Refer to note 44 for a description of these requirements.

Vereniging AEGON, based in The Hague, holds all of the issued preferred shares.

Vereniging AEGON, in case of an issuance of shares by AEGON N.V., may purchase as many class B preferred shares as would enable Vereniging AEGON to prevent or correct dilution to below its actual percentage of voting shares, unless Vereniging AEGON as a result of exercising these option rights would increase its voting power to more than 33%. Class B preferred shares will then be issued at par value (EUR 0.25), unless a higher issue price is agreed. In the years 2003 through 2006 29,290,000 class B preferred shares were issued under these option rights. In 2007, Vereniging AEGON exercised its option rights to purchase in aggregate 5,880,000 class B preferred shares at par value to correct dilution caused by AEGON's stock dividend issuances and treasury stock sales during the year.

AEGON N.V. and Vereniging AEGON have entered into a preferred shares voting rights agreement, pursuant to which Vereniging AEGON has voluntarily waived its right to cast 25/12 vote per class A or class B preferred share. Instead, Vereniging AEGON has agreed to exercise one vote only per preferred share, except in the event of a 'special cause', such as the acquisition of a 15% interest in AEGON N.V., a tender offer for AEGON N.V. shares or a proposed business combination by any person or group of persons, whether individually or as a group, other than in a transaction approved by the Executive Board and Supervisory Board. If, in its sole discretion, Vereniging AEGON determines that a 'special cause' has occurred, Vereniging AEGON will notify the General Meeting of Shareholders and retain its right to exercise the full voting power of 25/12 vote per preferred share for a limited period of six months.

In both 2001 and 2002, AEGON N.V. entered into total return swaps with Vereniging AEGON in order to hedge the share option plan for each respective year. On April 15, 2005, these total return swaps were terminated, resulting in a positive impact on shareholders' equity of EUR 115 million. The amount has been added to retained earnings.

With regard to granted share appreciation rights and option rights and their valuation we refer to note 37.

14.2 SHARE PREMIUM

	2007	2006	2005
At January 1	7,104	7,106	7,112
Share dividend	(3)	(2)	(6)
AT DECEMBER 31	**7,101**	**7,104**	**7,106**
Share premium relating to:			
- Common shares	5,049	5,052	5,054
- Preferred shares	2,052	2,052	2,052
TOTAL SHARE PREMIUM	**7,101**	**7,104**	**7,106**

The share premium account reflects the balance of paid-in amounts above par value at issuance of new shares less the amounts charged for share dividends.

14.3 TREASURY SHARES

On the balance sheet date AEGON N.V. and its subsidiaries held 136,330,982 of its own common shares with a face value of EUR 0.12 each.

Movements in the number of repurchased own shares held by AEGON N.V. were as follows:

	2007	2006	2005
	Number of shares (thousands)	Number of shares (thousands)	Number of shares (thousands)
At January 1	37,724	18,651	25,233
Transactions in 2007:			
Purchase: 3 transactions, average price EUR 13.71	33,200		
Share repurchase program: various transactions, average price EUR 13.41	74,570	–	–
Sale: 7 transactions, average price EUR 15.53	(66)		
Withdrawal of common share capital	(11,600)	–	–
Transactions in 2006:			
Purchase: 30 transactions, average price EUR 14.78	–	19,076	–
Sale: 2 transactions, average price EUR 13.46	–	(3)	–
Transactions in 2005:			
Purchase: one transaction on May 17, price EUR 9.85	–	–	3,821
Sale: 31 transactions, average price EUR 10.28	–	–	(10,403)
AT DECEMBER 31	**133,828**	**37,724**	**18,651**

As part of their insurance and investment operations, subsidiaries within the Group also hold AEGON N.V. common shares, both for their own account and for account of policyholders. These shares have been treated as treasury shares and are (de)recognized at the consideration paid or received.

	2007		2006		2005	
	Number of shares (thousands)	Total amount	Number of shares (thousands)	Total amount	Number of shares (thousands)	Total amount
Held by AEGON N.V.	133,828	2,007	37,724	724	18,651	442
Held by subsidiaries	2,503	46	3,086	63	4,664	103
AT DECEMBER 31	**136,331**	**2,053**	**40,810**	**787**	**23,315**	**545**

14.4 REVALUATION RESERVES

	Available-for-sale investments	Real estate held for own use	Cash flow hedging reserve	Total
At January 1, 2005	2,064	27	50	2,141
Gross revaluation	772	(1)	139	910
Net (gains)/losses transferred to income statement	(714)	–	63	(651)
Foreign currency translation differences	139	3	–	142
Tax effect	157	–	(62)	95
Other	32	(4)	(21)	7
AT DECEMBER 31, 2005	**2,450**	**25**	**169**	**2,644**
At January 1, 2006	2,450	25	169	2,644
Gross revaluation	(629)	15	(17)	(631)
Net (gains)/losses transferred to income statement	(527)	–	(130)	(657)
Foreign currency translation differences	(70)	(3)	(4)	(77)
Tax effect	235	(5)	51	281
Other	77	–	11	88
AT DECEMBER 31, 2006	**1,536**	**32**	**80**	**1,648**
At January 1, 2007	1,536	32	80	1,648
Gross revaluation	(2,150)	9	(5)	(2,146)
Net (gains)/losses transferred to income statement	(891)	–	25	(866)
Foreign currency translation differences	46	(2)	(12)	32
Tax effect	823	(2)	(34)	787
Other	(43)	(1)	73	29
AT DECEMBER 31, 2007	**(679)**	**36**	**127**	**(516)**

The revaluation accounts for both available-for-sale investments and for real estate held for own use include unrealized gains and losses on these investments, net of tax. Upon sale, the amounts realized are recognized in the income statement or transferred to retained earnings. Upon impairment, unrealized losses are recognized in the income statement. There are restrictions on the distribution of the balance of the revaluation reserve related to real estate held for own use to shareholders.

The closing balances of the revaluation reserve for available-for-sale investments relate to the following instruments:

	2007	2006	2005
Shares	278	909	1,097
Bonds	(992)	612	1,423
Other	35	15	(70)
REVALUATION RESERVE FOR AVAILABLE-FOR-SALE INVESTMENTS	**(679)**	**1,536**	**2,450**

The cash flow hedging reserve is made up of (un)realized gains and losses on the effective portions of hedging instruments, net of tax. The amounts are recognized in the income statement at the moment of realization of the hedged position to offset the gain or loss from the hedged cash flow. No amounts have been released from equity to be included in the initial measurement of non-financial assets or liabilities.

14.5 OTHER RESERVES

	Foreign currency translation reserve	Net foreign investment hedging reserve	Equity movements of associates	Total
At January 1, 2005	(827)	72	74	(681)
Movement in foreign currency translation and net foreign investment hedging reserves	2,143	(628)	–	1,515
Equity movements of associates	–	–	19	19
AT DECEMBER 31, 2005	**1,316**	**(556)**	**93**	**853**
At January 1, 2006	1,316	(556)	93	853
Movement in foreign currency translation and net foreign investment hedging reserves	(1,478)	153	–	(1,325)
Disposals	–	–	2	2
Equity movements of associates	–	–	(68)	(68)
AT DECEMBER 31, 2006	**(162)**	**(403)**	**27**	**(538)**
At January 1, 2007	(162)	(403)	27	(538)
Movement in foreign currency translation and net foreign investment hedging reserves	(1,598)	153	–	(1,445)
Equity movements of associates	–	–	(58)	(58)
AT DECEMBER 31, 2007	**(1,760)**	**(250)**	**(31)**	**(2,041)**

The foreign currency translation reserve includes the currency results from investments in non-euro denominated subsidiaries. The amounts are released to the income statement upon the sale of the subsidiary.

The net foreign investment hedging reserve is made up of unrealized gains and losses on the effective portions of hedging instruments, net of tax. The amounts are recognized in the income statement at the moment of realization of the hedged position to offset the gain or loss from the net foreign investment.

The equity movements of associates reflect AEGON's share of changes recognized directly in the associate's equity.

15 OTHER EQUITY INSTRUMENTS

	Junior perpetual capital securities	Perpetual cumulative subordinated bonds	Share options not yet exercised	Total
At January 1, 2005	1,352	1,517	–	2,869
Instruments issued	1,457	–	–	1,457
Instruments redeemed	–	(950)	–	(950)
Share options granted	–	–	3	3
AT DECEMBER 31, 2005	**2,809**	**567**	**3**	**3,379**
At January 1, 2006	2,809	567	3	3,379
Instruments issued	638	–	–	638
Share options granted	–	–	13	13
Deferred tax	–	–	2	2
AT DECEMBER 31, 2006	**3,447**	**567**	**18**	**4,032**
At January 1, 2007	3,447	567	18	4,032
Instruments issued	745	–	–	745
Share options granted	–	–	18	18
AT DECEMBER 31, 2007	**4,192**	**567**	**36**	**4,795**

Junior perpetual capital securities	Coupon rate	Coupon date: quarterly, as of	Year of first call	2007	2006	2005
USD 500 million	6.5%	March 15	2010	424	424	424
USD 250 million	floating LIBOR rate [1]	March 15	2010	212	212	212
USD 550 million	6.875%	September 15	2011	438	438	–
EUR 200 million	6.0%	July 21	2011	200	200	–
EUR 950 million	floating CMT rate [2]	January 15	2014	950	950	950
USD 500 million	floating CMS rate [3]	January 15	2014	402	402	402
USD 1 billion	6.375%	March 15	2015	821	821	821
USD 1,050 million	7.25%	December 15	2012	745	–	–
TOTAL JUNIOR PERPETUAL CAPITAL SECURITIES				**4,192**	**3,447**	**2,809**

[1] The coupon of the USD 250 million junior perpetual capital securities, callable in 2010, is based on the yield of three-month LIBOR plus an additional spread of 87.5 basis points. The coupon will be reset each quarter based on the then prevailing three-month LIBOR yield, with a minimum of 4%.

[2] The coupon of the EUR 950 million junior perpetual capital securities, callable in 2014, is based on the yield of ten-year Dutch government bonds plus an additional spread of ten basis points. The coupon will be reset each quarter based on the then prevailing ten-year Dutch government bond yield, with a maximum of 8%.

[3] The coupon of the USD 500 million junior perpetual capital securities, callable in 2014, is based on the yield of ten-year US dollar interest rate swaps, with an additional spread of ten basis points. The coupon is reset each quarter based on the then prevailing ten-year US dollar interest rate swap yield, with a maximum of 8.5%.

The interest rate exposure on some of these securities has been swapped, using derivatives, to three-month LIBOR yield.

The securities have been issued at par. The securities have subordination provisions and rank junior to all other liabilities. The conditions of the securities contain certain provisions for optional and required coupon payment deferral. Although the securities have no stated maturity, AEGON has the right to call the securities for redemption at par for the first time on the coupon date in the years as specified, or on any coupon payment date thereafter.

Perpetual cumulative subordinated bonds	Coupon rate	Coupon date	Year of first call	2007	2006	2005
EUR 114 million	7.625% [1]	July 10	2008	114	114	114
EUR 136 million	7.25% [2]	October 14	2008	136	136	136
EUR 203 million	7.125% [2]	March 4	2011	203	203	203
EUR 114 million	4.156% [3]	June 8	2015	114	114	114
TOTAL PERPETUAL CUMULATIVE SUBORDINATED BONDS				567	567	567

1 The coupon of the EUR 114 million bonds with an interest rate of 7.625% is fixed.
2 The coupon for the EUR 136 million 7.25% bonds is set at 7.25% until October 14, 2008, while the coupon for the EUR 203 million 7.125% bonds is set at 7.125% until March 4, 2011. On these dates, and after every consecutive period of ten years, the coupons will be reset at the then prevailing effective yield of nine- to ten-year Dutch government securities and a spread of 85 basis points.
3 The coupon for the EUR 114 million bonds was set at 8% until June 8, 2005. As of this date, the coupon is set at 4.156% until 2015.

The bonds have the same subordination provisions as dated subordinated debt. In addition, the conditions of the bonds contain provisions for interest deferral and for the availability of principal amounts to meet losses. Although the bonds have no stated maturity, AEGON has the right to call the bonds for redemption at par for the first time on the coupon date in the years as specified.

16 TRUST PASS-THROUGH SECURITIES

	Coupon	Coupon date	Year of issue	Year of maturity	Year of first call	2007	2006
USD 225 million [1]	7.65%	Semi-annually, June 1	1996	2026	n.a.	77	85
USD 190 million [1]	7.625%	Semi-annually, May 15	1997	2037	n.a.	34	38
USD 15 million [2]	Floating	Quarterly, February 23	2003	2033	2008	11	–
USD 12 million [2]	Floating	Quarterly, January 8	2003	2034	2009	8	–
USD 18 million [2]	Floating	Quarterly, February 23	2004	2034	2009	13	–
TOTAL TRUST PASS-THROUGH SECURITIES						143	123

1 Issued by subsidiaries of, and guaranteed by AEGON N.V.
2 Issued by a subsidiary of AEGON N.V.

Trust pass-through securities are securities through which the holders participate in a trust. The assets of these trusts consist of junior subordinated deferrable interest debentures issued by Transamerica Corporation. The trust pass-through securities carry provisions with regard to deferral of distributions for extension periods up to a maximum of ten consecutive semi-annual periods. There were no defaults or breaches of conditions during the period. The USD 225 million 7.65% and the USD 190 million 7.625% trust pass-through securities were partially redeemed in 2006 through a cash tender offer.

The trust pass-through securities are subordinated to all other unsubordinated borrowings and liabilities.

The additions during 2007 are due to the acquisition of Clark Inc. (see note 48).

The fair value of these loans amounts to EUR 143 million (2006: EUR 123 million).

17 SUBORDINATED BORROWINGS

	2007	2006
TOTAL SUBORDINATED LOANS	34	34

These loans are subordinated to all other unsubordinated borrowings and liabilities. There were no defaults or breaches of conditions during the period. The fair value of these loans amounts to EUR 34 million (2006: EUR 35 million).

18 INSURANCE CONTRACTS

	2007	2006
Life insurance	81,247	81,781
Non-life insurance		
- Unearned premiums and unexpired risks	2,605	2,632
- Outstanding claims	1,496	1,574
- Incurred but not reported claims	704	680
Incoming reinsurance	2,444	2,527
AT DECEMBER 31	88,496	89,194

Non-life insurance	2007	2006
Accident and health insurance	4,030	4,135
General insurance	775	751
TOTAL NON-LIFE INSURANCE	4,805	4,886

Movements during the year in life insurance	2007	2006
At January 1	81,781	89,014
Acquisitions through business combinations	4,337	96
Portfolio transfers and acquisitions	361	50
Gross premium and deposits – existing and new business	9,771	8,764
Unwind of discount / interest credited	3,324	3,650
Technical reserves released	(11,657)	(12,467)
Changes in valuation of expected future benefits	(420)	(709)
Losses recognized as a result of liability adequacy testing	15	498
Shadow accounting adjustments	(138)	(639)
Net exchange differences	(6,169)	(6,742)
Other	42	266
AT DECEMBER 31	81,247	81,781

Movements during the year in non-life insurance	2007	2006
At January 1	4,886	4,893
Acquisitions through business combinations	17	–
Portfolio transfers and acquisitions	3	84
Gross premiums – existing and new business	2,274	2,413
Unwind of discount / interest credited	179	174
Technical reserves released	(1,150)	(1,334)
Changes in valuation of expected future benefits	(10)	(3)
Change in unearned premiums	(1,070)	(1,009)
Change in unexpired risks	(6)	(8)
Incurred related to current year	592	713
Incurred related to prior years	104	191
Release for claims settled current year	(241)	(249)
Release for claims settled prior years	(435)	(624)
Change in IBNR	64	55
Net exchange differences	(391)	(402)
Other	(11)	(8)
AT DECEMBER 31	4,805	4,886

Prior year run-off results, compared to opening balances of the non-life reserve, are immaterial.

Movements during the year in incoming reinsurance	2007	2006
At January 1	2,527	2,690
Gross premium and deposits – existing and new business	1,539	1,441
Unwind of discount / interest credited	189	197
Technical reserves released	(1,550)	(1,492)
Changes in valuation of expected future benefits	45	15
Net exchange differences	(280)	(286)
Other	(26)	(38)
AT DECEMBER 31	2,444	2,527

19 INSURANCE CONTRACTS FOR ACCOUNT OF POLICYHOLDERS

	2007	2006
Insurance contracts for account of policyholders	**78,394**	**72,143**

	2007	2006
At January 1	72,143	70,171
Acquisitions through business combinations	9,185	15
Portfolio transfers and acquisitions	(419)	365
Gross premium and deposits – existing and new business	7,873	7,387
Unwind of discount / interest credited	3,185	5,766
Technical reserves released	(7,492)	(6,522)
Fund charges released	(877)	(849)
Changes in valuation of expected future benefits	(56)	(13)
Net exchange differences	(5,114)	(3,717)
Other	(34)	(460)
AT DECEMBER 31	**78,394**	**72,143**

20 INVESTMENT CONTRACTS

	2007	2006
Investment contracts[1]	**36,089**	**36,618**

[1] Refer to note 45 for a summary of all financial assets and financial liabilities at fair value through profit or loss.

	Without discretionary participation features	With discretionary participation features	Total
At January 1, 2006	38,140	702	38,842
Acquisitions through business combinations	114	–	114
Portfolio transfers and acquisitions	374	–	374
Deposits	13,498	–	13,498
Withdrawals	(14,608)	–	(14,608)
Technical reserves released	–	(123)	(123)
Interest credited	1,621	–	1,621
Fund charges released	1	–	1
Movements related to fair value hedges	(77)	–	(77)
Net exchange differences	(3,476)	12	(3,464)
Other	440	–	440
AT DECEMBER 31, 2006	**36,027**	**591**	**36,618**

	Without discretionary participation features	With discretionary participation features	Total
At January 1, 2007	36,027	591	36,618
Acquisitions through business combinations	99	–	99
Portfolio transfers and acquisitions	(79)	–	(79)
Deposits	13,889	–	13,889
Withdrawals	(13,115)	–	(13,115)
Technical reserves released	–	145	145
Interest credited	1,676	–	1,676
Fund charges released	(12)	–	(12)
Movements related to fair value hedges	167	–	167
Net exchange differences	(3,345)	(60)	(3,405)
Other	106	–	106
AT DECEMBER 31, 2007	**35,413**	**676**	**36,089**

	2007	2006
Fair value of investment contracts without discretionary participation features	36,078	34,611

Investment contracts consist of the following:

	2007	2006
Institutional guaranteed products	24,004	24,531
Fixed annuities	5,012	5,619
Savings accounts	5,173	4,825
Investment contracts with discretionary participation features	677	591
Other	1,223	1,052
AT DECEMBER 31	**36,089**	**36,618**

21 INVESTMENT CONTRACTS FOR ACCOUNT OF POLICYHOLDERS

	2007	2006
Investment contracts [1]	63,756	64,097

[1] Refer to note 45 for a summary of all financial assets and financial liabilities at fair value through profit or loss.

	Without discretionary participation features	With discretionary participation features	Total
At January 1, 2006	22,258	36,466	58,724
Gross premium and deposits – existing and new business	3,996	7,459	11,455
Withdrawals	(3,866)	–	(3,866)
Interest credited	1,822	3,202	5,024
Technical reserves released	–	(6,600)	(6,600)
Fund charges released	(1)	–	(1)
Net exchange differences	(1,008)	806	(202)
Other	(437)	–	(437)
AT DECEMBER 31, 2006	22,764	41,333	64,097

	Without discretionary participation features	With discretionary participation features	Total
At January 1, 2007	22,764	41,333	64,097
Gross premium and deposits – existing and new business	4,984	8,512	13,496
Withdrawals	(4,186)	–	(4,186)
Interest credited	1,313	2,161	3,474
Technical reserves released	–	(7,077)	(7,077)
Fund charges released	(111)	–	(111)
Net exchange differences	(2,134)	(3,796)	(5,930)
Other	(959)	952	(7)
AT DECEMBER 31, 2007	21,671	42,085	63,756

On consolidation of an investment fund, participations held by third parties are classified as liabilities, as opposed to minority interests in equity, if the Group is legally obliged to buy back these participations. A portion of the balance of investment contract liabilities relates to such participations held by third parties, amounting to EUR 116 million (2006: EUR 910 million).

22 BORROWINGS

	2007	2006
Debentures and other loans	4,682	4,212
Commercial papers	258	–
Bank overdrafts	1,046	753
Short term deposits	35	26
TOTAL BORROWINGS	**6,021**	**4,991**
Current	2,680	935
Non-current	3,341	4,056
Total fair value of borrowings	6,096	5,081

Bank overdrafts are largely part of cash pool agreements with banks and matched by cash balances. IFRS does not permit net presentation of these cash balances and bank overdrafts under the current agreements with these banks.

