

# ANNUAL REVIEW

## 2006

“In nearly every market around the world there is a growing need for a broader range of retirement products and services. It’s for this reason that we believe ours is the right business at the right time.”

DONALD J. SHEPARD, CHAIRMAN OF THE EXECUTIVE BOARD

Local knowledge. Global power.



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# ABOUT AEGON

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

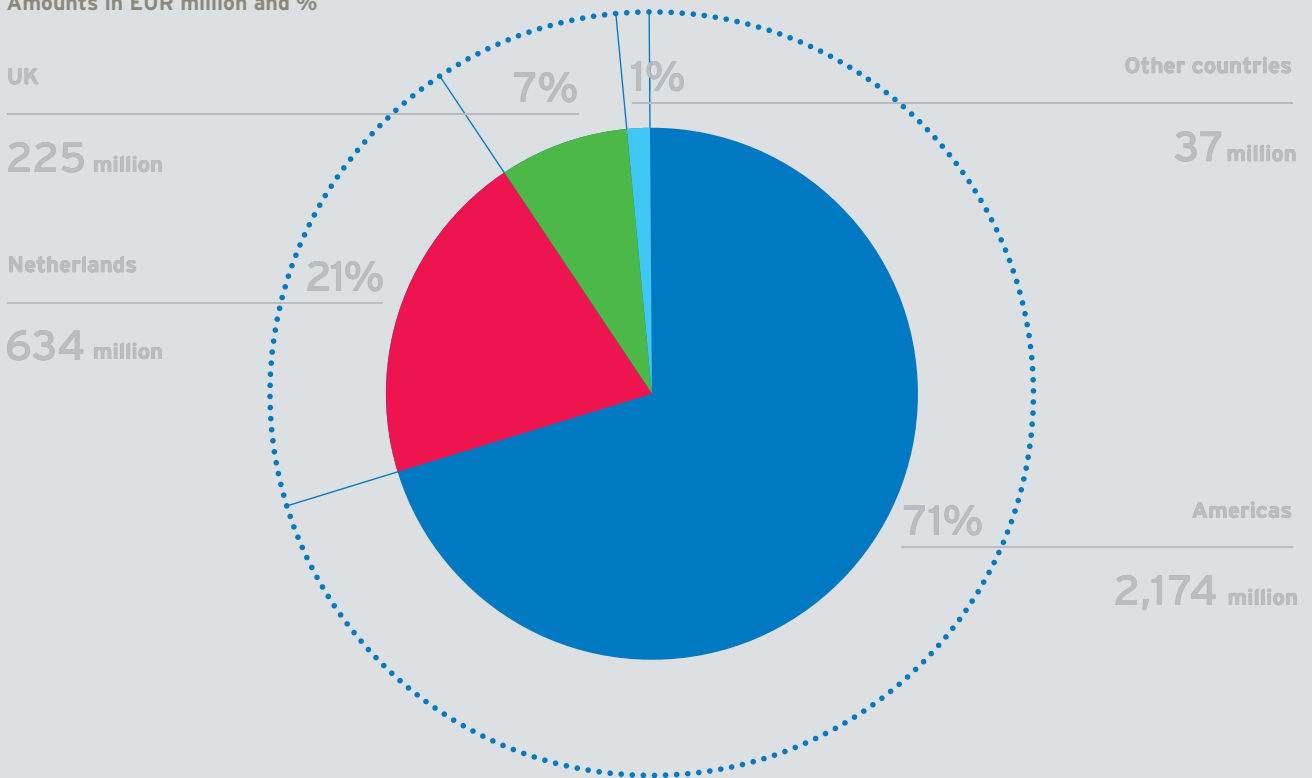
With headquarters in The Hague, the Netherlands, AEGON companies employ approximately 29,000 people. AEGON's businesses serve millions of customers in over twenty markets throughout the Americas, Europe, and Asia, with major operations in the United States, the Netherlands and the United Kingdom.

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.