Debentures and other loans	Coupon rate	Issue / Maturity	Coupon date	2007	2006
USD 50 million Zero Coupon Bonds [1]		1982 / 07		–	35
USD 100 million Domestic Debentures [1]	9.375%	1996 / 08	Semi-annually	68	77
EUR 1,000 million Medium-Term Notes	4.625%	2003 / 08	April 16	1,000	1,000
USD 147 million Domestic Debentures [1]	6.4%	1998 / 08	Semi-annually	94	98
USD 133 million Zero Coupon Bonds [1]		1982 / 10		68	67
USD 200 million Zero Coupon Bonds [1]		1982 / 12		74	72
USD 750 million Senior Notes	4.75%	2003 / 13	Semi-annually	509	569
EUR 500 million Medium-Term Notes	4.125%	2004 / 14	December 8	474	485
EUR 75 million Medium-Term Notes	4.625%	2004 / 19	December 9	70	74
USD 500 million Senior Notes [1]	5.75%	2005 / 20	December 15	353	379
GBP 250 million Eurobonds	6.125%	1999 / 31	December 15	341	372
USD 1.54 billion Variable Funding Surplus Note [1,3]	Floating	2006 / 36	Quarterly	569	744
USD 1.5 billion Variable Funding Surplus Note [1,3]	Floating	2007 / 37	Quarterly	204	–
USD 550 million Floating Rate Guaranteed Note [2,3]	Floating	2007 / 37	Quarterly	374	–
GBP 92 million Note issue agreement [2,3,4]		2007 / 21	April 21	83	–
Other				401	240
				4,682	**4,212**

[1] Issued by subsidiaries of, and guaranteed by AEGON N.V.
[2] Issued by a subsidiary of AEGON N.V.
[3] Outstanding amounts can vary up to the maximum stated nominal amount.
[4] Private Value-in-Force (ViF) securitization by AEGON UK to monetize a portion of future profits associated with an existing book of unit-linked business.

Included in debentures and other loans are EUR 980 million (2006: EUR 938 million) relating to borrowings measured at fair value. Proceeds have been swapped, using derivatives, to US Dollar floating-rate. Changes to AEGON's credit spread had no significant impact on the valuation of these borrowings throughout the year.

Undrawn committed borrowing facilities - Floating-rate	2007	2006
Expiring within one year	255	247
Expiring beyond one year	2,140	2,316
AT DECEMBER 31	**2,395**	**2,563**

There were no defaults or breaches of conditions during the period.

23 PROVISIONS

	2007	2006
Provisions	**293**	**262**
Current	161	133
Non-current	132	129
At January 1	262	253
Acquisition of a subsidiary	21	15
Additional provisions charged to the income statement	78	170
Unused amounts reversed through the income statement	(14)	(31)
Unwinding of discount and change in discount rate	3	2
Used during the year	(46)	(134)
Net exchange differences	(12)	(13)
Other	1	–
AT DECEMBER 31	**293**	**262**

The provisions include litigation provisions and provisions for contingent consideration relating to business combinations.

24 DEFINED BENEFIT PLANS

	2007	2006
Retirement benefit plans	1,550	1,433
Other post-employment benefit plans	199	209
Total defined benefit plans	**1,749**	**1,642**
Retirement benefit plans in surplus	387	398
Total defined benefit assets	**387**	**398**
Retirement benefit plans in deficit	1,937	1,831
Other post-employment benefit plans in deficit	199	209
TOTAL DEFINED BENEFIT LIABILITIES	**2,136**	**2,040**

Movements during the year in defined benefit plans	2007 Retirement benefit plans	2007 Other post-employment benefit plans	2007 Total	2006 Retirement benefit plans	2006 Other post-employment benefit plans	2006 Total
At January 1	1,433	209	1,642	1,369	237	1,606
Acquisitions through business combinations	–	1	1	11	–	11
Defined benefit expenses	137	6	143	147	3	150
Contributions paid	(24)	–	(24)	(52)	–	(52)
Benefits paid	(77)	(15)	(92)	(75)	(16)	(91)
Net exchange differences	7	(16)	(9)	32	(17)	15
Other	74	14	88	1	2	3
AT DECEMBER 31	1,550	199	1,749	1,433	209	1,642

The amounts recognized in the balance sheet are determined as follows:

Retirement benefit plans	2007	2006	2005	2004
Present value of wholly or partly funded obligations	2,357	2,487	2,542	2,091
Fair value of plan assets	(2,541)	(2,620)	(2,570)	(2,125)
	(184)	(133)	(28)	(34)
Present value of wholly unfunded obligations	1,622	1,768	1,817	1,543
Unrecognized actuarial gains/(losses)	110	(201)	(420)	(111)
Unrecognized past service cost	2	(1)	–	–
TOTAL RETIREMENT BENEFIT PLANS	1,550	1,433	1,369	1,398

Other post-employment benefit plans	2007	2006	2005	2004
Present value of wholly or partly funded obligations	4	4	4	–
Fair value of plan assets	–	–	–	–
	4	4	4	–
Present value of wholly unfunded obligations	224	247	254	246
Unrecognized actuarial gains/(losses)	(29)	(42)	(21)	(9)
Unrecognized past service cost	–	–	–	–
TOTAL OTHER POST-EMPLOYMENT BENEFIT PLANS	199	209	237	237

Defined benefit plans	2007	2006	2005	2004
Present value of wholly or partly funded obligations	2,361	2,491	2,546	2,091
Fair value of plan assets	(2,541)	(2,620)	(2,570)	(2,125)
	(180)	(129)	(24)	(34)
Present value of wholly unfunded obligations [1]	1,846	2,015	2,071	1,789
Unrecognized actuarial gains/(losses)	81	(243)	(441)	(120)
Unrecognized past service cost	2	(1)	–	–
TOTAL DEFINED BENEFIT PLANS	1,749	1,642	1,606	1,635

[1] Assets held by AEGON The Netherlands for retirement benefits do not meet the definition of plan assets and as such were not deducted in calculating this amount. Instead, these assets are recognized as general account assets. Consequently, the return on these assets also does not form part of the calculation of defined benefit expenses.

The fair value of AEGON's own financial instruments included in plan assets and the fair value of other assets used by AEGON included in planned assets was nil in both 2007 and 2006.

Defined benefit expenses	Retirement benefit plans	Other post-employment benefit plans	Total
			2007
Current year service costs	106	4	110
Interest cost	220	12	232
Expected return on plan assets	(193)	–	(193)
Actuarial (gains)/losses recognized on present value of defined benefit obligation	4	1	5
Past service cost	–	(11)	(11)
TOTAL DEFINED BENEFIT EXPENSES	**137**	**6**	**143**

Defined benefit expenses	Retirement benefit plans	Other post-employment benefit plans	Total
			2006
Current year service costs	119	4	123
Interest cost	211	12	223
Expected return on plan assets	(190)	–	(190)
Actuarial (gains)/losses recognized on present value of defined benefit obligation	6	–	6
Past service cost	–	(13)	(13)
Losses on curtailment	1	–	1
TOTAL DEFINED BENEFIT EXPENSES	**147**	**3**	**150**

Defined benefit expenses	Retirement benefit plans	Other post-employment benefit plans	Total
			2005
Current year service costs	100	6	106
Interest cost	205	14	219
Expected return on plan assets	(184)	–	(184)
Actuarial (gains)/losses recognized on present value of defined benefit obligation	2	(28)	(26)
Actuarial (gains)/losses recognized on plan assets	1	–	1
Past service cost	2	–	2
TOTAL DEFINED BENEFIT EXPENSES	**126**	**(8)**	**118**

Defined benefit expenses are included in 'Commissions and expenses' in the income statement.

Actual return on plan assets and reimbursement rights	2007 Retirement benefit plans	2007 Other post-employment benefit plans	2007 Total	2006 Retirement benefit plans	2006 Other post-employment benefit plans	2006 Total
	257	-	257	302	–	302

Movements during the year of the present value of the defined benefit obligations	2007	2006
At January 1	4,506	4,617
Acquired through business combinations	1	11
Current year service costs	110	123
Interest cost	233	223
Contributions by plan participants	5	4
Actuarial (gains)/losses	(235)	(62)
Benefits paid	(185)	(193)
Past service cost	(12)	(13)
Net exchange differences	(288)	(195)
Other	72	(9)
AT DECEMBER 31	4,207	4,506

Movements during the year in plan assets for retirement benefit plans	2007	2006
At January 1	2,620	2,570
Expected return on plan assets	193	190
Actuarial gains/(losses)	64	112
Contributions by employer	24	52
Contributions by plan participants	6	4
Benefits paid	(94)	(102)
Net exchange differences	(272)	(206)
AT DECEMBER 31	2,541	2,620

All other post-employment benefit plans are unfunded.

Breakdown of plan assets for retirement benefit plans	2007	2006
Equity instruments	1,727	1,816
Debt instruments	698	686
Other	116	118
AT DECEMBER 31	2,541	2,620

SENSITIVITY OF ASSUMED MEDICAL COST TREND RATES

Assumed medical cost trend rates have an effect on the amounts reported for the health care plans. A one-percentage change in assumed medical cost trend rates would have the following effects:

	2007		2006	
	+ 1%	- 1%	+ 1%	- 1%
Aggregate of current service cost and interest cost components of net periodic post-employment medical costs	1	(1)	2	(1)
Accumulated post-employment benefit obligation for medical cost	17	(16)	19	(19)

Experience adjustments arising on	2007	2006	2005	2004
Plan liabilities	(37)	(76)	(28)	90
Plan assets	64	112	52	66

An experience adjustment on plan liabilities is the difference between the actuarial assumptions underlying the scheme and the actual experience during the period. This excludes the effect of changes in the actuarial assumptions that would also qualify as actuarial gains and losses. Experience adjustments on plan assets are the difference between expected and actual return on assets.

Best estimate of contributions expected for the next annual period	192

Estimated future benefits	Pension benefits	Other benefits	Total
2008	165	17	182
2009	172	19	191
2010	208	20	228
2011	187	20	207
2012	195	21	216
2013 to 2017	1,099	108	1,207

Defined benefit plans are mainly operated by AEGON USA, AEGON The Netherlands and AEGON UK. The following sections contain a general description of the plans in each of these subsidiaries, a summary of the principal actuarial assumptions applied in determining the value of defined benefit plans and a description of the basis used to determine the overall expected rate of return on plan assets.

AEGON USA

AEGON USA has defined benefit plans covering substantially all its employees that are qualified under the Internal Revenue Service Code. The benefits are based on years of service and the employee's compensation during the highest five, complete, consecutive years of employment. These defined benefit plans were overfunded by EUR 387 million at December 31, 2007.

AEGON USA also sponsors supplemental retirement plans to provide senior management with benefits in excess of normal pension benefits. These plans are unfunded and non-qualified under the Internal Revenue Service Code. The unfunded amount related to these plans, for which a liability has been recorded, is EUR 140 million.

Assumptions used to determine benefit obligations at year end	2007	2006
Discount rate	6.25%	5.90%
Rate of increase in compensation levels	4.50%	4.50%
Assumptions used to determine net periodic benefit cost for the year ended December 31		
Discount rate	5.90%	5.65%
Rates of increase in compensation levels	4.50%	4.50%
Expected long-term rate of return on assets	8.10%	8.25%

The expected return on plan assets is set at the long-term rate expected to be earned based on the long-term investment strategy and the various classes of the invested funds. For each asset class, a long-term asset return assumption is developed taking into account the long-term level of risk of the asset and historical returns of the asset class. A weighted average expected long-term rate was developed based on long-term returns for each asset class and the target asset allocation of the plan.

AEGON USA provides health care benefits to retired employees, which are predominantly unfunded. The post-retirement health benefit liability amounts to EUR 147 million.

The principal actuarial assumptions that apply for the year ended December 31, 2007 (that is at January 1, 2007) are as follows:

	2007	2006
Assumed health care trend rates		
Health care cost trend rate assumed for next year	10.00%	8.00%
Rate that the cost trend rate gradually declines to	5.00%	5.00%
Year that the rate reaches the rate that it is assumed to remain at	2013	2009
Target allocation of plan assets for retirement benefit plans for the next annual period is		
Equity instruments	53 - 73%	
Debt instruments	15 - 35%	
Other	0 - 15%	

The overall goal of the plans is to maximize total investment returns to provide sufficient funding for the present and anticipated future benefit obligations within the constraints of a prudent level of portfolio risk and diversification. AEGON believes that the asset allocation is an important factor in determining the long-term performance of the plans. From time to time the actual asset allocation may deviate from the desired asset allocation ranges due to different market performance among the various asset categories. If it is determined that rebalancing is required, future additions and withdrawals will be used to bring the allocation to the desired level.

Pension plan contributions were not required for AEGON USA in 2007 or 2006.

AEGON THE NETHERLANDS

AEGON The Netherlands has a number of defined benefit plans and a small defined contribution plan. The contributions to the retirement benefit plan of AEGON The Netherlands are paid by both the employees and the employer, with the employer contribution being variable. The benefits covered are retirement benefits, disability, death and survivor pension and are based on an average salary system. Employees earning more than EUR 41,252 per year (as at January 1, 2007) have an option to contribute to a defined contribution plan for the excess salary. However, the cost for the company remains the same. The defined benefit plans were unfunded by EUR 1,541 million at December 31, 2007. Assets held by AEGON The Netherlands for retirement benefits do not meet the definition of plan assets and as such were not deducted in calculating this amount. Instead, these assets are recognized as general account assets. Consequently, the return on these assets do not form part of the calculation of defined benefit expenses.

AEGON The Netherlands also has a post-retirement medical plan that contributes to the health care coverage of employees and beneficiaries after retirement. The liability related to this plan amounted to EUR 48 million at December 31, 2007.

The principal actuarial assumptions that apply for the year ended December 31, 2007 are as follows:

	2007	2006
Discount rate	5.50%	4.50%
Salary increase rate	2.50%	2.50%
Social security increase rate	2.50%	2.50%
Pension increase rate	2.00%	2.00%
Health care cost trend rate assumed for next year	1.50-2.00%	2.00%
Rate that the cost trend rate gradually declines to	1.50-2.00%	2.00%
Year that the rate reaches the rate it is assumed to remain at	N/A	N/A

AEGON UK

AEGON UK operates a defined benefit pension scheme providing benefits for staff based on final pensionable salary. The assets of the scheme are held under trust separately from those of the Group. The assets of the scheme are held in policies effected with Scottish Equitable plc. The scheme is closed to new entrants. Under IAS 19, the defined benefit plan has a deficit of EUR 227 million at December 31, 2007.

For each asset class, a long-term return assumption is derived taking into account market conditions, historical returns (both absolute returns and returns relative to other asset classes) and general forecasts for future returns. Government bonds are taken as providing the return with the least risk. The expected long-term rate of return is calculated as a weighted average of these assumed rates, taking account of the long-term strategic allocation of funds across the different classes adopted by the trustees of the scheme.

The principal actuarial assumptions that apply for the year ended December 31, 2007 are as follows:

	2007	2006
Discount rate	5.20%	4.80%
Salary increase rate	4.40%	4.10%
Pension increase rate	2.90%	2.60%
Price inflation	2.90%	2.60%
Expected long-term return on assets	6.60%	6.40%
Target allocation of plan assets for retirement benefit plans for the next annual period is		
Equity instruments	67%	65 – 71%
Debt instruments	33%	29 – 35%

The target asset allocation is moving over time to a target of 65% equities and 35% bonds.

OTHER COUNTRIES

The other countries mostly operate defined contribution plans, with the exception of smaller defined benefit plans in AEGON Canada, AEGON Spain and AEGON Taiwan.

25 DEFERRED REVENUE LIABILITIES

	2007	2006
At January 1	43	84
Income deferred	23	17
Disposals	–	(42)
Release to income statement	(12)	(17)
Net exchange differences	(4)	1
AT DECEMBER 31	50	43

26 DEFERRED TAX

	2007	2006
Deferred tax assets	2	3
Deferred tax liabilities	1,605	2,660
TOTAL NET DEFERRED TAX	1,603	2,657

	Real estate	Financial assets	Insurance contracts	Deferred expenses, VOBA and other intangible assets	Defined benefit plans	Losses	Other	Total
At January 1, 2006	555	1,936	(3,384)	3,774	11	(604)	303	2,591
Acquisitions through business combinations	1	–	–	–	(2)	–	1	–
Disposals	–	–	–	–	–	–	(2)	(2)
Charged to income statement	(10)	(317)	768	445	(1)	46	(407)	524
Charged to equity	66	(374)	121	1	–	(2)	(145)	(333)
Net exchange differences	(9)	(127)	245	(250)	(15)	21	(11)	(146)
Other	(95)	88	(90)	3	(1)	(96)	214	23
AT DECEMBER 31, 2006	508	1,206	(2,340)	3,973	(8)	(635)	(47)	2,657
At January 1, 2007	508	1,206	(2,340)	3,973	(8)	(635)	(47)	2,657
Acquisitions through business combinations	–	–	–	10	–	(2)	9	17
Charged to income statement	10	215	(41)	(80)	(13)	33	5	129
Charged to equity	2	(886)	(7)	6	–	–	2	(883)
Net exchange differences	(9)	(72)	153	(312)	(5)	37	6	(202)
Other	–	5	(28)	(17)	–	(10)	(65)	(115)
AT DECEMBER 31, 2007	511	468	(2,263)	3,580	(26)	(577)	(90)	1,603

Deferred tax assets comprise temporary differences on	2007	2006
Real estate	(2)	(2)
Financial assets	1	(2)
Deferred expenses, VOBA and other intangible assets	2	6
Defined benefit plans	2	2
Other	(1)	(1)
AT DECEMBER 31	**2**	**3**

Deferred tax liabilities comprise temporary differences on	2007	2006
Real estate	509	506
Financial assets	469	1,204
Insurance and investment contracts	(2,263)	(2,339)
Deferred expenses, VOBA and other intangible assets	3,582	3,979
Defined benefit plans	(24)	(6)
Losses	(577)	(635)
Other	(91)	(49)
AT DECEMBER 31	**1,605**	**2,660**

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes relate to the same fiscal authority. The netting is reflected in the tables above. Deferred tax liabilities included in a net deferred tax asset position are presented as negative components of the deferred tax asset breakdown. Similarly, deferred tax assets included in a net deferred tax liability position are presented as negative components in the breakdown of the deferred tax liability.

Deferred corporate income tax assets are recognized for tax losses carried forward to the extent that the realization of the related tax benefit through the future taxable profits is probable. For an amount of EUR 1 million (2006: EUR 49 million) the realization of the deferred tax asset is dependent on future taxable profits in excess of the profits arising from the reversal of existing taxable temporary differences.

AEGON did not recognize deferred corporate income tax assets in respect of losses amounting to EUR 1,199 million (2006: EUR 642 million) that can be carried forward to future taxable income. Losses amounting to EUR 423 million (2006: EUR 83 million) can be carried forward indefinitely; losses amounting to EUR 736 million (2006: EUR 517 million) will expire within the next five years; losses amounting to EUR 40 million (2006: EUR 42 million) will expire in five to ten years.

AEGON did not recognize deferred corporate income tax assets in respect of taxable temporary differences relating to deferred acquisition costs and other items for the amount of EUR 7 million (2006: nil).

Deferred corporate income tax liabilities have not been recognized for withholding taxes and other taxes that would be payable on the unremitted earnings of certain subsidiaries, branches, associates and joint ventures, since such amounts are permanently reinvested. Unremitted earnings totaled EUR 1,856 million (2006: EUR 1,810 million). All deferred taxes are non-current by nature.

27 OTHER LIABILITIES

	2007	2006
Payables due to policyholders	608	675
Payables due to brokers and agents	613	2,868
Payables out of reinsurance	912	1,014
Social security and taxes payable	34	63
Income tax payable	426	373
Investment creditors	394	473
Cash collateral	8,993	9,960
Repurchase agreements	14	806
Share appreciation rights	41	79
Other creditors	2,423	1,423
AT DECEMBER 31	**14,458**	**17,734**
Current	13,606	16,856
Non-current	852	878
Fair value	14,416	17,706

Refer to note 37 for a description of share appreciation rights and related expenses.

28 ACCRUALS

	2007	2006
Accrued interest	306	292
Accrued expenses	151	141
AT DECEMBER 31	**457**	**433**

The carrying amounts disclosed reasonably approximate the fair values as at the year end.

29 PREMIUM INCOME AND PREMIUMS TO REINSURERS

	Total	
	Gross	Reinsurance
2007		
Life	24,210	1,280
Non-Life	2,690	326
TOTAL	**26,900**	**1,606**
2006		
Life	21,768	1,333
Non-Life	2,802	338
TOTAL	**24,570**	**1,671**
2005		
Life	16,079	1,208
Non-Life	2,803	346
TOTAL	**18,882**	**1,554**

30 INVESTMENT INCOME

	2007	2006	2005
Interest income	9,183	9,011	8,967
Dividend income	1,051	1,186	868
Rental income	223	179	102
TOTAL INVESTMENT INCOME	**10,457**	**10,376**	**9,937**
Investment income related to general account	7,496	7,467	7,031
Investment income for account of policyholders	2,961	2,909	2,906
	10,457	**10,376**	**9,937**

Investment income from financial assets held for general account	2007	2006	2005
Available-for-sale	5,661	5,643	5,181
Loans	1,276	1,231	1,303
Held-to-maturity	48	34	24
Financial assets at fair value through profit or loss	255	305	310
Real estate	89	90	92
Derivatives	85	120	9
Other	82	44	112
TOTAL	**7,496**	**7,467**	**7,031**

Investment income from:	2007	2006	2005
Shares	1,051	1,186	868
Bonds and money market instruments	7,708	7,591	7,522
Loans	1,276	1,231	1,303
Real estate	223	179	102
Other	199	189	142
TOTAL	10,457	10,376	9,937

Included in interest income is EUR 7 million (2006: EUR 28 million) in respect of interest income accrued on impaired financial assets. The interest income accrued on financial assets that are not carried at fair value through profit or loss amounted to EUR 1,324 million (2006: EUR 1,265 million).

31 FEE AND COMMISSION INCOME

	2007	2006	2005
Fee income from asset management	700	686	611
Sales commissions	547	440	386
Commissions from intermediary activities	313	233	197
Other	340	306	250
TOTAL FEE AND COMMISSION INCOME	1,900	1,665	1,444

Included in fee and commission income is EUR 74 million of fees on trust and fiduciary activities (2006: EUR 62 million). EUR 6 million of fees were recognized on financial assets and liabilities that are not carried at fair value with changes in the fair value recognized in the income statement (2006: EUR 14 million).

32 OTHER REVENUES

	2007	2006	2005
Other revenues	14	4	73

Other revenues relate to non-core activities.

33 RESULTS FROM FINANCIAL TRANSACTIONS

Results from financial transactions comprise:	2007	2006	2005
Net fair value change of general account financial investments at fair value through profit or loss, other than derivatives	573	775	445
Realized gains and losses on financial investments	957	597	704
Gains and losses on investments in real estate	137	134	222
Net fair value change of derivatives	(926)	(255)	28
Net fair value change on for account of policyholder financial assets at fair value through profit or loss	4,380	7,953	11,238
Net fair value change on investments in real estate for account of policyholders	(402)	187	99
Net foreign currency gains and (losses)	(172)	(24)	84
Net fair value change on borrowings and other financial liabilities	(2)	42	–
Realized gains and (losses) on repurchased debt	–	(12)	–
RESULTS FROM FINANCIAL TRANSACTIONS	**4,545**	**9,397**	**12,820**

Net fair value change of general account financial investments at fair value through profit or loss, other than derivatives comprise:	2007	2006	2005
Shares	96	344	269
Bonds and money market investments	86	61	(56)
Other	391	370	232
TOTAL	**573**	**775**	**445**

Realized gains and losses on financial investments comprise:	2007	2006	2005
Shares	870	622	389
Bonds and money market investments	96	(10)	332
Loans	34	61	115
Other	(43)	(76)	(132)
TOTAL	**957**	**597**	**704**

Realized gains and losses on financial investments relate to:	2007	2006	2005
Available-for-sale investments	923	536	664
Loans	34	61	115
Other	–	–	(75)
TOTAL	**957**	**597**	**704**

Net fair value change of derivatives comprise:	2007	2006	2005
- Net fair value change on derivatives	55	(74)	(204)
- Ineffective portion of hedge transactions to which hedge accounting is applied	16	12	32
- Fair value changes on economic hedges for which no hedge accounting is applied	(340)	(193)	200
- Difference between fair value movements of certain guarantees and the fair value changes derivatives that hedge certain risks of these guarantees [1]	(657)	–	–
TOTAL	**(926)**	**(255)**	**28**

[1] Included in this line are the fair value movements of bifurcated embedded derivatives of AEGON the Netherlands (minimum guarantees on unit linked policies) and the fair value movement of related derivatives that hedge certain risks of these guarantees and of the guarantees included in both group pension contracts and traditional products (refer to note 35).

The ineffective portion of hedge transactions to which hedge accounting is applied comprises:	2007	2006	2005
- Fair value change on hedging instruments in a fair value hedge	(242)	(22)	326
- Fair value change on hedged items in a fair valued hedge	253	27	(294)
Ineffectiveness fair value hedges	11	5	32
Ineffectiveness cash flow hedges	5	7	–
Ineffectiveness net foreign investment hedges	–	–	–
TOTAL	16	12	32

Net fair value change on for account of policyholder financial assets at fair value through profit or loss comprise:	2007	2006	2005
- Shares	1,760	3,754	7,153
- Bonds and money market investments	(884)	(1,124)	1,628
- Deposits with financial institutions	(1)	–	–
- Separate accounts and unconsolidated investment funds	3,580	5,323	2,457
- Other	(75)	–	–
TOTAL	4,380	7,953	11,238

Investments for account of policyholders comprise of financial assets, investments in real estate and real estate for own use. Refer to note 7 for further information. Financial assets for account of policyholders are classified as at fair value through profit or loss. Investment income on investments for account of policyholders is included in investment income. Refer to note 30 for further information.

34 OTHER INCOME

	2007	2006	2005
Other income	214	11	176

Other income in 2007 relates mainly to the acquisition of OPTAS N.V. ('OPTAS'). The acquired net assets amounted to EUR 1.7 billion, EUR 212 million higher than the acquisition price of EUR 1.5 billion resulting in a one-time gain at acquisition that is reported as part of Other income.

Other income in 2005 relates to the sale of Seguros Generales, the general insurance company in Spain.

35 POLICYHOLDER CLAIMS AND BENEFITS

	2007	2006	2005
Claims and benefits paid to policyholders	21,133	21,197	16,025
Change in valuation of liabilities for insurance and investment contracts	13,002	14,070	18,601
TOTAL POLICYHOLDER CLAIMS AND BENEFITS	34,135	35,267	34,626

The change in valuation of liabilities for insurance and investment contracts include EUR 332 million of gains regarding fair value movements of guarantees and EUR 7 million of gains (2006: gains of EUR 75 million, 2005: gains of EUR 104 million) of other charges that for segment reporting are excluded from Operating earnings before tax.

36 PROFIT SHARING AND REBATES

	2007	2006	2005
Amortization of interest rate rebates	46	48	56
Surplus interest bonuses	22	16	21
Profit appropriated to policyholders	15	69	94
TOTAL PROFIT SHARING AND REBATES	**83**	**133**	**171**

37 COMMISSIONS AND EXPENSES

	2007	2006	2005
Commissions	3,312	3,444	3,317
Employee expenses	1,903	1,821	1,662
Administration expenses	1,334	1,236	1,281
Deferred expenses	(1,891)	(1,973)	(1,980)
Amortization of deferred expenses	1,062	1,286	955
Amortization of VOBA and future servicing rights	219	271	287
TOTAL COMMISSIONS AND EXPENSES	**5,939**	**6,085**	**5,522**

Included in administration expenses above is depreciation amounting to EUR 86 million (2006: EUR 112 million and 2005: EUR 125 million) that relates to equipment, software and real estate held for own use. The direct operating expenses relating to investments in real estate that generated rental income was EUR 62 million (2006: EUR 32 million and 2005: EUR 33 million). Minimum lease payments recognized as expense amounted to EUR 10 million (2006: EUR 6 million). Included in employee expenses is EUR 23 million (2006: EUR 23 million) regarding defined contribution expenses.

Included in the amortization of deferred expenses and VOBA is EUR 1 million (2006: EUR 29 million and 2005: nil) that is classified for segment reporting purposes as non operating earnings as an offset against realized gains and losses on financial investments.

Employee expenses	2007	2006	2005
Salaries	1,286	1,206	1,139
Post-employment benefit costs	168	178	124
Social security charges	140	140	185
Other personnel costs	307	258	171
Share appreciation rights and share options	2	39	43
TOTAL EMPLOYEE EXPENSES	**1,903**	**1,821**	**1,662**

SHARE APPRECIATION RIGHTS AND SHARE OPTIONS

Senior executives of AEGON companies, as well as other AEGON employees, have been offered both share appreciation rights and share options. These share appreciation rights and share options have been granted at an exercise price equal to the market price of the shares at the date of the grant. The rights and options granted in 2007, 2006, 2005 and 2004 vest after three years and can only be exercised during the four years after the vesting date. The rights and options granted in 2003 and 2002 vest after two years and can only be exercised during the five years after the vesting date. Vesting and exercisability depend on continuing employment of the individual employee to which the rights and options have been granted. Option plans are settled in equity, whilst stock appreciation rights are settled in cash or provide the employee with the choice of settlement.

Plans for share appreciation rights and share options can only be established with prior consent of the annual General Meeting of Shareholders. If, subsequently, the Executive Board decides to implement such plans, that decision has to be approved by the Supervisory Board. Options granted pursuant to the purchase agreement with Providian have various expiration dates. The options granted in 1997 to senior executives of former Providian business units fully vest in three years and the exercise period is up to ten years, with the latest period ending in August 2008.

In compliance with regulations under Dutch law, share appreciation rights and share options cannot be exercised in blackout periods.

SHARE APPRECIATION RIGHTS

The following tables present the movements in number of share appreciation rights outstanding (SARs), as well as the breakdown by the year in which they were granted.

	Number of SARs	Weighted average exercise price in EUR	Weighted average remaining contractual term in years	Aggregate intrinsic value in EUR million
Outstanding at January 1, 2006	34,252,350	19.22	3.62	79
Granted	244,300	14.00		
Exercised	(1,249,899)	6.30		
Forfeited	(2,162,563)	18.86		
Expired	(7,218,300)	34.84		
OUTSTANDING AT JANUARY 1, 2007	**23,865,888**	**15.15**	**3.55**	**77**
Granted	309,500	14.98		
Exercised	(3,014,100)	9.55		
Forfeited	(1,250,426)	17.06		
Expired	–	–		
OUTSTANDING AT DECEMBER 31, 2007	**19,910,862**	**15.87**	**2.59**	**30**
EXERCISABLE AT DECEMBER 31, 2007	**15,765,492**	**17.08**	**2.11**	**26**

The weighted average share price at which the share appreciation rights were exercised in 2007 is EUR 15.07 (2006: EUR 14.51).

SARs	Original number granted	Outstanding January 1, 2007	Outstanding December 31, 2007	Exercise price in EUR	Exercise period
2002	11,555,700	7,655,067	7,146,732	26.70	until March 12, 2009
2003	11,447,300	3,761,451	2,950,744	6.30	until March 11, 2010
2004	11,574,850	8,212,248	5,668,016	10.56	until March 17, 2011
2005	4,575,600	4,010,322	3,672,270	10.86	until March 8, 2012
2006	244,300	226,800	187,200	14.00	until March 14, 2013
2007	309,500	–	285,900	14.98	until March 13, 2014
TOTAL	**39,707,250**	**23,865,888**	**19,910,862**		

The following assumptions are used in estimating the fair value of share appreciation rights at December 31:

	2007	2006	2005
Volatility	29.0%	26.3%	26%
Expected dividend yield	7.18%	3.99%	3.12%
Expected term (in years)	6.01	5.68	5.22
Risk-free rate	4.14%	3.87%	3.36%
AEGON share price at year end	12.09	14.44	13.75

The volatility is derived from quotations from external market sources and the expected dividend yield is derived from quotations from external market sources and the binomial option pricing model. Refer to note 3 for a further description of the method used to estimate the fair value and a description of the significant assumptions.

The liability related to share appreciation rights is valued at fair value at each balance sheet date. Refer to note 27 for details. The costs related to the share appreciation rights amount to EUR (16) million (2006: EUR 26 million and 2005: EUR 40 million) and are recognized in the income statement as part of Commissions and expenses.

SHARE OPTIONS

The following tables present the movements in number of share options, as well as the breakdown by the year in which they were granted.

	Number of share options	Weighted average exercise price in EUR	Weighted average remaining contractual term in years	Aggregate intrinsic value in EUR million
Outstanding at January 1, 2006	6,029,108	12.09	5.56	16
Granted	9,149,500	14.00		
Exercised	(211,512)	9.84		
Forfeited	(1,047,841)	13.78		
Expired	–	–		
OUTSTANDING AT JANUARY 1, 2007	**13,919,255**	**13.25**	**5.64**	**21**
Granted	9,522,200	14.98		
Exercised	(182,352)	12.26		
Forfeited	(1,895,491)	14.09		
Expired	(95,850)	12.39		
OUTSTANDING AT DECEMBER 31, 2007	**21,267,762**	**13.91**	**5.38**	**5**
EXERCISABLE AT DECEMBER 31, 2007	**188,650**	**30.63**	**0.6**	**0**

The weighted average share price at which the share options were exercised in 2007 is EUR 14.00 (2006: EUR 13.28).

Share options	Original number granted	Outstanding January 1, 2007	Outstanding December 31, 2007	Exercise price in EUR	Exercise period
Providian	7,204,384	491,852	188,650	30.63 [1]	until August 6, 2008
2005	5,586,160	4,768,060	4,370,910	10.86	until March 8, 2012
2006	9,149,500	8,659,343	7,903,623	14.00	until March 14, 2013
2007	9,522,200		8,804,579	14.98	until March 13, 2014
TOTAL	**31,462,244**	**13,919,255**	**21,267,762**		

[1] Weighted average exercise price of the outstanding share options in USD calculated at the closing rate.

The following assumptions are used in estimating the fair value of share options at the grant date:

	2007	2006	2005
Volatility	24.4%	28.0%	26.3%
Expected dividend yield	4.53%	4.23%	4.19%
Expected term (in years)	6.57	6.46	6.57
Risk-free rate	3.84%	3.47%	3.74%
Exercise price	14.98	14.00	10.86

The costs related to the share options amount to EUR 18 million (2006: EUR 13 million and 2005: EUR 3 million) and are recognized in the income statement as part of Commissions and expenses.

SHARE APPRECIATION RIGHTS AND SHARE OPTIONS

The fair value of a share appreciation right or share option at the grant date in 2007 amounted to EUR 2.87 (2006: EUR 3.14 and 2005: EUR 2.32). These amounts are equal to the weighted average fair value for the respective years. The total intrinsic value of share options exercised and SARs paid during 2007 amounts to EUR 15 million (2006: EUR 11 million and 2005: EUR 17 million).

At December 31, 2007, the total compensation cost related to non-vested awards not yet recognized is estimated at EUR 28 million. The weighted average period over which it is expected to be recognized is 1.3 years. No cash is received from exercise of share options during 2007, 2006 and 2005. Cash used to settle share appreciation rights amounts to EUR 17 million in 2007 (2006: EUR 10 million and 2005: EUR 18 million).

The exposure from the issued share appreciation rights and share options is economically hedged by a position in treasury shares. At December 31, 2007, AEGON N.V. held 34,057,633 of its own common shares with a face value of EUR 0.12 each by virtue of acquisitions for this purpose.

There have been no modifications to the plans during the financial year.

The breakdown of the share appreciation rights and share options granted in 2007 is as follows: Executive Board nil, other senior executives 4,157,500 and other employees 5,674,200 (2006: nil; 4,009,800 and 5,384,000 and 2005: nil; 4,711,960 and 5,449,800).

Refer to note 50 for detailed information about the SARs/share options and the shares and options conditionally granted to the Executive Board.

38 IMPAIRMENT CHARGES/(REVERSALS)

Impairment charges/(reversals) comprise:	2007	2006	2005
Impairment charges on financial assets, excluding receivables [1]	135	142	147
Impairment reversals on financial assets, excluding receivables [1]	(64)	(118)	(160)
Impact of impairments on the valuation of insurance assets and liabilities [1]	16	–	–
Impairment charges on non-financial assets and receivables	30	9	11
TOTAL IMPAIRMENT CHARGES/(REVERSALS)	117	33	(2)

[1] Impairment charges/(reversals) on financial assets, excluding receivables are for segment reporting excluded from operating earnings before tax (refer to note 4).

Impairment charges on financial assets, excluding receivables, from:	2007	2006	2005
Shares	45	36	20
Bonds and money market instruments	76	80	91
Loans	6	15	33
Other	8	11	3
TOTAL IMPAIRMENT CHARGES	135	142	147

Impairment reversals on financial assets, excluding receivables, from:	2007	2006	2005
Bonds and money market instruments	(51)	(103)	(139)
Loans	(10)	(15)	(21)
Other	(3)	–	–
TOTAL IMPAIRMENT REVERSALS	(64)	(118)	(160)

39 INTEREST CHARGES AND RELATED FEES

	2007	2006	2005
Capital securities	10	29	32
Subordinated loans	2	14	22
Borrowings	339	252	256
Other	123	67	63
TOTAL INTEREST CHARGES AND RELATED FEES	474	362	373

The interest charges accrued on financial assets and liabilities that are not carried at fair value through profit or loss amounted to EUR 314 million (2006: EUR 331 million).

40 OTHER CHARGES

	2007	2006	2005
Other charges	181	1	3

In 2007 AEGON refined its method of calculating the fair value of the guarantees included in its unit-linked products in order to align these calculations with the calculations currently used for the group pension contracts and traditional products. This change in accounting estimate has been applied prospectively. The pre-tax cumulative charges amounts to EUR 181 million and is reported as part of Other charges.

Other charges is for segment reporting purposes fully excluded from operating earnings (refer to note 2.6).

41 INCOME TAX

	Note	2007	2006	2005
Current tax				
Current year		501	304	751
Adjustments to prior year		(104)	(27)	(5)
		397	**277**	**746**
Deferred tax	26			
Origination / (reversal) of temporary differences		234	616	(14)
Changes in tax rates/bases		(64)	(51)	(23)
Recognition of previously unrecognized tax loss/tax credit		27	(65)	(66)
Write off / (reversal of write off) of deferred tax assets		37	25	8
Adjustment to prior year		(105)	–	–
INCOME TAX FOR THE PERIOD		**526**	**802**	**651**

Reconciliation between standard and effective income tax:	2007	2006	2005
Income before tax	3,077	3,971	2,796
Income tax calculated using weighted average applicable statutory rates	973	1,272	959
Difference due to the effects of:			
Non-taxable income	(261)	(247)	(229)
Non-tax deductible expenses	35	22	8
Changes in tax rate/base	(64)	(51)	(24)
Different tax rates on overseas earnings	38	(34)	(15)
Tax credits	(89)	(122)	(143)
Other taxes	34	94	164
Adjustments to prior years	(108)	(90)	(5)
Origination and change in contingencies	(101)	(40)	–
Changes in deferred tax assets as a result of recognition/write off of previously not recognized/ recognized tax losses, tax credits and deductible temporary differences	27	(12)	(66)
Non-recognition of deferred tax assets	38	47	2
Tax effect of profit/losses from associates	(1)	(2)	1
Other	5	(35)	(1)
INCOME TAX FOR THE PERIOD	**526**	**802**	**651**

The weighted average applicable tax rate is 31.6% (2006: 32.0% and 2005: 34.3%). The change from 2006 to 2007 is due to a change in the profitability of the countries and a change in applicable statutory tax rates. The Dutch statutory tax rate has changed from 29.6% in 2006 to 25.5% in 2007 (2005: 31.5%). In Spain, the corporate tax rate decreased from 35% in 2006 to 32.5% in 2007 and will decrease further to 30% in 2008. In the Czech Republic the corporate tax rate is 24% in 2007. The rate will decrease to 21% in 2008, 20% in 2009 and 19% in 2010. In China the corporate tax rate of 33% in 2007 will decrease to 25% in 2008. In UK the corporate tax rate of 30% will decrease to 28% in 2008. The federal corporate tax rate in Canada will decrease in a period from 2007 to 2012 from 21% to 15%.

42 EARNINGS PER SHARE

BASIC EARNINGS PER SHARE

Basic earnings per share is calculated by dividing the net income attributable to equity holders, after deduction of preferred dividends declared and accrued coupons on perpetuals, by the weighted average number of ordinary shares, excluding ordinary shares purchased by the company and held as treasury shares (refer to note 14).

	2007	2006	2005
Net income attributable to equity holders	2,551	3,169	2,147
Dividends on preferred shares	(85)	(80)	(79)
Coupons on perpetuals	(175)	(143)	(132)
Net income attributable to ordinary shareholders for basic earnings per share calculation	**2,291**	**2,946**	**1,936**
Weighted average number of ordinary shares (thousands)	**1,561,395**	**1,578,631**	**1,548,346**
Basic earnings per share (EUR per share)	**1.47**	**1.87**	**1.25**

DILUTED EARNINGS PER SHARE

Diluted earnings per share is calculated by adjusting the average number of shares outstanding for the dilutive effect of share options. For the purpose of calculating diluted earnings per share, AEGON assumed that all dilutive share options have been exercised at the exercise price, or adjusted exercise price if necessary. The proceeds are regarded as having been received from the issue of ordinary shares at the average market price of the AEGON N.V. share during the year. The difference between the number of dilutive options issued and the number of ordinary shares that would have been issued at the average market price has been treated as an issue of ordinary shares for no consideration.

The number of share options that has not been included in the weighted average number of ordinary shares used in the calculation of diluted earnings per share, because these share options were anti-dilutive for the periods presented, amounted to 8,993,229 (2006: 9,151,195 and 2005: 853,048). The exercise prices of these share options range from EUR 30.63 to EUR 14.98.