# AT A GLANCE

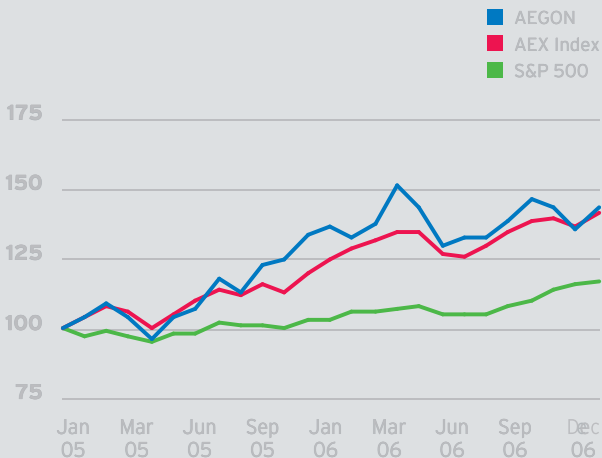
## OPERATING EARNINGS BEFORE TAX GEOGRAPHICALLY

Amounts in EUR million and %



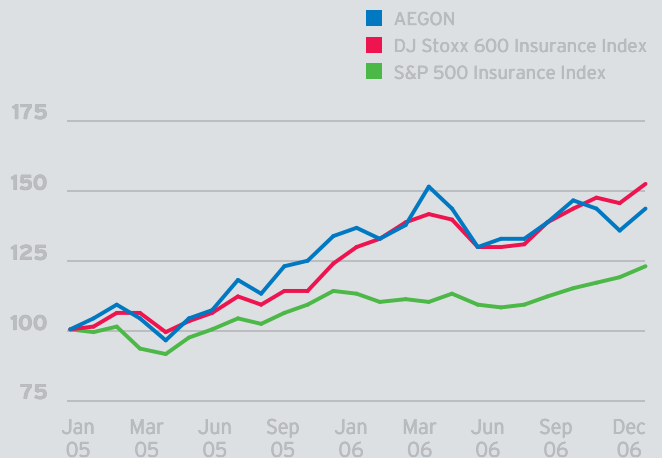
## AEGON SHARE PRICE DEVELOPMENT VERSUS INDICES

Rebased



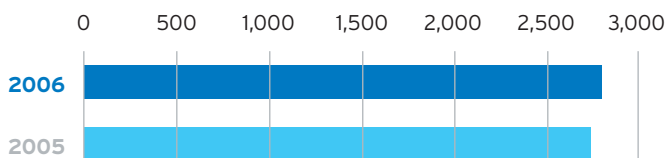
## AEGON SHARE PRICE DEVELOPMENT VERSUS INDICES

Rebased



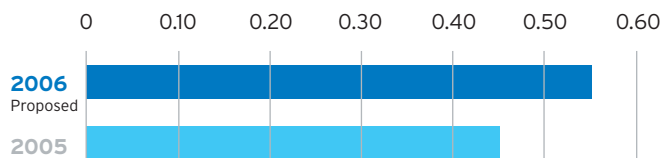
## NET INCOME

Amounts in EUR million



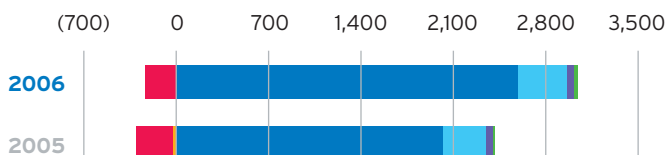
## DIVIDEND PER SHARE

Amounts in EUR



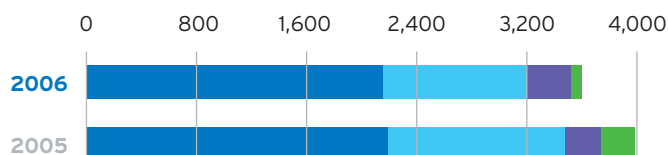
## OPERATING EARNINGS BEFORE TAX BY ACTIVITY