	2007	2006	2005
Net income attributable to equity holders	2,551	3,169	2,147
Dividends on preferred shares	(85)	(80)	(79)
Coupons on perpetuals	(175)	(143)	(132)
Net income attributable to ordinary shareholders for diluted earnings per share calculation	**2,291**	**2,946**	**1,936**
Weighted average number of ordinary shares (thousands)	1,561,395	1,578,631	1,548,346
Adjustments for: share options (thousands)	1,182	1,072	201
Weighted average number of ordinary shares for diluted earnings per share calculation (thousands)	**1,562,587**	**1,579,703**	**1,548,547**
Diluted earnings per share (EUR per share)	**1.47**	**1.86**	**1.25**

43 DIVIDEND PER SHARE

The dividend per share paid in 2007 (final 2006 and interim 2007) and 2006 (final 2005 and interim 2006) were EUR 0.61 and EUR 0.47 respectively. A final dividend in respect of book year 2007 of EUR 0.32 per share, resulting in a total dividend of EUR 0.62 per share for 2007, is to be proposed at the General Meeting of Shareholders on April 23, 2008. These financial statements do not reflect the proposed final dividend payable.

44 CAPITAL AND SOLVENCY

AEGON's capital base reflects the capital employed in insurance activities and consists of shareholders' equity, capital securities and dated subordinated and senior debt. AEGON targets its capital base to comprise at least 70% shareholders equity (excluding the revaluation reserve), 25% perpetual capital securities (consisting of junior perpetual capital securities and perpetual cumulative subordinated bonds) and a maximum of 5% dated subordinated and senior debt related to insurance activities.

The table that follows reconciles total shareholders' equity to the total capital base:

	2007	2006
Total shareholders' equity	15,151	18,605
Junior perpetual capital securities	4,192	3,447
Perpetual cumulative subordinated bonds	567	567
Share options not yet exercised	36	18
Minority interest	16	16
Trust pass-through securities	143	123
Subordinated borrowings	34	34
Borrowings	6,021	4,991
Borrowings not related to capital funding of insurance activities	(4,766)	(3,518)
TOTAL CAPITAL BASE	**21,394**	**24,283**

Borrowings not related to capital funding of insurance activities mainly include operational funding of US regulation XXX and guideline AXXX redundant reserves, funding of mortgage warehousing activities, short-term funding of cash and collateral management activities, and the proportional amount of other borrowings not immediately deployed for capital management activities. In the ordinary course of business, AEGON N.V. may at times have borrowings, which are offset by cash and cash equivalents available for future capital management activities, such as funding capital contributions in its subsidiaries, redemption of borrowings or payment of dividends to its shareholders. The Total Capital Base is a non-IFRS measure, as IFRS does not permit separate presentation of borrowings based on the deployment of the proceeds.

Both insurance and banking companies are required to maintain a minimum solvency margin based on local directives. AEGON's insurance subsidiaries in the United States are subject to risk-based standards established by the National Association of Insurance Commissioners. At December 31, 2007, the combined risk-based capital ratio of AEGON's life insurance subsidiaries in the United States was 336%. Under the Insurance Industry Supervision Act 1993 in the Netherlands, life insurance companies are required to maintain equity of among others 4% of general account technical reserves and, in case of no interest guarantee, 1% of technical reserves with investments for account of policyholders plus 0.3% of the amount at risk under the insurance policies for life insurers. The Financial Services Authority regulates insurance companies in the United Kingdom under the Financial Services and Markets Act 2000 and sets minimum standards for capital adequacy and solvency.

AEGON is subject to legal restrictions on the amount of dividends it can pay to its shareholders. Under Dutch law the amount that is available to pay dividends consists of total shareholders' equity less the issued and outstanding capital and less the reserves required by law. Retained earnings includes a EUR 770 million statutory reserve for subsidiaries.The revaluation account is a legal reserve established by AEGON N.V. in light of the investments held by group companies. In accordance with Book 2, Part 9 of the Dutch Civil Code it comprises the revaluation reserves held by group companies (EUR (516) million, 2006: EUR 1,648 million). Other reserves include the foreign currency translation reserve for an amount of EUR (2,010) million (2006: EUR (565) million and the reserve for AEGON's share of changes recognized directly in equity of associates for an amount of EUR (31) million (2006: EUR 27 million). The reserves are released to the income statement upon the sale of the subsidiary or associate. In case of negative balances for individual reserves legally to be retained, no distributions can be made out of retained earnings to the level of these negative amounts.

However, certain of AEGON's subsidiaries, principally insurance companies, are subject to restrictions on the amounts of funds they may transfer in the form of cash dividends or otherwise to their parent companies. While management does not believe such restrictions on AEGON's subsidiaries will affect its ability to pay dividends in the future, there can be no assurance that these restrictions will not limit or prevent AEGON from doing so.

45 SUMMARY OF TOTAL FINANCIAL ASSETS AND FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS

The table that follows summarizes the carrying amounts of financial assets and financial liabilities that are classified as at fair value through profit or loss, with appropriate distinction between those financial assets and financial liabilities held for trading and those that, upon initial recognition, were designated as at fair value through profit or loss.

	2007		2006	
	Trading	Designated	Trading	Designated
Investments for general account	71	7,792	785	8,763
Investments for account of policyholders	–	139,876	–	133,060
Derivatives with positive values not designated as economic hedges	1,008	–	1,233	–
TOTAL FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS	**1,079**	**147,668**	**2,018**	**141,823**
Investment contracts	–	–	–	167
Investment contracts for account of policyholders	–	21,671	–	22,764
Derivatives with negative values not designated as economic hedges	1,382	–	1,137	–
Borrowings	–	980	–	938
TOTAL FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS	**1,382**	**22,651**	**1,137**	**23,869**

INVESTMENTS FOR GENERAL ACCOUNT

The Group manages certain portfolios on a total return basis which have been designated as at fair value through profit or loss. This includes portfolio of investments in limited partnerships and limited liability companies (primarily hedge funds) for which the performance is assessed internally on a total return basis. In addition, some investment that include an embedded derivative that would otherwise have required bifurcation, such as convertible instruments, preferred shares and credit linked notes, have been designated as at fair value through profit or loss. Investment for general account backing insurance and investment liabilities that are carried at fair value with changes in the fair value recognized in the income statement are designated as at fair value through profit or loss. Classification of the financial assets as available-for sale would result in accumulation of unrealized gains and losses in a revaluation reserve within equity whilst changes to the liability would be reflected in net income (accounting mismatch). Therefore the Group elected to designate these investments for account of policyholders as at fair value through profit or loss.

INVESTMENTS FOR ACCOUNT OF POLICYHOLDERS

Investments held for account of policyholders comprise assets that are linked to various insurance and investment contracts for which the financial risks are borne by the customer. Under the Group's accounting policies these insurance and investment liabilities are measured at the fair value of the linked assets with changes in the fair value recognized in the income statement. To avoid an accounting mismatch the linked assets have been designated as at fair value through profit or loss. In addition the investment for account of policyholders include with profit assets, where an insurer manages these assets together with related liabilities on a fair value basis in accordance with a documented policy of asset and liability management. In accordance with Group's accounting policies, these assets have been designated as at fair value through profit or loss.

INVESTMENT CONTRACTS

Investment contracts that have been designated as at fair value through profit or loss include contracts that are considered to contain an embedded derivative that requires measurement at fair value through profit or loss, such as equity-linked or pass-through investment performance features and total return swaps. For consistency, the underlying portfolio has been designated as at fair value through profit or loss. Also contracts that contain embedded derivatives that can not be reliably bifurcated are carried at fair value, such as a fixed annuity issued by AEGON USA containing an investment performance pass-through feature subject to a cumulative minimum guarantee.

INVESTMENT CONTRACTS FOR ACCOUNT OF POLICYHOLDERS

With the exception of the financial liabilities with discretionary participating features that are not subject to the classification and measurement requirements for financial instruments, all investment contracts for account of policyholders that are carried at fair value or at the fair value of the linked assets are included in the table above.

DERIVATIVES

With the exception of derivatives designated as a hedging instrument, all derivatives held for general account and held for account of policyholders are included in the table above.

BORROWINGS

Borrowings designated as at fair value through profit or loss include financial instruments that are managed on a fair value basis together with related financial assets and financial derivatives.

Gains and losses recognized in the income statement on financial assets and financial liabilities classified as at fair value through profit or loss can be summarized as follows:

	2007		2006	
	Trading	Designated	Trading	Designated
Net gains and losses	(875)	5,023	142	8,359

No loans and receivables were designated as at fair value through profit or loss.

Changes in the fair value of financial liabilities designated as at fair value through profit or loss were not attributable to changes in credit risk. There are also no differences between the carrying amounts of these financial liabilities and the contractual amounts payable at maturity (net of surrender penalties).

46 COMMITMENTS AND CONTINGENCIES

	2007		2006	
Investments contracted	Purchase	Sale	Purchase	Sale
Real estate	3	(4)	2	(1)
Mortgage loans	594	–	826	–
Bonds	–	(1)	1	(2)
Private loans	555	–	679	–
Other	1,240	(1)	1,346	(2)

INVESTMENTS CONTRACTED

In the normal course of business, the Group has committed itself through purchase and sale transactions of investments, mostly to be executed in the course of 2008. The amounts represent the future outflow and inflow, respectively, of cash related to these investment transactions that are not reflected in the consolidated balance sheet.

Mortgage loans commitments represent undrawn mortgage loan facility provided and outstanding proposals on mortgages. Other commitments include future purchases of interests in investment funds and limited partnerships.

Other commitments and contingencies	2007	2006
Guarantees	225	166
Standby letters of credit	103	105
Share of contingent liabilities incurred in relation to interests in joint ventures	675	615
Other guarantees	33	70
Other commitments and contingent liabilities	44	57

Guarantees include those given on account of asset management commitments and guarantees associated with the sale of investments in low-income housing tax credit partnerships in the United States. Standby letters of credit amounts reflected above are the liquidity commitment notional amounts. In addition to the guarantees shown in the table, guarantees have been given for fulfillment of contractual obligations such as investment mandates related to investment funds.

AEGON N.V. has entered into a net worth maintenance agreement with its indirect subsidiary AEGON Financial Assurance Ireland Limited (AFA), pursuant to which AEGON N.V. will cause AFA to have a tangible net worth of at least 3% of its total liabilities under financial guaranty policies which it issues up to a maximum of EUR 3 billion.

AEGON N.V. has guaranteed and is severally liable for the following:

- Due and punctual payment of payables due under letter of credit agreements applied for by AEGON N.V. as co-applicant with its subsidiary companies Transamerica Corporation, AEGON USA, Inc. and Commonwealth General Corporation (EUR 2,653 million). At December 31, 2007, there were no amounts due and payable;
- Due and punctual payment of payables by the consolidated Group companies Transamerica Corporation, AEGON Funding Corp., Commonwealth General Corporation and Transamerica Finance Corp. with respect to bonds, capital trust pass-through securities and notes issued under commercial paper programs (EUR 985 million), as well as payables with respect to certain derivative transactions of Transamerica Corporation (nominal amount EUR 793 million);
- Due and punctual payment of any amounts owed to third parties by the consolidated group company AEGON Derivatives N.V. in connection with derivative transactions. AEGON Derivatives N.V. only enters into derivative transactions with counterparties with which ISDA master netting agreements including collateral support annex agreements have been agreed; net (credit) exposure on derivative transactions with these counterparties was therefore minimal as at December 31, 2007.

AEGON is involved in litigation in the ordinary course of business, including litigation where compensatory or punitive damages and mass or class relief are sought. In particular, certain current and former customers, and groups representing customers, have initiated litigation and certain groups are encouraging others to bring lawsuits in respect of certain products in the Netherlands. The products involved include securities leasing products and unit linked products (so called 'beleggingsverzekeringen' including the KoersPlan product). AEGON has established adequate litigation policies to deal with the claims defending when the claim is without merit and seeking to settle in certain circumstances. This and any other litigation AEGON has been involved in over the last twelve months have not had any significant effects on the financial position or profitability of AEGON N.V. or the Group. However, there can be no assurances that AEGON will be able to resolve existing litigation in the manner it expects or that existing or future litigation will not result in unexpected liability.

In addition, in recent years, the insurance industry has increasingly been the subject of litigation, investigations and regulatory activity by various governmental and enforcement authorities concerning certain practices. AEGON subsidiaries have received inquiries from local authorities in various jurisdictions including the United States, the United Kingdom and the Netherlands. In certain instances, AEGON subsidiaries modified business practices in response to such inquiries or the findings thereof. Certain AEGON subsidiaries have been informed that the regulators may seek fines or other monetary penalties or changes in the way AEGON conducts its business.

Future lease payments	2007 Not later than 1 year	2007 1-5 years	2007 Later than 5 years	2006 Not later than 1 year	2006 1-5 years	2006 Later than 5 years
Finance lease obligations	1	2	–	2	2	–
Operating lease obligations	93	305	493	89	321	363
Operating lease rights	35	99	69	27	84	20

The operating lease obligations relate mainly to office space leased from third parties. The total of future minimum sublease payments expected to be received on non-cancelable subleases is EUR 10 million.

The operating lease rights relate to non-cancelable commercial property leases.

47 PLEDGED AND REPLEDGEABLE ASSETS

ASSETS SUBJECT TO RESTRICTIONS

The following table reflects the carrying amount of non-cash financial assets that have been transferred to another party with the right to sell or repledge:

Financial assets for general account	2007	2006
Available-for-sale	13,804	15,775
Loans	1,236	1,292
Financial assets at fair value through profit or loss	113	129
TOTAL	**15,153**	**17,196**
FINANCIAL ASSETS FOR ACCOUNT OF POLICYHOLDERS	**9,214**	**9,214**

The assets are transferred in light of security lending and repurchase activities, in return for cash collateral or other financial assets.

ASSETS PLEDGED

AEGON pledges non-cash financial assets that are on its balance sheet in securities borrowing and lending transactions, in repurchase and reverse repurchase transactions, and against long-term borrowings. In addition, in order to trade derivatives on the various exchanges, AEGON posts margin as collateral.

EXCLUDING 'CASH COLLATERAL' AND 'REPURCHASE AGREEMENTS' LIABILITIES

AEGON has pledged EUR 3,723 million (2006: EUR 3,867 million) financial assets and EUR 39 million (2006: EUR 34 million) other assets as collateral for general account liabilities and contingent liabilities, regardless of whether the counterparty may sell or repledge the asset.

No financial assets and other assets were pledged as collateral for liabilities and contingent liabilities for account of policyholders in 2007 and 2006.

'CASH COLLATERAL' AND 'REPURCHASE AGREEMENTS' LIABILITIES

In light of security lending and (reverse) repurchase activities, AEGON has liabilities of EUR 8,280 million (2006: EUR 8,987 million) and EUR 14 million (2006: EUR 806 million) respectively. The value of the assets transferred in these transaction approximates the carrying of the liabilities. To the extent that the counterparty has the right to sell or repledge the assets loaned, these have been included in the table above.

ASSETS ACCEPTED

AEGON receives collateral related to securities lending transactions. Non-cash collateral is not recognized in the balance sheet. The fair value of non-cash received is EUR 66 million (2006: EUR 4 million). AEGON cannot sell or repledge these assets and no assets have been sold or transferred.

Cash collateral is recorded on the balance sheet as an asset and an offsetting liability is established for the same amount as AEGON is obligated to return the collateral upon termination of the lending arrangement. Cash collateral is usually invested in pre-designated high quality investment strategies. Whether these subsequent investments are recorded on balance or off balance is subject to the same recognition rules as other asset types. The sum of cash and non-cash collateral is typically greater than the market value of the related securities loaned.

In addition, AEGON can receive collateral relative to derivative transactions that it enters into. Main counterparties to these transactions are investment banks and are typically rate AA or higher. The credit support agreement will normally dictate the threshold over which collateral needs to be pledged by AEGON or its counterparty. Transaction requiring AEGON or its counterparty to post collateral are typically the result of over-the-counter derivative trades, comprised mostly of interest rate swaps, currency swaps and credit swaps.

EXCLUDING 'CASH COLLATERAL' AND 'REVERSE REPURCHASE AGREEMENTS' RECEIVABLES

Of the non-cash collateral accepted, EUR 9,648 million (2006: EUR 11,004 million) can be sold or repledged in absence of default of the counterparty. At the reporting date no amount (2006: EUR 47 million) has been sold or transferred.

'CASH COLLATERAL' AND 'REVERSE REPURCHASE AGREEMENTS' RECEIVABLES

Non-cash financial assets that are borrowed or purchased under agreement to resell are not recognized in the balance sheet. To the extent that cash collateral is paid, a receivable is recognized for the corresponding amount. If other non-cash financial assets are given as collateral, these are not derecognized. AEGON pledges non-cash financial assets that are on its balance sheet in securities borrowing and lending transactions, in repurchase and reverse repurchase transactions, and against long-term borrowings. In addition, in order to trade derivatives on the various exchanges, AEGON posts margin as collateral.

48 BUSINESS COMBINATIONS

ACQUISITIONS

In December 2007, AEGON USA acquired 100% of the shares of Merrill Lynch Life Insurance Company and ML Life Insurance Company of New York, companies that sell non-participation life insurance and annuity products such as variable life insurance, variable annuities, market value adjusted annuities and immediate annuities. The total purchase price amounted to EUR 849 million cash consideration.

The opening balance sheet of the acquired business was recorded provisionally at December 31, 2007, as the acquisition occurred within a few days of year end. The provisionally determined opening balance sheet includes total assets of EUR 10.8 billion, including EUR 8.3 billion separate account assets, EUR 1.8 billion general account investments and EUR 149 million cash and cash equivalents. Total liabilities are EUR 9.9 billion and comprise separate account liabilities of EUR 8.3 billion and insurance contract liabilities of EUR 1.7 billion. Goodwill amounts to EUR 111 million reflecting the expected profitability of new business. The carrying amount of the assets and liabilities of the acquired companies amounted to EUR 10.8 billion and EUR 9.9 billion respectively, the estimated fair values are subject to adjustment at the initial allocation for a one year period as more information relative to the fair values as of the acquisition date become available. As the acquisition was completed at the end of December, the net income of the acquired operations was not material to the AEGON's consolidated net income. Had the acquisition taken place on 1 January 2007, the contribution of these companies to the Group's net income is estimated at EUR 75 million; contribution to revenues would have been approximately EUR 271 million.

In March 2007, AEGON USA completed the acquisition of 100% of the shares of Clark Inc., a public company specializing in the sale of corporate-owned life insurance, bank-owned life insurance and other benefit programs. The total purchase price was EUR 263 million, consisting of EUR 207 million cash consideration, EUR 36 million of Clark debt assumed by AEGON and EUR 20 million cost basis of Clark common stock already owned by AEGON and transaction costs. Since the acquisition date, Clark has contributed EUR 4.6 million to the net income of AEGON. If the acquisition had taken place as of January 1, 2007, Clark should have contributed an amount of EUR 90 million to total revenues and EUR 4.7 million to net income of AEGON USA. AEGON has disposed operations for an amount of EUR 42 million regarding Clark business, not considered to be core to AEGON, to Clark's former management after the acquisition. As a result of the acquisition, assets and liabilities were recognized for EUR 549 million and EUR 325 million respectively, which included a cash position of EUR 14 million. Goodwill was recognized for an amount of EUR 84 million, reflecting the future commission revenue from inforce contracts. In addition an intangible asset was established for the present value of future commission receivables in the amount of EUR 365 million.

In March 2007, AEGON has completed the acquisition of the Polish pension fund management company PTE Ergo Hestia S.A. The company was renamed to PTE AEGON Poland. The cost of the acquisition amounted to EUR 72 million, which was paid in cash.

Since the acquisition date, the company has contributed EUR 2 million to net income. If the acquisition had been as of January 1, 2007, contribution to net income and total revenues would amount to respectively EUR 3 million and EUR 12 million. Assets of EUR 81 million and liabilities of EUR 9 million were recognized due to the acquisition. Goodwill amounting to EUR 23 million reflects the future new business to be generated and potential synergies with existing businesses. By December 31, 2007 the accounting for PTE Ergo Hestia S.A. was not yet finalized.

In June 2007, AEGON acquired OPTAS N.V., a Dutch life insurance company specializing in employee benefit products and services within the Dutch group pension market for EUR 1.5 billion OPTAS N.V., the successor of Stichting Pensioenfonds voor de Vervoer- en Havenbedrijven (a pension fund for companies active in the transport and port industries) was converted into a public company in 1997. At the end of 2006, OPTAS had 60,000 policyholders and reported total gross written premiums of EUR 86 million, with total assets of EUR 4.5 billion. Assets held as investment amounted to EUR 3.4 billion, the insurance liabilities were EUR 2.9 billion. A portion of the shareholders' equity of OPTAS is subject to restrictions as set out in the articles of association of the company. These restrictions assure continued fulfillment of existing policy obligations and will remain in force after the acquisition. Since the acquisition, OPTAS has contributed EUR 11 million to AEGON's income before tax. Had the acquisition taken place on 1 January 2007, OPTAS' contribution to the Group's net income is estimated at EUR 22 million, contribution to revenues would have been approximately EUR 251 million.

In September 2006, AEGON The Netherlands acquired the remaining 55% of the Unirobe shares. The distribution activities of the Dutch operations are placed under the Unirobe Meeùs Group. No operations have been disposed off as a result of the combination. The cost of acquiring the remaining 55% of the shares was EUR 59 million, which was paid in cash. In total an amount of EUR 96 million was paid to acquire the 100% interest. At the acquisition date assets and liabilities were recognized for EUR 186 million and EUR 134 million respectively which included a cash position of EUR 0 million. Since the acquisition date, Unirobe has contributed EUR 5 million to the net income of AEGON in 2006. The acquisition resulted in the recognition of EUR 49 million goodwill, of which EUR 18 million had previously been included in the measurement of the interest held in Unirobe as an associate. Goodwill reflects the commission income that is expected to be generated by Unirobe in future years.

In November 2005, AEGON signed a strategic partnership agreement with the Spanish savings bank Caja de Ahorros de Navarra (CN) under which AEGON acquired a 50% stake in CN's life insurance and pensions subsidiary, Seguros Navarra S.A. The acquisition of 50% of Seguros Navarra S.A. took place in two tranches. In the fourth quarter of 2005, 15% was acquired, followed by another 35% in 2006. The acquisition date was April 30, 2006 when approval was obtained from the Spanish and European regulatory authorities. The final price of the acquisition was EUR 61 million, fully paid in cash. The total assets of the joint venture at the acquisition date amounted to EUR 476 million, of which EUR 2 million was cash and cash equivalents. CN is entitled to a contingent earn-out payment, the amount of which is dependent on the business' performance over the coming five years. AEGON has provided for the expected future payment on a discounted basis (EUR 60 million at December 31, 2006). As a consequence of the acquisition goodwill of EUR 91 million was reported.

In October 2005, AEGON and the Spanish savings bank Caja Badajoz (CB), have reached an agreement to establish a 50/50 joint venture to sell life insurance, accident insurance and pension products through the branch network of CB. The new entity, Caja Badajoz Vida y Pensiones, Sociedad Anónima de Seguros, has been set up with a capital amounting to EUR 11 million of which 50% has been paid in. The remaining 50% shall be paid in within the next 2 years. At the end of the fifth year of the joint venture, CB is entitled to a contingent earn-out payment. AEGON has provided for the expected future payment on a discounted basis (EUR 21 million at December 31, 2006). As a consequence of the acquisition goodwill of EUR 20 million was reported.

AEGON acquired 100% of the shares of Nationwide Towarzystwo Ubezpieczen na Zycie S.A. (Nationwide Poland) in early October 2005 and consolidated the business as of October 1, 2005. AEGON also acquired an investment advisor company, Westcap Investors, LLC during 2005. These business combinations did not have a material impact on the consolidated financial statements of the Group.

DISPOSALS

During 2006, AEGON sold its interest in Scottish Equitable International S.A. for EUR 29 million, together with an earn-out arrangement. The cash and cash equivalents held at the end of March by Scottish Equitable International S.A. prior to the sale was EUR 20 million. The acquiring company, La Mondiale Participations S.A. is a 35% associate of AEGON. 35% of the gain on the sale was eliminated on consolidation.

GROUP COMPANIES

SUBSIDIARIES

The principal subsidiaries of the parent company AEGON N.V. are listed by geographical segment. All are wholly owned, directly or indirectly, unless stated otherwise, and are involved in insurance or reinsurance business, asset management or services related to these activities. The voting power in these subsidiaries held by AEGON is equal to the shareholdings.

AMERICAS

- AEGON USA, Inc., Cedar Rapids, Iowa (US)
- Commonwealth General Corporation, Wilmington, Delaware (US)
- Life Investors Insurance Company of America, Cedar Rapids, Iowa (US)
- Merrill Lynch Life Insurance Company, Little Rock, Arkansas (US)
- ML Life Insurance Company of New York, New York, New York (US)
- Monumental Life Insurance Company, Baltimore, Maryland (US)
- Stonebridge Casualty Insurance Company, Columbus, Ohio (US)
- Stonebridge Life Insurance Company, Rutland, Vermont (US)
- Transamerica Corporation, Wilmington, Delaware (US)
- Transamerica Financial Life Insurance Company, Inc., Purchase, New York (US)
- Transamerica Life Canada, Toronto, Ontario (Canada)
- Transamerica Life Insurance Company, Cedar Rapids, Iowa (US)
- Transamerica Occidental Life Insurance Company, Cedar Rapids, Iowa (US)
- Western Reserve Life Assurance Co. of Ohio, Columbus, Ohio (US)

THE NETHERLANDS

- AEGON Bank N.V., Utrecht
- AEGON International B.V., The Hague
- AEGON Derivatives N.V., The Hague
- AEGON Investment Management B.V., The Hague
- AEGON Levensverzekering N.V., The Hague
- AEGON NabestaandenZorg N.V., Groningen
- AEGON Nederland N.V., The Hague
- AEGON Schadeverzekering N.V., The Hague
- AEGON Spaarkas N.V., The Hague
- AEGON Vastgoed Holding B.V., The Hague
- OPTAS Pensioenen N.V., Rotterdam
- TKP Pensioen B.V., Groningen
- Unirobe Meeùs Groep B.V., The Hague

UNITED KINGDOM

- AEGON Asset Management UK plc, London
- AEGON UK Distribution Holdings Ltd., London
- AEGON UK plc, London
- Guardian Assurance plc, Lytham St Annes
- Guardian Linked Life Assurance Limited, Lytham St Annes
- Guardian Pensions Management Limited, Lytham St Annes
- HS Administrative Services Limited, Chester
- Scottish Equitable International Holdings plc, London
- Scottish Equitable plc, Edinburgh

OTHER COUNTRIES

- AEGON España S.A., Madrid (Spain) (99.98%)
- AEGON Life Insurance (Taiwan) Inc., Taipei (Taiwan)
- AEGON Magyarország Általános Biztosító Zrt., Budapest (Hungary)
- AEGON Pension Fund Management Company Slovakia, Bratislava (Slovakia)
- AEGON Pojistóvna a.s., Prague (Czech Republic)
- AEGON Towarzystwo Ubezpieczen na Zycie S.A., Warsaw (Poland)
- Transamerica International Reinsurance Ireland Ltd, Dublin (Ireland)
- AEGON Global Institutional markets Plc, Dublin (Ireland)
- AEGON Financial Assurance Ireland Ltd, Dublin (Ireland)

The legally required list of participations as set forth in articles 379 and 414 of Book 2 of the Dutch Civil Code has been registered with the Trade Register in The Hague. AEGON N.V. has issued a statement of liability as meant in article 403 of Book 2 of the Dutch Civil Code for its subsidiary company AEGON Derivatives N.V.

AEGON has an investment (EUR 30 million) in Prisma Enhanced Fixed Income Fund (PREFF), a newly created hedge fund formed as a limited partnership. As of December 31, 2007 AEGON is the only limited partner in this fund. As a limited partner, AEGON does not have any direct voting power. However, in addition to its limited partnership interest, AEGON has an equity interest in the general partner of the fund and also has derivative trading responsibilities through a sub-advisory agreement. Based on these facts, AEGON concluded that it controls the limited partnership and has included the entity in its consolidated financial statements.

AEGON has less than half of the voting power of SERVES, an entity whose primary activity is participating in a total return swap based on the performance of a portfolio of bank loans. In addition to its equity interest (EUR 60 million), AEGON is the owner of 100% of the debt issued by the entity and serves as the investment manager of the bank loan portfolio. As a result, AEGON concluded that it controls the entity and consequently included the entity in its consolidated financial statements.

JOINT VENTURES

The principal joint ventures are listed by geographical segment.

THE NETHERLANDS

AMVEST Vastgoed B.V., Utrecht (50%), property management and development

OTHER COUNTRIES

- AEGON-CNOOC Life Insurance Company Ltd, Shanghai (China), life insurance company (50%)
- Caja Badajoz Vida y Pensiones, Sociedad Anónima de Seguros, Badajoz (Spain), life insurance company (50%)
- CAN Vida y Pensiones, Sociedad Anónima de Seguros, Pamplona (Spain), life insurance company (50%)

Summarized financial information of joint ventures for 2007 accounted for using proportionate consolidation	Current assets	Long-term assets	Current liabilities	Long-term liabilities	Income	Expenses
AMVEST	81	1,053	7	701	84	23
AEGON-CNOOC	21	83	8	86	65	75
Caja Badajoz Vida y Pensiones	5	67	22	46	29	28
CAN Vida y Pensiones	6	476	72	347	176	170
TOTAL	113	1,679	109	1,180	354	296

INVESTMENTS IN ASSOCIATES

The principal investments in associates are listed by geographical segment.

THE NETHERLANDS

- N.V. Levensverzekering-Maatschappij ‘De Hoop’, The Hague (35%)

UNITED KINGDOM

- Tenet Group Limited, Leeds (19.51%)

OTHER COUNTRIES

- CAM AEGON Holding Financiero, Alicante (Spain) (49.99%)
- La Mondiale Participations S.A., Lille (France) (35%)
- Seguros Argos, S.A. de C.V., Mexico City (Mexico) (49%)
- Afore Argos, S.A. de C.V., Mexico City (Mexico) (49%)

AEGON owns a 60% limited partnership interest in Prisma Capital Partners LP (‘Prisma LP’) which serves as an investment manager for certain of AEGON’s hedge fund investments as well as for other third parties, in exchange for management fees. Two unrelated entities, Prisma Capital Partners I, LP and Prisma Capital Partners EH LLC own 31% and 8% of Prisma LP, respectively. An unrelated entity, Prisma GP LLC is the general partner with a 1% interest and is responsible for day-to-day activities. A management board with seven voting members (three appointed by AEGON, three appointed by Prisma GP LLC and one independent member appointed collectively by the other six voting members) must approve certain actions, including restructuring transactions, hiring senior management and the annual operating budget. As a result, notwithstanding AEGON’s 60% economic interest, the company can not exercise voting control since AEGON only appoints three out of the seven board members, AEGON cannot remove the majority of the management board members and AEGON does not have other arrangements, contractual or otherwise, that would give AEGON more than half of the voting power of Prisma LP.

Refer to note 9 for further details on investments in associates.

RELATED PARTY TRANSACTIONS

Related party transactions for the period under review include transactions between AEGON N.V. and Vereniging AEGON.

On July 23, 2007 and September 17, 2007, Vereniging AEGON exercised its option rights to purchase 2,690,000, repectively 3,190,000 class B preferred shares at par value to correct dilution caused by AEGON's stock dividend issuances and treasury stock sales during the year.

On November 24, 2006, Vereniging AEGON exercised its option rights to purchase in aggregate 5,440,000 class B preferred shares at par value to correct dilution caused by AEGON's stock dividend issuances during the year.

On December 21, 2006, Vereniging AEGON sold at intrinsic value and transferred to AEGON International N.V. all shares of its subsidiary company Albidus B.V. for an immaterial amount.

In both 2001 and 2002, AEGON N.V. entered into total return swaps with Vereniging AEGON in order to hedge the share option plan for each respective year. On April 15, 2005, these total return swaps were terminated, resulting in a positive impact on shareholders' equity of EUR 115 million. The amount has been added to retained earnings.

On May 17, 2005, AEGON N.V. purchased 3,821,645 of its common shares from Vereniging AEGON at a purchase price of EUR 9.847.

On December 5, 2005, Vereniging AEGON exercised its option rights to purchase in aggregate 6,950,000 class B preferred shares at par value to correct dilution caused by AEGON's stock dividend issuances and treasury stock sales during the year.

AEGON provides reinsurance, asset management and administrative services for employee benefit plans relating to pension and other post-employment benefits of AEGON employees. Certain post-employment insurance benefits are provided to employees in the form of insurance policies issued by affiliated insurance subsidiaries. In the Netherlands, AEGON employees may make use of financing and insurance facilities for prices which are equivalent to the price available for agents. The benefit for AEGON employees is equivalent to the margin made by agents.

In 2006, AEGON sold its 100% interest in Scottish Equitable International S.A. for EUR 29 million to La Mondiale Participations S.A., a 35% associate.

At January 1, 2007, AEGON established a Management Board comprising the members of the Executive Board and the CEO's of AEGON USA, AEGON The Netherlands and AEGON UK. The total remuneration for the members of the Management Board over 2007 was EUR 15.6 million, consisting of EUR 5.7 million salary and other short term benefits, EUR 7.1 million cash performance payments, EUR 1.3 million pension premiums, EUR 0.8 million share-based payments and EUR 0.7 million other long-term benefits. Additional information on the remuneration and share-based compensation of members of the Executive Board and the Supervisory Board are disclosed in the sections below.

Effective January 21, 2008, Mr. Van der Werf stepped down as Chief Executive Officer of AEGON the Netherlands and consequently resigned as a member of the Management Board.

Remuneration of active and retired members of the Executive Board Amounts in EUR thousands	Short Term Periodic payments Salary	 Other [3]	Performance related Cash [4]	 Shares [5]	Pension premiums	Total
2007						
Donald J. Shepard	731 [1]	1,545	4,292	252	256	7,076
Joseph B.M. Streppel	721 [2]	14	542	194	184	1,655
Alexander R. Wynaendts	676 [2]	14	717	137	172	1,716
TOTAL	**2,128**	**1,573**	**5,551**	**583**	**612**	**10,447**
2006						
Donald J. Shepard	796 [1]	1,219	4,059	–	277	6,351
Joseph B.M. Streppel	679 [2]	16	475	–	220	1,390
Alexander R. Wynaendts	575 [2]	164	602	–	186	1,527
Johan G. van der Werf [6]	575 [2]	13	697	–	186	1,471
TOTAL	**2,625**	**1,412**	**5,833**	**–**	**869**	**10,739**
2005						
Donald J. Shepard	803 [1]	223	2,998	–	270	4,294
Joseph B.M. Streppel	679 [2]	14	469	–	217	1,379
Alexander R. Wynaendts	575 [2]	180	568	–	183	1,506
Johan G. van der Werf [6]	575 [2]	11	552	–	184	1,322
TOTAL	**2,632**	**428**	**4,587**	**–**	**854**	**8,501**

1 Mr. Shepard earns a salary of USD 1 million.

2 Includes base salary, the customary employee profit sharing bonus, as well as a tax deferred employee savings scheme.

3 Other periodic payments are additional remuneration elements, including social security contributions borne by the Group. For Mr. Shepard, the Group has also borne expenses and non-monetary benefits which are provided in his employment agreement with AEGON. These benefits include compensation to the extent that the total actual annual taxation on his total income exceeds the taxation if he were only subject to U.S. taxes, personal life insurance and tax planning. The 2007 and 2006 amounts are affected by the expiration of a tax ruling as a result of which employer and employee pension contributions are no longer tax deferred in the Netherlands. For Mr. Wynaendts, the amount also includes compensation for relocation and cost of living related to his temporary secondment to AEGON USA in 2005 and 2006.

4 In accordance with the provisions of the Short-Term Incentive (STI) Plan for the years 2004, 2005 and 2006, it was established that the value of new business of the Group and of the relevant country units for those years was positive. Accordingly, operating earnings were calculated and established per area of responsibility. After adoption of the 2004, 2005 and 2006 annual accounts by the shareholders, the disclosed STI cash bonuses for the years 2004, 2005 and 2006 were paid in 2005, 2006 and 2007 respectively. In addition to the STI plan, Mr. Shepard is entitled to a short-term incentive bonus equal to 0.1% of the net income of AEGON N.V. according to the adopted accounts. The amount included in the table for 2007 is based on net income over 2006 as reported in the 2006 IFRS financial statements. The amount included in the table for 2006 is based on net income over 2005 as reported in the 2005 IFRS financial statements. The amount included in the table for 2005 is based on net income as reported in our 2004 financial statements which were prepared in accordance with Dutch accounting principles.

5 In accordance with the elections made by the Executive Board members under the terms of the 2003 STI plan, the Executive Board received bonus shares in April 2007. The number of bonus shares varied from 0 to 100% of the number of shares paid in 2003, calculated through performance based matching, on the basis of earnings per share growth over inflation over the years 2004, 2005 and 2006. The number of shares for each member was: Mr. Shepard 16,143; Mr. Streppel 12,409; and Mr. Wynaendts 8,771. These have been converted using the share price of EUR 15.61 at April 25, 2007.

6 Mr. Van der Werf resigned from AEGON's Executive Board at January 1, 2007 after being appointed to the Group's Management Board. Effective January 21, 2008, Mr. Van der Werf has stepped down as Chief Executive Officer of AEGON The Netherlands.

2007 variable compensation Amounts in EUR	STI amount 2007 (due in 2008) [1]	LTI amount 2007 (due in 2008) [1]
Executive Board member		
Donald J. Shepard	609,516	730,834
Joseph B.M. Streppel	237,500	237,500
Alexander R. Wynaendts	301,000	270,000

1 Variable compensation for the 2007 financial year will be paid after adoption of the Group's financial statements on April 24, 2008. The STI will be paid in cash. The LTI will be paid in the form of conditionally granted AEGON shares.

The two tables below show the number of shares and options conditionally granted based on LTI plans that existed prior to 2007.

Total overview of conditionally granted shares

	Grant date	Number of shares per January 1, 2007	Number of shares granted in 2007	Number of shares vested in 2007	Number of shares expired/ forfeited in 2007	Number of shares per December 31, 2007	Reference period
Donald J. Shepard	23-Apr-04	35,767			35,767		2004 – 2006
	22-Apr-05	38,542				38,542 [1]	2005 – 2007
	26-Apr-06	26,213				26,213	2006 – 2008
Joseph B.M. Streppel	23-Apr-04	16,661			16,661		2004 – 2006
	22-Apr-05	20,169				20,169 [1]	2005 – 2007
	26-Apr-06	13,909				13,909	2006 – 2008
Alexander R. Wynaendts	23-Apr-04	14,106			14,106		2004 – 2006
	22-Apr-05	17,066				17,066 [1]	2005 – 2007
	26-Apr-06	11,769				11,769	2006 – 2008
Johan G. van der Werf	23-Apr-04	14,106			14,106		2004 – 2006
	22-Apr-05	17,066				17,066 [1]	2005 – 2007
	26-Apr-06	11,769				11,769	2006 – 2008

[1] These shares will vest in 2008 at 100%.

Total overview of conditionally granted options

	Grant date	Number of options per January 1, 2007	Number of options granted in 2007	Number of options vested in 2007	Number of options expired/ forfeited in 2007	Number of options per December 31, 2007	Number of exercisable options	Exercise price	Reference period
Donald J. Shepard	23-Apr-04	71,534			71,534	–		11.74	2004 – 2006
	22-Apr-05	77,084				77,084 [1]		9.91	2005 – 2007
	26-Apr-06	150,989				150,989		14.55	2006 – 2008
Joseph B.M. Streppel	23-Apr-04	33,322			33,322	–		11.74	2004 – 2006
	22-Apr-05	40,338				40,338 [1]		9.91	2005 – 2007
	26-Apr-06	80,115				80,115		14.55	2006 – 2008
Alexander R. Wynaendts	23-Apr-04	28,212			28,212	–		11.74	2004 – 2006
	22-Apr-05	34,132				34,132 [1]		9.91	2005 – 2007
	26-Apr-06	67,789				67,789		14.55	2006 – 2008
Johan G. van der Werf	23-Apr-04	28,212			28,212	–		11.74	2004 - 2006
	22-Apr-05	34,132				34,132 [1]		9.91	2005 – 2007
	26-Apr-06	67,789				67,789		14.55	2006 - 2008

[1] These options will vest in 2008 at 100%.

The numbers of shares and options conditionally granted were based on the closing price on the day of the grant. This was also the exercise price of the options. The fair value information on the conditionally granted shares and options will be provided in the year when these vest.

Share appreciation rights and interests in AEGON N.V. held by active members of the Executive Board

	Grant date	Number of rights per January 1, 2007	Number of rights granted in 2007	Number of rights exercised in 2007	Number of rights expired/ forfeited in 2007	Number of rights per December 31, 2007	Number of exercisable rights	Exercise price EUR	Shares held in AEGON at December 31, 2007
Donald J. Shepard	10-Mar-02	50,000				50,000	50,000	26.70	
	16-Mar-04	50,000				50,000	50,000	10.56	346,323
Joseph B.M. Streppel	10-Mar-02	50,000				50,000	50,000	26.70	
	16-Mar-04	50,000				50,000	50,000	10.56	26,004
Alexander R. Wynaendts	10-Mar-02	40,000 [1]				40,000 [1]	40,000	26.70	
	10-Mar-03	50,000 [1]				50,000 [1]	50,000	6.30	
	16-Mar-04	50,000				50,000	50,000	10.56	18,317

[1] The share appreciation rights were granted before becoming a member of the Executive Board.

The above rights have been granted under the LTI plan in force until December 31, 2003. Details of the exercise period are provided in note 37. For each of the members of the Executive Board, the shares held in AEGON as shown in the above table do not exceed 1% of total outstanding share capital at the balance sheet date. At the balance sheet date, the following members of the Executive Board had loans with AEGON or any AEGON related company: Mr. Streppel had a 5% mortgage loan of EUR 608,934; and Mr. Wynaendts had two mortgage loans totaling EUR 635,292, with interest rates of 4.1% and 4.4% respectively. In accordance with the terms of the contracts, no principal repayments were received on the loans in 2007. The terms of the board members' loans have not been amended in 2007, with the exception of the interest rates for Mr. Wynaendts.

SEVERANCE PAYMENT ARRANGEMENTS

Termination of the employment contracts requires a three months notice period for the current members of the Executive Board. In the event of contract termination by AEGON, the company must adhere to a notice period of six months and, unless terminated for urgent cause, the member of the Executive Board would be entitled to a severance arrangement.

Under his Employment Agreement, Mr. Shepard shall be entitled to a specified amount of severance upon termination of his employment for reasons specified in the Employment Agreement. Under his Employment Agreement, Mr. Shepard shall be entitled to severance in the amount of three year's base salary and the aggregate short-term incentive compensation he received during the three years prior to the termination in the event that Mr. Shepard's employment is terminated (a) by AEGON other than for urgent cause, death, disability, voluntary resignation or retirement, (b) by AEGON in connection with a merger, take-over or fundamental changes of policy and related organizational amendments, or (c) by Mr. Shepard in the event that his responsibilities or position are diminished by such circumstances. Any such severance payments received by Mr. Shepard shall be taken into account in determining the amounts payable to him under his AEGON USA Supplemental Executive Retirement Plan (SERP). In addition, three additional years of service will be credited for the purpose of calculating his benefits under the SERP.

Mr. Streppel would be entitled to compensation according to the 'Zwartkruis' formula, which means that the severance payment would be calculated on the basis of and depending on age, years of service, functional level and the probability of finding an equivalent position. Mr. Wynaendts would be entitled to three years' fixed salary, only in the case of termination in connection with a merger or take-over.

Remuneration of active and retired members of the Supervisory Board

in EUR	2007	2006	2005
Dudley G. Eustace	84,500	79,000	82,565
O. John Olcay	66,250	65,000	66,250
Irving W. Bailey, II	68,750	56,669	48,750
Antony Burgmans (as of April 25, 2007)	39,718	–	–
René Dahan	64,500	59,500	59,500
Shemaya Levy (as of April 21, 2005)	59,000	65,000	46,808
Karla M.H. Peijs (as of April 25, 2007)	30,718	–	–
Toni Rembe	57,000	60,000	60,000
Willem F.C. Stevens	71,750	73,000	74,750
Kornelis J. Storm	47,500	46,250	47,500
Leo M. van Wijk	48,750	47,500	48,750
TOTAL FOR ACTIVE MEMBERS	**638,436**	**551,919**	**534,873**
Peter R. Voser (up to April 25, 2006)	–	15,138	54,000
Clifford Sobel (from April 25, 2006 up to July 17, 2006)	–	9,231	–
Morris Tabaksblat (up to April 21, 2005)	–	–	22,769
TOTAL	**638,436**	**576,288**	**611,642**

Starting January 1, 2005, a three-components structure has been introduced for the remuneration of the Supervisory Board: (1) a base fee (for membership of the Supervisory Board); (2) an additional fee for membership of a Committee; and (3) an attendance fee for face-to-face Committee meetings.

Members of the Supervisory Board do not have any share options or share appreciation rights in AEGON N.V. at December 31, 2007.

Common shares held by Supervisory Board members

Shares held in AEGON at December 31	2007	2006	2005
Irving W. Bailey, II	29,759	29,759	29,759
René Dahan	25,000	25,000	25,000
Karla M.H. Peijs (as of April 25, 2007)	900	–	–
Toni Rembe	6,658	6,658	6,658
Kornelis J. Storm	276,479	276,479	276,479
TOTAL	**338,796**	**337,896**	**337,896**

51 EVENTS AFTER THE BALANCE SHEET DATE

On February 21, 2008, AEGON announced that AEGON Hungary has signed an agreement to purchase 100% of the registered capital of UNIQA Asset Management Company and Heller-Saldo 2000 Pension Fund Management Company, both Hungarian entities, from UNIQA Insurance Company. The shares will be transferred to AEGON by June 30, 2008, subject to the approval of regulatory authorities. This transaction is in line with AEGON's strategy to strengthen its position in the developing pension and asset management markets in Central & Eastern Europe. AEGON Hungary's assets under management for the pension business currently amount to EUR 1.6 billion. Following the acquisition, assets under management will increase by approximately EUR 300 million. After completion, AEGON will rank second in the Hungarian mandatory and third in the voluntary pension fund market.

On February 26, 2007, AEGON announced the acquisition of the Turkish life and pension company Ankara Emeklilik. Turkey, with its population of 74 million, has a low life insurance penetration and the private pensions market has an attractive growth potential. Ankara Emeklilik has a well-established presence in the Turkish life insurance and private pension market, with over 54,000 pension fund members and approximately EUR 35 million in assets under management. Ankara Emeklilik sells its products and services through a variety of different channels and has an agreement in place to distribute through a nationwide network of 236 branches belonging to Şekerbank.

The Hague, March 5, 2008

SUPERVISORY BOARD
Dudley G. Eustace
O. John Olcay
Irving W. Bailey, II
Antony Burgmans
René Dahan
Shemaya Levy
Karla M.H. Peijs
Toni Rembe
Willem F.C. Stevens
Kornelis J. Storm
Leo M. van Wijk

EXECUTIVE BOARD
Donald J. Shepard
Joseph B.M. Streppel
Alexander R. Wynaendts

AUDITOR'S REPORT

TO THE SUPERVISORY BOARD AND THE EXECUTIVE BOARD OF AEGON N.V.

REPORT ON THE CONSOLIDATED FINANCIAL STATEMENTS

We have audited the accompanying consolidated financial statements for the year 2007 (as set out on pages 106-207) which are part of the financial statements of AEGON N.V., The Hague, which comprise the consolidated balance sheet as at December 31, 2007, the consolidated income statement, statement of changes in equity and cash flow statement for the year then ended and a summary of significant accounting policies and other explanatory notes.

MANAGEMENT'S RESPONSIBILITY

Management of the company is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with International Financial Reporting Standards as adopted by the European Union, with International Financial Reporting Standards as issued by the International Accounting Standards Board and with Part 9 of Book 2 of the Netherlands Civil Code, and for the preparation of the Report of the Executive Board in accordance with Part 9 of Book 2 of the Netherlands Civil Code. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of the consolidated financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on the consolidated financial statements based on our audit. We conducted our audit in accordance with Dutch law. This law requires that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

OPINION

In our opinion, the consolidated financial statements give a true and fair view of the financial position of AEGON N.V. as at December 31, 2007, and of its result and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union, with International Financial Reporting Standards as issued by the International Accounting Standards Board and with Part 9 of Book 2 of the Netherlands Civil Code.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

Pursuant to the legal requirement under 2:393 sub 5 part e of the Netherlands Civil Code, we report, to the extent of our competence, that the Report of the Executive Board is consistent with the consolidated financial statements as required by 2:391 sub 4 of the Netherlands Civil Code.

The Hague, March 5, 2008
FOR ERNST & YOUNG ACCOUNTANTS

was signed by A.F.J. van Overmeire

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BALANCE SHEET OF AEGON N.V. AS AT DECEMBER 31

Before profit appropriation, amounts in EUR million	Note	2007	2006 Adjusted [1]
ASSETS			
Investments			
Shares in group companies	3	15,258	17,556
Loans to group companies	4	6,927	7,317
		22,185	**24,873**
Receivables			
Receivables from group companies	5	3,446	4,091
Other receivables	5	13	9
		3,459	**4,100**
Other assets			
Cash and cash equivalents		741	2,428
Deferred tax assets		383	425
Other	6	182	312
		1,306	**3,165**
Prepayments and accrued income			
Accrued interest and rent		181	148
TOTAL ASSETS		**27,131**	**32,286**
EQUITY			
Shareholders' equity			
Share capital	7	258	255
Tax-free paid-in surplus	8	5,048	6,317
Retained earnings	8	9,455	7,343
Revaluation account	8	(120)	2,059
Other reserves	8	(2,041)	(538)
Net income	8	2,551	3,169
		15,151	**18,605**
Other equity instruments	9	**4,795**	**4,032**
TOTAL EQUITY		**19,946**	**22,637**
Subordinated borrowings		**34**	**34**
Long-term borrowings	10	**2,461**	**2,559**
Current liabilities			
Amounts owed to credit institutions	11	1,006	736
Loans from group companies	11	314	2,092
Payables to group companies	11	2,777	3,711
Other	11	459	357
		4,556	**6,896**
Accruals and deferred income		134	160
TOTAL EQUITY AND LIABILITIES		**27,131**	**32,286**

[1] In 2007, AEGON changed its accounting policy regarding the valuation of minimum guarantees applied by AEGON The Netherlands. Further reference is made to note 2.2

INCOME STATEMENT OF AEGON N.V. FOR THE YEAR ENDED DECEMBER 31

Amounts in EUR million	2007	2006 Adjusted [1]	2005 Adjusted [1]
Net income group companies	2,313	2,935	2,096
Other income	238	234	51
NET INCOME	**2,551**	**3,169**	**2,147**

[1] In 2007, AEGON changed its accounting policy regarding the valuation of minimum guarantees applied by AEGON The Netherlands. Further reference is made to note 2.2

1 GENERAL INFORMATION

AEGON N.V., incorporated and domiciled in the Netherlands, is a limited liability share company organized under Dutch law and recorded in the Commercial Register of The Hague under its registered address at AEGONplein 50, 2591 TV The Hague. AEGON N.V. serves as the holding company for the AEGON Group and has listings of its common shares in Amsterdam, New York, London, and Tokyo.

AEGON N.V. and its subsidiaries and joint ventures (AEGON or 'the Group') have life insurance and pensions operations in over ten countries in Europe, the Americas and Asia and are also active in savings and investment operations, accident and health insurance, general insurance and limited banking operations in a number of these countries. The largest operations are in the United States. Headquarters are located in The Hague, the Netherlands. The Group employs approximately 30,000 people worldwide.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

2.1 BASIS OF PREPARATION

The financial statements have been prepared in accordance with accounting principles in the Netherlands as embodied in Part 9 of Book 2 of the Netherlands Civil Code. Based on article 2:362.8 of the Netherlands Civil Code, the valuation principles applied are based on International Financial Reporting Standards (IFRS), as used for the preparation of the consolidated financial statements of the Group.

With regard to the income statement of AEGON N.V., article 402, Part 9 of Book 2 of the Netherlands Civil Code has been applied, allowing a simplified format.

2.2 CHANGES IN ACCOUNTING POLICIES

During 2007, AEGON changed its accounting policy regarding accounting for minimum guarantees by AEGON The Netherlands. The change in accounting policy is applied retrospectively and impacted the Investments, Shareholders' equity and net income lines of the financial statement of AEGON. Further reference is made to note 2.2.1a of the notes to the consolidated financial statements.

2.3 TRANSLATION OF FOREIGN CURRENCY TRANSACTIONS

Transactions in foreign currencies are translated to the functional currency using the exchange rates prevailing at the date of the transaction. At the balance sheet date monetary assets, monetary liabilities and own equity instruments denominated in foreign currencies are translated at the prevailing exchange rate. Non-monetary items carried at cost are translated using the exchange rate at the date of the transaction, whilst assets carried at fair value are translated at the exchange rate when the fair value was determined.
Exchange differences on monetary items are recognized in the income statement when they arise, except when they are deferred in equity as a result of a qualifying cash flow or net investment hedge. Exchange differences on non-monetary items are recognized in equity or the income statement accordingly consistently with other gains and losses on these items.

2.4 OFFSETTING OF ASSETS AND LIABILITIES

Financial assets and liabilities are offset in the balance sheet when AEGON N.V. has a legally enforceable right to offset and has the intention to settle the asset and liability on a net basis or simultaneously.

2.5 INVESTMENTS

The group companies are stated at their net asset value, determined on the basis of IFRS as applied in the consolidated financial statements of the Group. For details on the accounting policies applied for the group companies refer to the consolidated financial statements on page 106 and following.

2.6 DERIVATIVES

All derivatives are recognized on the balance sheet at fair value. All changes in fair value are recognized in the income statement, unless the derivative has been designated as a hedging instrument in a cash flow hedge or a hedge of a net foreign investment. Derivatives with positive fair values are reported as other assets and derivatives with negative values are reported as other liabilities.

2.7 CASH AND CASH EQUIVALENTS

Cash comprises cash at banks and in-hand. Cash equivalents are short-term highly liquid investments that are readily convertible to known cash amounts, are subject to insignificant risks of changes in value and are held for the purpose of meeting short-term cash commitments.

2.8 OTHER ASSETS

Other assets include fixed assets, derivatives with positive fair values, other receivables and prepaid expenses. Other receivables are recognized at fair value when due and are subsequently measured at amortized cost.

2.9 IMPAIRMENT OF ASSETS

An asset is impaired if the carrying amount exceeds the amount that would be recovered through its use or sale. Tangible, intangible and financial assets, if not held at fair value through profit or loss, are tested for impairment when there are indications that the asset may be impaired. Irrespective of the indications, goodwill and other intangible assets that are not amortized are tested at least annually. For assets denominated in a foreign currency, a decline in the foreign exchange rates is considered an indication of impairment.

2.10 EQUITY

Financial instruments that are issued by the company are classified as equity if they evidence a residual interest in the assets of the company after deducting all of its liabilities. In addition to common shares and preferred shares, the company has issued perpetual securities that are classified as equity, rather than as debt, as these securities have no final maturity date, repayment is at the discretion of the issuer and AEGON has the option to defer coupon payments at its discretion. These securities are measured at par and are translated using historical exchange rates.

Incremental external costs that are directly attributable to the issuing or buying back of own equity instruments are recognized in equity, net of tax.

Dividends and other distributions to holders of equity instruments are recognized directly in equity, net of tax. A liability for non-cumulative dividends payable is not recognized until the dividends have been declared and approved.

Treasury shares are own equity instruments of AEGON N.V. reacquired by the Group and are deducted from equity regardless of the objective of the transaction. No gain or loss is recognized on the purchase, sale, issue or cancellation of the instruments. The consideration paid or received is recognized directly in equity. All treasury shares are eliminated in the calculation of earnings per share and dividend per share.

2.11 SUBORDINATED BORROWINGS AND OTHER BORROWINGS

A financial instrument issued by the company is classified as a liability if the contractual obligation must be settled in cash or another financial asset or through the exchange of financial assets and liabilities at potentially unfavorable conditions for the company. Subordinated loans and other borrowings are initially recognized at their fair value and are subsequently carried at amortized cost using the effective interest rate method. The liability is derecognized when the company's obligation under the contract expires or is discharged or cancelled.

2.12 PROVISIONS

A provision is recognized for present legal or constructive obligations arising from past events, when it is probable that it will result in an outflow of economic benefits and the amount can be reliably estimated. The amount recognized as a provision is the best estimate of the expenditure required to settle the present obligation at the balance sheet date considering all its inherent risks and uncertainties, as well as the time value of money. The unwinding of the effect of discounting is booked to the income statement as an interest expense.

2.13 CONTINGENT ASSETS AND LIABILITIES

Contingent assets are disclosed in the notes if the inflow of economic benefits is probable, but not virtually certain. When the inflow of economic benefits becomes virtually certain, the asset is no longer contingent and its recognition is appropriate. A provision is recognized for present legal or constructive obligations arising from past events, when it is probable that it will result in an outflow of economic benefits and the amount can be reliably estimated. If the outflow of economic benefits is not probable, a contingent liability is disclosed, unless the possibility of an outflow of economic benefits is remote.

2.14 EVENTS AFTER THE BALANCE SHEET DATE

The financial statements are adjusted to reflect events that occurred between the balance sheet date and the date when the financial statements are authorized for issue, provided they give evidence of conditions that existed at the balance sheet date. Events that are indicative of conditions that arose after the balance sheet date are disclosed, but do not result in an adjustment of the financial statements themselves.

3 SHARES IN GROUP COMPANIES

	2007	2006
At January 1	17,556	16,962
Capital contribution and acquisitions	292	999
Divestitures	–	(201)
Dividend paid	(1,488)	(1,000)
Net income for the financial year	2,313	2,935
Revaluations	(3,415)	(2,139)
AT DECEMBER 31	**15,258**	**17,556**

For a list of names and locations of the most important group companies, refer to note 49 to the consolidated financial statements of the Group, page 200. The legally required list of participations as set forth in article 379 of Book 2 of the Netherlands Civil Code has been registered with the Commercial Register of The Hague.

4 LOANS TO GROUP COMPANIES

Loans to group companies – long-term	2007	2006
At January 1	4,560	4,726
Additions / repayments	(675)	(176)
Other changes	(230)	10
AT DECEMBER 31	**3,655**	**4,560**

Loans to group companies – short-term	2007	2006
At January 1	2,757	2,533
Additions / repayments	615	252
Other changes	(100)	(28)
AT DECEMBER 31	**3,272**	**2,757**
TOTAL	**6,927**	**7,317**

5 RECEIVABLES

Receivables from group companies and other receivables have a maturity of less than one year.

6 OTHER ASSETS

Other assets include derivatives with positive fair values of EUR 180 million (2006: EUR 309 million).

7 SHARE CAPITAL

Issued and outstanding	2007	2006
Common shares	196	195
Preferred shares A	53	53
Preferred shares B	9	7
TOTAL SHARE CAPITAL	258	255

Authorized	2007	2006
Common shares	360	360
Preferred shares A	125	125
Preferred shares B	125	125
	610	610

Par value in cents per share	2007	2006
Common shares	12	12
Preferred shares A	25	25
Preferred shares B	25	25

All issued common and preferred shares are fully paid. Repayment of capital can only be initiated by the Executive Board, is subject to approval of the Supervisory Board and must be resolved by the General Meeting of Shareholders. Moreover, repayment on preferred shares needs approval of the related shareholders. There are restrictions on the amount of funds that companies within the Group may transfer in the form of cash dividends or otherwise to the parent company. These restrictions stem from solvency and legal requirements. Refer to note 45 for a description of these requirements.

Vereniging AEGON, based in The Hague, holds all of the issued preferred shares. Vereniging AEGON, in case of an issuance of shares by AEGON N.V., may purchase as many class B preferred shares as would enable Vereniging AEGON to prevent or correct dilution to below its actual percentage of voting shares, unless Vereniging AEGON as a result of exercising these option rights would increase its voting power to more than 33%. Class B preferred shares will then be issued at par value (EUR 0.25), unless a higher issue price is agreed. In the years 2003 through 2006 29,290,000 class B preferred shares were issued under these option rights. In 2007, Vereniging AEGON exercised its option rights to purchase in aggregate 5,880,000 class B preferred shares at par value to correct dilution caused by AEGON's stock dividend issuances and treasury stock sales during the year.

AEGON N.V. and Vereniging AEGON have entered into a preferred shares voting rights agreement, pursuant to which Vereniging AEGON has voluntarily waived its right to cast 25/12 vote per class A or class B preferred share. Instead, Vereniging AEGON has agreed to exercise one vote only per preferred share, except in the event of a 'special cause', such as the acquisition of a 15% interest in AEGON N.V., a tender offer for AEGON N.V. shares or a proposed business combination by any person or group of persons, whether individually or as a group, other than in a transaction approved by the Executive Board and Supervisory Board. If, in its sole discretion, Vereniging AEGON determines that a 'special cause' has occurred, Vereniging AEGON will notify the General Meeting of Shareholders and retain its right to exercise the full voting power of 25/12 vote per preferred share for a limited period of six months.

The following table shows the movement during the year in the number of common shares:

Number of common shares	2007	2006
At January 1	1,622,927,058	1,598,976,674
Withdrawal	(11,600,000)	–
Share dividend	25,217,472	23,950,384
AT DECEMBER 31	**1,636,544,530**	**1,622,927,058**

The weighted average number of EUR 0.12 common shares for 2007 was 1,561,394,680 (2006: 1,578,630,768). The shares repurchased by AEGON, although included in the issued and outstanding number of shares, are excluded from the calculation of the weighted average number of shares. The number has been adjusted for share dividend.

SHARE APPRECIATION RIGHTS AND SHARE OPTIONS

For detailed information on share appreciation rights and share options granted to senior executives and other AEGON employees, refer to note 37 of the consolidated financial statements of the Group, page 186-189.

BOARD REMUNERATION

Detailed information on remuneration of active and retired members of the Executive Board including their share option rights, remuneration of active and retired members of the Supervisory Board along with information about shares held in AEGON by the members of the Boards is included on pages 203-206 of the consolidated financial statements of the Group.

8 SHAREHOLDERS' EQUITY

	Share capital	Paid-in-surplus	Retained earnings	Net income	Revaluation account	Other reserves	Total
At January 1, 2006	251	6,561	6,032	2,147	2,871	853	18,715
Net income 2005 retained	–	–	2,147	(2,147)	–	–	–
Net income 2006	–	–	–	3,169	–	–	3,169
Total net income	**–**	**–**	**2,147**	**1,022**	**–**	**–**	**3,169**
Changes in foreign currency translation reserve	–	–	–	–	–	(1,325)	(1,325)
Changes in revaluation subsidiaries	–	–	–	–	(996)	–	(996)
Transfer to legal reserve	–	–	(184)	–	184	–	–
Other	–	–	(15)	–	–	(66)	(81)
Other comprehensive income	**–**	**–**	**(199)**	**–**	**(812)**	**(1,391)**	**(2,402)**
Dividend common shares	–	–	(391)	–	–	–	(391)
Dividend preferred shares	–	–	(80)	–	–	–	(80)
Share dividend	2	(2)	–	–	–	–	–
Issuance of shares	2	–	–	–	–	–	2
Repurchased and sold own shares	–	(242)	(20)	–	–	–	(262)
Coupons on perpetuals, net of tax	–	–	(143)	–	–	–	(143)
Other	–	–	(3)	–	–	–	(3)
Changes in equity from relation with shareholders	**4**	**(244)**	**(637)**	**–**	**–**	**–**	**(877)**
AT DECEMBER 31, 2006	**255**	**6,317**	**7,343**	**3,169**	**2,059**	**(538)**	**18,605**
At January 1, 2007	255	6,317	7,343	3,169	2,059	(538)	18,605
Net income 2006 retained	–	–	3,169	(3,169)	–	–	–
Net income 2007	–	–	–	2,551	–	–	2,551
Total net income	**–**	**–**	**3,169**	**(618)**	**–**	**–**	**2,551**
Changes in foreign currency translation reserve	–	–	–	–	–	(1,445)	(1,445)
Changes in revaluation subsidiaries	–	–	–	–	(2,164)	–	(2,164)
Transfer to legal reserve	–	–	15	–	(15)	–	–
Other	–	–	(31)	–	–	(58)	(89)
Other comprehensive income	**–**	**–**	**(16)**	**–**	**(2,179)**	**(1,503)**	**(3,698)**
Dividend common shares	–	–	(583)	–	–	–	(583)
Dividend preferred shares	–	–	(85)	–	–	–	(85)
Share dividend	3	(3)	–	–	–	–	–
Issuance of shares	2	–	–	–	–	–	2
Repurchased and sold own shares	–	(1,438)	–	–	–	–	(1,438)
Withdrawal of treasury shares	(2)	172	(170)	–	–	–	–
Coupons on perpetuals, net of tax	–	–	(175)	–	–	–	(175)
Other	–	–	(28)	–	–	–	(28)
Changes in equity from relation with shareholders	**3**	**(1,269)**	**(1,041)**	**–**	**–**	**–**	**(2,307)**
AT DECEMBER 31, 2007	**258**	**5,048**	**9,455**	**2,551**	**(120)**	**(2,041)**	**15,151**

Retained earnings includes a EUR 770 million statutory reserve for subsidiaries.

The revaluation account is a legal reserve established by AEGON N.V. in light of the investments held by group companies. In accordance with Book 2, Part 9 of the Dutch Civil Code it comprises the revaluation reserves held by group companies (EUR (516) million, 2006: EUR 1,648 million), increased for positive changes in value that have been recognized relating to real estate and investments and which do not have a frequent market listing (EUR 396 million; 2006: EUR 411 million).

Other reserves include the legal foreign currency translation reserve for an amount of EUR (2,010) million (2006: EUR (565) million and the reserve for AEGON's share of changes recognized directly in equity of associates for an amount of EUR (31) million (2006: EUR 27 million). The reserves are released to the income statement upon the sale of the subsidiary or associate.

In case of negative balances for individual reserves legally to be retained, no distributions can be made out of retained earnings to the level of these negative amounts.

On the balance sheet date AEGON N.V. and its subsidiaries held 136,330,982 of its own common shares with a face value of EUR 0.12 each. Besides the program to repurchase own shares worth EUR 1 billion, shares have also been purchased to hedge stock appreciation rights and stock options granted to executives and employees and to neutralize the dilution effect of issued stock dividend. Movements in the number of repurchased own shares held by AEGON N.V. were as follows:

	2007	2006
At January 1, 2007	37,723,865	18,650,865
Transactions in 2007:		
Purchase: 3 transactions, average price EUR 13.71	33,200,000	–
Share repurchase program: various transactions, average price EUR 13.41	74,569,902	–
Sale: 7 transactions,average price EUR 15.53	(66,232)	–
Withdrawal of common share capital	(11,600,000)	–
Transactions in 2006:		
Purchase: 30 transactions, average price EUR 14.78	–	19,076,000
Sale: one transaction on January 13, price EUR 13.71 and one transaction on March 31, price EUR 13.22	–	(3,000)
AT DECEMBER 31	**133,827,535**	**37,723,865**

As part of their insurance and investment operations, subsidiaries within the Group also hold AEGON N.V. common shares, both for their own account and for account of policyholders. These shares have been treated as treasury shares and are included at their consideration paid or received.

	2007		2006	
	Number of shares	Consideration	Number of shares	Consideration
Held by AEGON N.V.	133,827,535	2,007	37,723,865	724
Held by subsidiaries	2,503,447	46	3,085,845	63
TOTAL AT DECEMBER 31	**136,330,982**	**2,053**	**40,809,710**	**787**

The consideration for the related shares is deducted from or added to the paid-in-surplus.

9 OTHER EQUITY INSTRUMENTS

	Junior perpetual capital securities	Perpetual cumulative subordinated bonds	Share options not yet exercised	Total
At January 1, 2006	2,809	567	3	3,379
Instruments issued	638	–	–	638
Instruments redeemed	–	–	–	–
Share options granted	–	–	13	13
Deferred tax	–	–	2	2
AT DECEMBER 31, 2006	**3,447**	**567**	**18**	**4,032**
At January 1, 2007	3,447	567	18	4,032
Instruments issued	745	–	–	745
Share options granted	–	–	18	18
AT DECEMBER 31, 2007	**4,192**	**567**	**36**	**4,795**

Junior perpetual capital securities	Coupon rate	Coupon date: quarterly, as of	Year of first call	2007	2006
USD 500 million	6.5%	March 15	2010	424	424
USD 250 million	floating LIBOR rate [1]	March 15	2010	212	212
USD 550 million	6.875%	September 15	2011	438	438
EUR 200 million	6%	July 21	2011	200	200
EUR 950 million	floating CMT rate [2]	January 15	2014	950	950
USD 500 million	floating CMS rate [3]	January 15	2014	402	402
USD 1 billion	6.375%	March 15	2015	821	821
USD 1,050 million	7.25%	December 15	2012	745	–
TOTAL JUNIOR PERPETUAL CAPITAL SECURITIES				**4,192**	**3,447**

[1] The coupon of the USD 250 million junior perpetual capital securities, callable in 2010, is based on the yield of three-month LIBOR plus an additional spread of 87.5 basis points. The coupon will be reset each quarter based on the then prevailing three-month LIBOR yield, with a minimum of 4%.
[2] The coupon of the EUR 950 million junior perpetual capital securities is based on the yield of ten-year Dutch government bonds ('CMT') plus an additional spread of ten basis points. The coupon will be reset each quarter based on the then prevailing ten-year Dutch government bond yield, with a maximum of 8%.
[3] The coupon of the USD 500 million junior perpetual capital securities, callable in 2014, is based on the yield of ten-year US dollar interest rate swaps ('CMS'), with an additional spread of ten basis points. The coupon is reset each quarter based on the then prevailing ten-year US dollar interest rate swap yield, with a maximum of 8.5%.

The interest rate exposure on some of these securities has been swapped, using derivatives, to three-month LIBOR yield.

The securities have been issued at par. The securities have subordination provisions and rank junior to all other liabilities.

The conditions of the securities contain certain provisions for optional and required coupon payment deferral. Although the securities have no stated maturity, AEGON has the right to call the securities for redemption at par for the first time on the coupon date in the years as specified, or on any coupon payment date thereafter.

Perpetual cumulative subordinated bonds	Coupon rate	Coupon date: quarterly, as of	Year of first call	2007	2006
EUR 114 million	7.625% [1]	July 10	2008	114	114
EUR 136 million	7.25% [2]	October 14	2008	136	136
EUR 203 million	7.125% [2]	March 4	2011	203	203
EUR 114 million	4.156% [3]	June 8	2015	114	114
TOTAL PERPETUAL CUMULATIVE SUBORDINATED BONDS				**567**	**567**

[1] The coupon of the EUR 114 million bonds with an interest rate of 7.625% is fixed.
[2] The coupon for the EUR 136 million 7.25% bonds is set at 7.25% until October 14, 2008, while the coupon for the EUR 203 million 7.125% bonds is set at 7.125% until March 4, 2011. On these dates, and after every consecutive period of ten years, the coupons will be reset at the then prevailing effective yield of nine- to ten-year Dutch government securities and a spread of 85 basis points.
[3] The coupon for the EUR 114 million bonds was set at 8% until June 8, 2005. As of this date, the coupon is set at 4.156% until 2015.

The bonds have the same subordination provisions as dated subordinated debt. In addition, the conditions of the bonds contain provisions for interest deferral and for the availability of principal amounts to meet losses. Although the bonds have no stated maturity, AEGON has the right to call the bonds for redemption at par for the first time on the coupon date in the years as specified.

10 LONG-TERM BORROWINGS

	2007	2006
Remaining terms less than 1 year	1,052	26
Remaining terms 1 - 5 years	9	1,034
Remaining terms 5 - 10 years	989	1,053
Remaining terms over 10 years	411	446
TOTAL BORROWINGS	**2,461**	**2,559**

The repayment periods of borrowings vary from in excess of one year up to a maximum of 25 years. The interest rates vary from 2.745 to 9.375% per annum. The market value of the long-term borrowings amounts to EUR 2,437 million (2006: EUR 2,603 million).

11 CURRENT LIABILITIES

Amounts owed to credit institutions, loans from group companies and payables to group companies have a maturity of less than one year.

Other include derivatives with negative fair values of EUR 174 million (2006: EUR 186 million) and income tax payable for EUR 272 million (2006: EUR 159 million).

COMMITMENTS AND CONTINGENCIES

AEGON N.V. has entered into a net worth maintenance agreement with its indirect subsidiary AEGON Financial Assurance Ireland Limited (AFA), pursuant to which AEGON N.V. will cause AFA to have a tangible net worth of at least 3% of its total liabilities under financial guaranty policies which it issues up to a maximum of EUR 3 billion.

AEGON N.V. has guaranteed and is severally liable for the following:

- Due and punctual payment of payables due under letter of credit agreements applied for by AEGON N.V. as co-applicant with its subsidiary companies Transamerica Corporation, AEGON USA, Inc. and Commonwealth General Corporation (EUR 2,653 million). At December 31, 2007, there were no amounts due and payable;
- Due and punctual payment of payables by the consolidated Group companies Transamerica Corporation, AEGON Funding Corp., Commonwealth General Corporation and Transamerica Finance Corp. with respect to bonds, capital trust pass-through securities and notes issued under commercial paper programs (EUR 985 million), as well as payables with respect to certain derivative transactions of Transamerica Corporation (nominal amount EUR 793 million);
- Due and punctual payment of any amounts owed to third parties by the consolidated group company AEGON Derivatives N.V. in connection with derivative transactions. AEGON Derivatives N.V. only enters into derivative transactions with counterparties with which ISDA master netting agreements including collateral support annex agreements have been agreed; net (credit) exposure on derivative transactions with these counterparties was therefore minimal as at December 31, 2007.

12 NUMBER OF EMPLOYEES

Other than the Executive Board members, there were no employees employed by AEGON N.V. in either 2007 or 2006.

13 EVENTS AFTER THE BALANCE SHEET DATE

On February 21, 2008 AEGON announced that AEGON Hungary has signed an agreement to purchase 100% of the registered capital of UNIQA Asset Management Company and Heller-Saldo 2000 Pension Fund Management Company, both Hungarian entities, from UNIQA Insurance Company. The shares will be transferred to AEGON by June 30, 2008, subject to the approval of regulatory authorities. This transaction is in line with AEGON's strategy to strengthen its position in the developing pension and asset management markets in Central & Eastern Europe. AEGON Hungary's assets under management for the pension business currently amount to EUR 1.6 billion. Following the acquisition, assets under management will increase by approximately EUR 300 million. After completion, AEGON will rank second in the Hungarian mandatory and third in the voluntary pension fund market.

On February 26, 2007 AEGON announced the acquisition of the Turkish life and pension company Ankara Emeklilik. Turkey, with its population of 74 million, has a low life insurance penetration and the private pensions market has an attractive growth potential. Ankara Emeklilik has a well-established presence in the Turkish life insurance and private pension market, with over 54,000 pension fund members and approximately EUR 35 million in assets under management. Ankara Emeklilik sells its products and services through a variety of different channels and has an agreement in place to distribute through a nationwide network of 236 branches belonging to Şekerbank.

The Hague, March 5, 2008

SUPERVISORY BOARD	EXECUTIVE BOARD
Dudley G. Eustace	Donald J. Shepard
O. John Olcay	Joseph B.M. Streppel
Irving W. Bailey, II	Alexander R. Wynaendts
Antony Burgmans	
René Dahan	
Shemaya Levy	
Karla M.H. Peijs	
Toni Rembe	
Willem F.C. Stevens	
Kornelis J. Storm	
Leo M. van Wijk	

PROPOSAL FOR PROFIT APPROPRIATION

Appropriation of profit will be determined in accordance with the articles 31 and 32 of the Articles of Incorporation of AEGON N.V. The relevant provisions read as follows:

1. The General Meeting of Shareholders shall adopt the annual accounts.
2. If the adopted profit and loss account shows a profit, the Supervisory Board may decide, upon the proposal of the Executive Board, to set aside part of the profit to augment and/or form reserves.
3. From the net profit as reflected in the profit and loss account, if it is sufficient to this end after a part of the profit has been set aside for augmenting and/or forming reserves in accordance with 2, first of all the holders of preferred shares shall receive, on the amount paid on their preferred shares, a dividend the percentage of which, on an annual basis, shall be equal to the European Central Bank's fixed interest percentage for basic refinancing transactions, to be increased by 1.75 percentage points, all applicable to the first trading day on Euronext Amsterdam in the financial year to which the dividend relates. Apart from this, no other dividend is to be paid on the preferred shares.
4. The profits remaining after application of the above shall be put at the disposal of the General Meeting of Shareholders. The Executive Board, subject to the approval of the Supervisory Board, shall make a proposal for that purpose. A proposal to pay a dividend shall be dealt with as a separate agenda item at the General Meeting of Shareholders.
5. The Executive Board may, subject to the approval of the Supervisory Board, make one or more interim distributions to the holders of common shares and/or to the holders of preferred shares, the latter subject to the maximum dividend amount set forth under 3.
6. The Executive Board may, subject to the approval of the Supervisory Board, decide that a distribution on common shares shall not take place as a cash payment but as a payment in common shares, or decide that holders of common shares shall have the option to receive a distribution as a cash payment and/or as a payment in common shares, in all cases out of the profit and/or at the expense of reserves. Subject to the approval of the Supervisory Board, the Executive Board shall also determine the conditions applicable to the aforementioned choices.
7. The company's policy on reserves and dividends shall be determined and can be amended by the Supervisory Board, upon the proposal of the Executive Board. The adoption and thereafter each amendment of the policy on reserves and dividends shall be discussed and accounted for at the General Meeting of Shareholders under a separate agenda item.

It is proposed to the annual General Meeting of Shareholders on April 23, 2008, to pay a dividend for the year 2007 of EUR 0.62 per common share of EUR 0.12 par value which, after taking into account the EUR 0.30 interim dividend, leads to a final dividend of EUR 0.32 per common share. It is also proposed that the final dividend will be made available entirely in cash or entirely in shares, at the election of the shareholder. The value of the stock dividend will be approximately 5% lower than the value of the cash dividend and will be paid out of the paid-in surplus fund. Shareholders can elect to receive a dividend in cash or in shares up to and including May 16, 2008.

In order to reflect the prevailing market price of AEGON N.V. common shares fully within the indication provided, the number of dividend coupons that gives entitlement to a new common share of EUR 0.12 will be determined on May 16, 2008, after 5:30 p.m., based on the average share price quoted by Euronext Amsterdam in the five trading days from May 12, 2008 up to and including May 16, 2008.

In accordance with article 32, paragraph 3 of the Articles of Incorporation, a cash dividend equal to 5.25% of the amount paid on the preferred shares will be distributed.

Upon approval of this proposal, profit will be appropriated as follows:

	2007	2006 [1]
Dividend on preferred shares	85	85
Interim dividend on common shares (cash portion)	281	208
Final dividend on common shares	302	491
Earnings to be retained	1,883	2,385
NET INCOME	**2,551**	**3,169**

[1] In 2007, AEGON changed its accounting poicy regarding the valuation of minimum guarantees applied by AEGON The Netherlands. Further reference is made to note 2.2.

MAJOR SHAREHOLDERS

VERENIGING AEGON

Vereniging AEGON is the continuation of the former mutual insurer AGO. In 1978, AGO demutualized and Vereniging AGO became the only shareholder of AGO Holding N.V., which was the holding company for its insurance operations. In 1983, AGO Holding N.V. and Ennia N.V. merged into AEGON N.V.. Vereniging AGO initially received approximately 49% of the common shares (which was reduced gradually to less than 40%) and all of the preferred shares in AEGON N.V., giving it voting majority in AEGON N.V.. At that time Vereniging AGO changed its name into Vereniging AEGON. The objective of Vereniging AEGON is the balanced representation of the interests of AEGON N.V. and all of its stakeholders, including shareholders, AEGON Group companies, insured parties, employees and other relations of the companies.

In accordance with the 1983 Merger Agreement, Vereniging AEGON had certain option rights on preferred shares to prevent dilution of voting power as a result of share issuances by AEGON N.V. This enabled Vereniging AEGON to maintain voting control at the General Meeting of Shareholders of AEGON N.V. In September 2002, AEGON N.V. effected a non-dilutive capital restructuring whereby Vereniging AEGON sold 350,000,000 of its common shares, of which 143,600,000 common shares were sold directly by Vereniging AEGON in a secondary offering outside the United States and 206,400,000 common shares were purchased by AEGON N.V. from Vereniging AEGON. AEGON N.V. subsequently sold these common shares in a global offering. The purchase price for the 206,400,000 common shares sold by Vereniging AEGON to AEGON N.V. was EUR 2,064,000,000, which amount (less EUR 12,000,000 related costs) Vereniging AEGON contributed as additional paid-in capital on the existing AEGON N.V. preferred shares, all held by Vereniging AEGON. As a result of these transactions, Vereniging AEGON's beneficial ownership interest in AEGON N.V.'s common shares decreased from approximately 37% to approximately 12% and its beneficial ownership interest in AEGON N.V.'s voting shares (excluding issued common shares held in treasury by AEGON N.V.) decreased from approximately 52% to approximately 33%.

On May 9, 2003, AEGON's shareholders approved certain changes to AEGON's corporate governance structure and AEGON's relationship with Vereniging AEGON in an extraordinary General Meeting of Shareholders. AEGON's Articles of Incorporation were subsequently amended on May 26, 2003.

The relationship between Vereniging AEGON and AEGON N.V. was changed as follows:

The 440,000,000 preferred shares with nominal value of EUR 0.12 held by Vereniging AEGON were converted into 211,680,000 new class A preferred shares with nominal value of EUR 0.25 and the paid-in capital on the preferred shares was increased by EUR 120,000 to EUR 52,920,000. The voting rights pertaining to the new preferred shares (the class A preferred shares as well as the class B preferred shares which may be issued to Vereniging AEGON under the option agreement as described in the following sections) were adjusted accordingly to 25/12 vote per preferred share.

AEGON N.V. and Vereniging AEGON have entered into a preferred shares voting rights agreement, pursuant to which Vereniging AEGON has voluntarily waived its right to cast 25/12 vote per class A or class B preferred share. Instead, Vereniging AEGON has agreed to exercise one vote only per preferred share, except in the event of a 'special cause', such as the acquisition of a 15% interest in AEGON N.V., a tender offer for AEGON N.V. shares or a proposed business combination by any person or group of persons whether individually or as a group, other than in a transaction approved by the Executive Board and the Supervisory Board. If, in its sole discretion, Vereniging AEGON determines that a 'special cause' has occurred, Vereniging AEGON will notify the General Meeting of Shareholders and retain its right to exercise the full voting power of 25/12 vote per preferred share for a limited period of six months.

AEGON N.V. and Vereniging AEGON have amended the option arrangements under the 1983 Merger Agreement. Under the amended option arrangements Vereniging AEGON, in case of an issuance of shares by AEGON N.V., may purchase as many class B preferred shares as would enable Vereniging AEGON to prevent or correct dilution to below its actual percentage of voting shares, unless Vereniging AEGON as a result of exercising these option rights would increase its voting power to more than 33%. Class B preferred shares will then be issued at par value (EUR 0.25), unless a higher issue price is agreed. In the years 2003 through 2006 29,290,000 class B preferred shares were issued under these option rights. In 2007, Vereniging AEGON exercised its option rights to purchase in aggregate 5,880,000 class B preferred shares at par value to correct dilution caused by AEGON's stock dividend issuances and treasury stock sales during the year.

DEVELOPMENT OF SHAREHOLDING IN AEGON N.V.

Number of shares	Common	Preferred A	Preferred B
At January 1, 2007	171,974,055	211,680,000	29,290,000
Exercise option right Preferred B shares	–	–	5,880,000
AT DECEMBER 31, 2007	**171,974,055**	**211,680,000**	**35,170,000**

Accordingly, under normal circumstances the voting power of Vereniging AEGON, based on the number of outstanding and voting shares (excluding issued common shares held in treasury by AEGON N.V.) at December 31, 2007, amounts to approximately 23.94%. In the event of a 'special cause', Vereniging AEGON's voting rights will increase, currently to 34.02%, for up to six months per 'special cause'.

At December 31, 2007, the General Meeting of Members of Vereniging AEGON consisted of seventeen members. The majority of the voting rights is with the fifteen members not being employees or former employees of AEGON N.V. or one of the AEGON group companies, nor current or former members of the Supervisory Board or the Executive Board of AEGON N.V. The two other members are both elected by the General Meeting of Members of Vereniging AEGON from among the members of the Executive Board of AEGON N.V.

Vereniging AEGON has an Executive Committee consisting of seven members, five of whom, including the chairman and the vice-chairman, are not nor have ever been, related to AEGON. The other two members are also members of the Executive Board of AEGON N.V.

Resolutions of the Executive Committee, other than with regard to amendment of the Articles of Association, are made with an absolute majority of the votes. When a vote in the Executive Committee results in a tie, the General Meeting of Members has the deciding vote. With regards to the amendment of the Articles of Association of Vereniging AEGON, a special procedure is in place to provide for the need of a unanimous proposal from the Executive Committee, thereby including the consent of the representatives of AEGON N.V. at the Executive Committee. Following the amendment of the Articles of Association as effected on September 13, 2005, this requirement does not apply in the event of a hostile change of control at the General Meeting of Shareholders of AEGON N.V., in which event Vereniging AEGON may amend its Articles of Incorporation without the cooperation of AEGON N.V.

OTHER MAJOR SHAREHOLDERS

To AEGON's knowledge there are no other parties holding a capital/voting interest in AEGON N.V. in excess of the thresholds established under Dutch securities law.

AUDITOR'S REPORT

TO THE SUPERVISORY BOARD AND THE EXECUTIVE BOARD OF AEGON N.V.

REPORT ON THE COMPANY FINANCIAL STATEMENTS

We have audited the accompanying company financial statements for the year 2007 (as set out on pages 210-224) which are part of the financial statements of AEGON N.V., The Hague, which comprise the balance sheet as at December 31, 2007, the income statement for the year then ended and the notes.

MANAGEMENT'S RESPONSIBILITY

Management of the company is responsible for the preparation and fair presentation of the company financial statements and for the preparation of the Report of the Executive Board, both in accordance with Part 9 of Book 2 of the Netherlands Civil Code. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of the company financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on the company financial statements based on our audit. We conducted our audit in accordance with Dutch law. This law requires that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the company financial statements are free from material misstatement. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the company financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the company financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the company financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the company financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

OPINION

In our opinion, the company financial statements give a true and fair view of the financial position of AEGON N.V. as at December 31, 2007, and of its result for the year then ended in accordance with Part 9 of Book 2 of the Netherlands Civil Code.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

Pursuant to the legal requirement under 2:393 sub 5 part e of the Netherlands Civil Code, we report, to the extent of our competence, that the Report of the Executive Board is consistent with the company financial statements as required by 2:391 sub 4 of the Netherlands Civil Code.

The Hague, March 5, 2008
FOR ERNST & YOUNG ACCOUNTANTS

signed by A.F.J. van Overmeire

QUARTERLY RESULTS

2006						2007				
First quarter	Second quarter	Third quarter	Fourth quarter	Total year	Amounts in EUR million	First quarter	Second quarter	Third quarter	Fourth quarter	Total year
					Operating earnings before tax by line of business					
440	348	226	270	1,284	Life and protection	262	348	359	363	1,332
166	162	111	191	630	Individual savings and retirement products	136	163	146	79	524
749	364	(203)	114	1,024	Pensions and asset management	146	117	85	110	458
104	83	76	120	383	Institutional products	100	88	58	93	339
55	42	26	40	163	Reinsurance	36	39	38	22	135
0	4	2	6	12	Distribution	10	9	8	(21)	6
11	23	13	8	55	General insurance	2	15	17	13	47
0	(1)	1	0	0	Other	0	0	0	0	0
(80)	(65)	(58)	(39)	(242)	Interest charges and other	(58)	(47)	(46)	(34)	(185)
6	7	6	13	32	Share in net results of associates	7	10	8	11	36
1,451	**967**	**200**	**723**	**3,341**	**OPERATING EARNINGS BEFORE TAX**	**641**	**742**	**673**	**636**	**2,692**
(32)	145	296	160	569	Gains/(losses) on investments	283	(90)	61	167	421
6	(31)	(23)	23	(25)	Impairment charges	7	(4)	(62)	(17)	(76)
38	(29)	39	38	86	Other income/(charges)	15	39	10	(24)	40
1,463	**1,052**	**512**	**944**	**3,971**	**Income before tax**	**946**	**687**	**682**	**762**	**3,077**
(398)	(195)	(145)	(64)	(802)	Income tax	(239)	(32)	(141)	(114)	(526)
1,065	**857**	**367**	**880**	**3,169**	**NET INCOME**	**707**	**655**	**541**	**648**	**2,551**
1,044	**682**	**193**	**651**	**2,570**	**Net operating earnings**	**484**	**570**	**509**	**484**	**2,047**
515	**675**	**624**	**612**	**2,426**	**Underlying earnings before tax**	**602**	**679**	**691**	**667**	**2,639**
384	**487**	**483**	**605**	**1,959**	**Net underlying earnings**	**454**	**532**	**531**	**516**	**2,033**
					Operating earnings geographically					
559	559	459	597	2,174	Americas	505	574	517	506	2,102
905	412	(274)	79	1,122	The Netherlands	99	108	80	75	362
54	55	57	60	226	United Kingdom	66	71	67	67	271
13	6	16	26	61	Other countries	29	36	55	22	142
(68)	(70)	(54)	(46)	(238)	Holding and other activities	(56)	(48)	(45)	(46)	(195)
(12)	5	(4)	7	(4)	Eliminations	(2)	1	(1)	12	10
1,451	**967**	**200**	**723**	**3,341**	**OPERATING EARNINGS BEFORE TAX**	**641**	**742**	**673**	**636**	**2,692**
					Revenues by line of business					
3,337	3,467	3,192	3,801	13,797	Life and protection	3,625	3,653	3,660	3,726	14,664
825	748	758	779	3,110	Individual savings and retirement products	717	705	680	673	2,775
3,417	3,055	3,643	3,545	13,660	Pensions and asset management	4,403	3,650	3,859	3,513	15,425
592	602	1.311	729	3,234	Institutional products	872	625	746	1,113	3,356
407	434	423	461	1,725	Reinsurance	430	455	484	479	1,848
97	105	98	129	429	Distribution	127	126	126	125	504
185	158	134	133	610	General insurance	184	161	138	137	620
25	4	0	21	50	Other income / (charges)	17	17	3	42	79
8,885	**8,573**	**9,559**	**9,598**	**36,615**	**REVENUES BY LINE OF BUSINESS**	**10,375**	**9,392**	**9,696**	**9,808**	**39,271**
10,687	**8,414**	**7,896**	**12,168**	**39,165**	**Gross deposits (on and off balance sheet)**	**12,976**	**9,902**	**12,056**	**9,594**	**44,528**
260	**(2,214)**	**(1,555)**	**(2,621)**	**(6,130)**	**Net deposits (on balance sheet)**	**(52)**	**(726)**	**(279)**	**(2,076)**	**(3,133)**
					New life sales					
2,271	2,531	3,683	3,450	11,935	Life single premiums	3,875	3,298	3,794	3,447	14,414
459	484	388	526	1,857	Life recurring premiums annualized	438	472	467	456	1,833
686	**737**	**756**	**872**	**3,051**	**TOTAL RECURRING PLUS 1/10 SINGLE**	**826**	**802**	**846**	**800**	**3,274**
209	204	186	212	811	New premium production accident and health insurance	176	160	166	178	680
17	14	11	14	56	New premium production general insurance	12	13	12	21	58

GLOSSARY

Acquisition date is the date on which the acquirer effectively obtains control of the acquiree. In most cases this includes at least the transfer of risks and rewards related to the acquired business or assets/ liabilities.

Actuarial gains and losses relate to the accounting for post-employment benefit plans. They comprise the effects of experience adjustments and changes in assumptions used to determine the cost of a plan.

Amortized cost is the amount at which the financial asset or liability is measured at initial recognition minus principal repayments, plus or minus the cumulative amortization using the effective interest rate method of any difference between that initial amount and the maturity amount and minus any reduction (directly or through the use of an allowance account) for impairment or uncollectability.

Assets held by long-term employee benefit funds are part of plan assets. These are assets (other than non-transferable financial instruments issued by the reporting entity) that:

- Are held by an entity that is legally separate from the reporting entity and exists solely to pay or fund employee benefits; and
- Are available to be used only to pay or fund employee benefits and are not available to the reporting entity's own creditors.

Bifurcation is the measurement and presentation of embedded derivatives separate from the host contracts, as if they were stand-alone derivative financial instruments.

Binomial option pricing model uses a binomial lattice that represents possible paths that might be followed by the underlying asset's price over the life of the option, for a given number of time steps between valuation date and option expiration. Each node in the lattice represents a possible price of the underlying asset, at a particular point in time. The valuation process is iterative; it starts at each final node and then works backwards through the lattice to the first node, which is the valuation date, where the calculated result is the value of the option.

Business combination is the bringing together of separate entities or operations of entities into one reporting entity. This can be realized through a purchase transaction or by means of a merger. A business combination involving entities (or operations of entities) under common control is a business combination in which all of the combining entities (or operations of entities) ultimately are controlled by the same party or parties both before and after the combination, and that control is not transitory.

Capitalization is the recognition of a cost as part of the cost of an asset on the balance sheet.

Cash generating unit is the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets.

Cedant is the policyholder under a reinsurance contract.

Claims settlement expenses are costs incurred in settling a claim. These costs include internal administration and payout costs, but also such items as attorney's fees and investigation expenses.

Collateral is an asset pledged by a borrower to secure a loan and is subject to seizure in the case of default.

Compound financial instruments are financial instruments that, from the issuer's perspective, contain both a liability and an equity element.

Constructive obligation is an obligation that derives from an entity's actions whereby an established pattern of past practice, published policies or a sufficiently specific current statement, the entity has indicated to other parties that it will accept certain responsibilities, and as a result, the entity has created a valid expectation on the part of those other parties that it will discharge those responsibilities.

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss.

Currency risk is a market risk, namely the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates.

Deferred tax assets are amounts of income taxes recoverable in future periods in respect of deductible temporary differences; the carryforward of unused tax losses; and the carryforward of unused tax credits.

Deferred tax liabilities are amounts of income taxes payable in future periods in respect of taxable temporary differences.

Defined benefit obligation is the present value, without deducting any plan assets, of expected future payments required to settle the obligation resulting from employee service in the current and prior periods.

Defined benefit plans are post-employment benefit plans other than defined contribution plans.

Defined contribution plans are post-employment benefit plans under which an entity pays fixed contributions into a separate entity (a fund) and will have no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employee benefits relating to employee service in the current and prior periods.

Deposit accounting method includes amounts charged and paid to customers directly into the financial liability and not through the income statement as premium income and claims.

Derecognition is the removal of a previously recognized asset or financial liability from an entity's balance sheet.

Derivatives are financial instruments whose value changes in response to an underlying variable, that require little or no net initial investment and are settled at a future date.

Discretionary participation feature is a contractual right to receive, as a supplement to guaranteed benefits, additional benefits:

- That are likely to be a significant portion of the total contractual benefits;
- Whose amount or timing is contractually at the discretion of the issuer; and
- That are contractually based on:
  - The performance of a specified pool of contracts or a specified type of contract;
  - Realized and/or unrealized investment returns on a specified pool of assets held by the issuer; or
  - The profit or loss of the company, fund or other entity that issues the contract.

Effective interest rate method is a method of calculating the amortized cost of a financial asset or liability and of allocating the interest income or expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period to the net carrying amount of the financial asset or liability.

Embedded derivative is a component of a hybrid instrument that also includes a non-derivative host contract, with the effect that some of the cash flows of the combined instrument vary in a way similar to a derivative.

Equity instruments are financial instruments issued by the Group that are classified as equity if they evidence a residual interest in the assets of the Group after deducting all of its liabilities.

Equity method is a method of accounting whereby the investment is initially recognized at cost and adjusted thereafter for the post-acquisition change in the investor's share of net assets of the investee. The profit or loss of the investor includes the investor's share of the profit or loss of the investee.

Exchange differences are differences resulting from translating a given number of units of one currency into another currency at different exchange rates.

Finance lease is a lease that transfers substantially all the risks and rewards incident to ownership of an asset.

Financial asset is any asset that is:

- Cash;
- An equity instrument of another entity;
- A contractual right to receive cash or another financial asset from another entity or to exchange financial instruments with another party under conditions that are potentially favorable; or
- A contract that will or may be settled in the entity's own equity instruments and is
  - A non-derivative for which the entity is or may be obliged to receive a variable number of the entity's own equity instruments; or
  - A derivative that will or may be settled other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of the entity's own equity instruments.

Financial instrument is any contract that gives rise to both a financial asset of one entity and a financial liability or equity instrument of another entity.

Financial liability is any liability that is:

- A contractual obligation to deliver cash or another financial asset to another entity or to exchange financial assets or financial liabilities with another entity under conditions that are potentially unfavorable to the entity; or
- A contract that will or may be settled in the entity's own equity instruments and is;
  - A non-derivative for which the entity is or may be obliged to deliver a variable number of the entity's own equity instruments; or
  - A derivative that will or may be settled other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of the entity's own equity instruments.

Financial risks are risks of a possible future change in one or more of the following variables: a specified interest rate, financial instrument price, commodity price, foreign exchange rate, index or prices or rates, credit rating or credit index or other variable, provided in the case of a non-financial variable, that the variable is not specific to a party to the contract.

Firm commitment is a binding agreement for the exchange of a specified quantity of resources at a specified price on a specified future date or dates.

Foreign currency is a currency other than the functional currency of an entity within the Group.

Foreign operation is an entity that is a subsidiary, associate, joint venture or branch of a reporting entity within the Group, the activities of which are based or conducted in a country or currency other than those of the reporting entity.

Functional currency is the currency of the primary economic environment in which an entity within the Group operates.

General account investments is investments of which the financial risks are not borne by the policyholder.

Goodwill is the amount of future economic benefits arising from assets that are not capable of being individually identified and separately recognized as an asset in a business combination.

Guaranteed benefits are payments or other benefits to which a particular policyholder or investor has an unconditional right that is not subject to the contractual discretion of the issuer.

Hedge effectiveness is the degree to which changes in the fair value or cash flows of the hedged item that are attributable to a hedged risk are offset by changes in the fair value or cash flows of the hedging instrument.

Incremental cost is one that would not have been incurred if the entity had not acquired, issued or disposed of a financial instrument.

Insurance asset is an insurer's contractual right under an insurance contract.

Insurance contract is a contract under which one party (the insurer) accepts significant insurance risk from another party (the policyholder) by agreeing to compensate the policyholder if a specified uncertain future event (the insured event) adversely affects the policyholder.

Insurance liability is an insurer's contractual obligation under an insurance contract.

Insurance risk is a risk, other than financial risk, transferred from the holder of a contract to the issuer.

Joint control is the contractually agreed sharing of control over an economic activity, which exists when the strategic and operating decisions relating to the activity require the unanimous consent of the parties sharing control.

Liability adequacy testing is an assessment of whether the carrying amount of an insurance liability needs to be increased (or the carrying amount of related deferred acquisition costs or related intangible assets decreased) based on a review of future cash flows.

Liquidity risk is the risk that an entity will encounter difficulty in raising funds to meet commitments associated with financial instruments.

Master netting agreement is an agreement providing for an entity that undertakes a number of financial instrument transactions with a single counterparty to make a single net settlement of all financial instruments covered by the agreement in the event of default on, or termination of, any contract.

Minority interests are that portion of the profit or loss and net assets of a subsidiary attributable to equity interests that are not owned, directly or indirectly through subsidiaries, by the parent.

Monetary items are units of currency held and assets and liabilities to be received or paid in a fixed or determinable number of units of currency.

Onerous contracts are contracts in which the unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received under it.

Operating expenses are all expenses associated with selling and administrative activities (excluding commissions) after reallocation of claim handling expenses to benefits paid.

Past service cost is the increase in the present value of the defined benefit obligation for employee service in prior periods, resulting in the current period from the introduction of, or changes to, post-employment benefits.

Plan assets are assets held by a long-term employee benefit fund and qualifying insurance policies.

Policy acquisition costs are the expenses incurred in soliciting and placing new business as well as renewal of existing business. It includes agent's commissions, underwriting expenses, medical and credit report fees, marketing expenses and all other direct and indirect expenses of the departments involved in such activities.

Policyholder is a party that has a right to compensation under an insurance contract if an insured event occurs.

Presentation currency is the currency in which the financial statements are presented.

Price risk is a market risk, namely the risk that the value of a financial instrument will fluctuate as a result of changes in market prices.

Private loan is a non-derivative financial asset with a fixed interest rate and a maturity date, which is not bought in an active market but negotiated between the two parties involved. Private loans are not embodied in securities. When a private loan takes the form of a private placement of bonds or other investments directly to an institutional investor like an insurance company, it has more the character of a bond loan and such financial instruments are classified as available-for-sale investments rather than as loans and receivables.

Projected unit credit method is an actuarial valuation method that sees each period of service as giving rise to an additional unit of benefit entitlement and measures each unit separately to build up the final obligation.

Qualifying insurance policies are a component of plan assets. These are insurance policies issued by an insurer that is not a related party of the reporting entity, if the proceeds of the policies:

- Can be used only to pay or fund employee benefits under a defined benefit plan; and
- Are not available to the reporting entity's own creditors.

Real estate investments foreclosed are real estate investments purchased through foreclosure on the mortgage. Such purchases are not accounted for as mortgages, but as real estate investments until they can be sold at a better price than at the foreclosure. Meanwhile they yield a rental income.

Realizable value is the amount of cash or cash equivalents that could currently be obtained by selling an asset in an orderly disposal.

Recognition is the process of incorporating in the balance sheet or income statement an item that meets the definition of an element and satisfies the following criteria for recognition:
- It is probable that any future economic benefit associated with the item will flow to or from the entity; and
- The item has a cost or value that can be measured with reliability.

Reinsurance assets are a cedant's net contractual rights under a reinsurance contract.

Reinsurance contract is an insurance contract issued by one insurer to compensate another insurer for losses on one or more contracts issued by the cedant.

Renewal of a contract is when a policyholder takes whatever action is required, typically payment of a premium, in order to maintain benefits under the contract.

Repurchase agreement is a sale of securities with an agreement to buy back the securities at a specified time and price.

Return on plan assets is the investment income derived from plan assets, together with realized and unrealized gains and losses on the plan assets less any costs of administering the plan and less any tax payable by the plan itself.

Reverse repurchase agreement is a purchase of securities with the agreement to resell them at a later specified date and price.

Security lending involves a loan of a security from one party to another.

Settlement date is the date that a financial asset is delivered to the entity that purchased it.

Sovereign exposures are AAA rated government bonds, or lower rated government bonds if purchased in local currency by a reporting unit.

Spot exchange rate is the exchange rate for immediate delivery.

Spread is the difference between the current bid and the current ask or offered price of a given security.

Stochastic modeling is a statistical process that uses probability and random variables to predict a range of probable investment performances.

Temporary differences are differences between the carrying amount of an asset or liability in the balance sheet and its tax base that will reverse over time.

Trade date is the date that an entity commits itself to purchase or sell an asset.

Transaction costs are incremental costs that are directly attributable to the acquisition, issue or disposal of a financial asset or liability.

Trust Pass-Through securities are securities through which the holders participate in a trust. The assets of these trusts consist of debentures issued by an AEGON group company.

Unlocking of DPAC and VOBA refers to the process of updating the DPAC or the VOBA amortization schedule to reflect changes between the past and current expectations of key assumptions used in the projection of future gross profits.

CORPORATE AND SHAREHOLDER INFORMATION

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FORWARD LOOKING STATEMENTS

The statements contained in this annual report 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.

COLOPHON

Consultancy and design	Dart, Amsterdam (NL)
Editing and production	AEGON Group Corporate Communications (NL)
Photography	Mike Ellis (UK)
Typesetting	Dart, Amsterdam (NL), Habo DaCosta bv (NL)
Printing	Habo DaCosta bv (NL)
Binding	Hexspoor (NL)

ANNUAL REPORT 2007

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