Amounts in EUR million



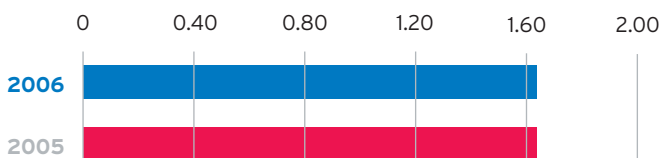
## INCOME BEFORE TAX GEOGRAPHICALLY

Amounts in EUR million



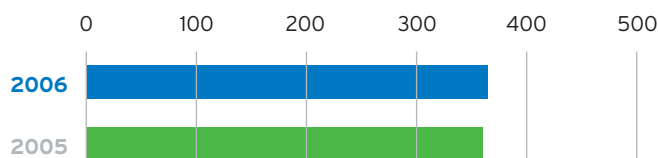
## NET INCOME PER SHARE

Amounts in EUR



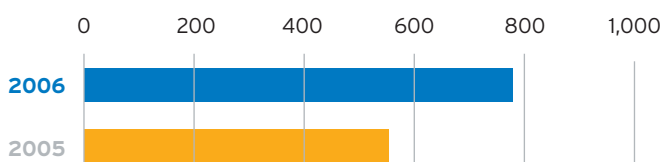
## REVENUE GENERATING INVESTMENTS

Amounts in EUR billion



## VALUE NEW BUSINESS

Amounts in EUR million



## EXPLANATION VNB /IRR

**Value of new business (VNB)** is part of the embedded value reporting and is considered an important supplemental measurement of the business performance. VNB, is widely used in the insurance industry to measure how profitable new policies will be. VNB represents the present value of future, distributable earnings that will be generated by these new policies, sold in a defined reporting period. The VNB reflects how much profit can be expected from new business, discounted to its present-day value, using various assumptions for changes in interest rates, economic circumstances and other variables.

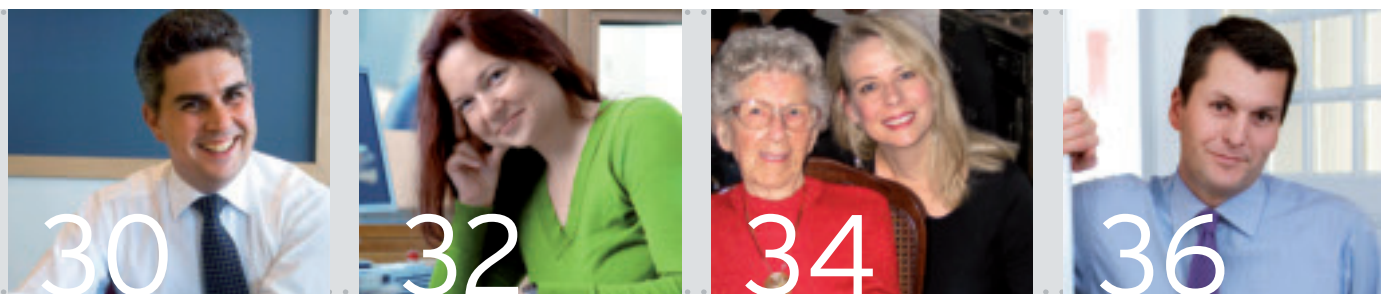
In addition AEGON discloses its **internal rate of return (IRR)** on the value of new business. IRR represents the discount rate at which the present value of the distributable earnings from new business equals

the investment in new business; i.e. the projected return on the initial investment in new business.

AEGON believes that the information it publishes on the VNB, along with the other financial disclosures it regularly makes, provides valuable, additional assistance to investors and shareholders in helping them understand the nature of the company's business.

VNB and IRR should not, however, be viewed as a substitute for AEGON's primary financial statements. The method AEGON uses to calculate its VNB is consistent with European Embedded Value Principles and is described in more detail in the Embedded Value disclosure document available on AEGON's website: [www.aegon.com](http://www.aegon.com).

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# AEGON AROUND THE WORLD

## USA

**NUMBER OF EMPLOYEES** 13,544, of which 2,483 agent-employees

**MAIN OFFICES** Baltimore, Cedar Rapids

**MAIN PRODUCT AREAS** Traditional life, life for account of policyholders, pensions, fixed and variable annuities, institutional guaranteed products, fee business (incl. mutual funds), accident and health insurance, life reinsurance

**MAJOR CUSTOMER SEGMENTS** Individuals, corporates, institutions

**MAIN DISTRIBUTION CHANNELS**

Independent agents and agent-employees, marketing companies, financial institutions, broker-dealers, wirehouses, affinity groups, direct response, worksite marketing, institutional intermediaries

[www.aegonins.com](http://www.aegonins.com)

[www.transamerica.com](http://www.transamerica.com)

## THE NETHERLANDS

**NUMBER OF EMPLOYEES** 6,404, of which 1,356 agent-employees

**MAIN OFFICES** The Hague, Leeuwarden, Groningen, Nieuwegein

**MAIN PRODUCT AREAS** Life insurance, pensions, life cycle, fee business (incl. mutual funds), accident and health insurance, general insurance, banking

**MAJOR CUSTOMER SEGMENTS** Individuals, corporates, institutions

**MAIN DISTRIBUTION CHANNELS** Brokers, tied agents, direct marketing, franchise sales force, worksite marketing

[www.aegon.nl](http://www.aegon.nl)

## UNITED KINGDOM

**NUMBER OF EMPLOYEES** 4,639, of which 150 agent-employees

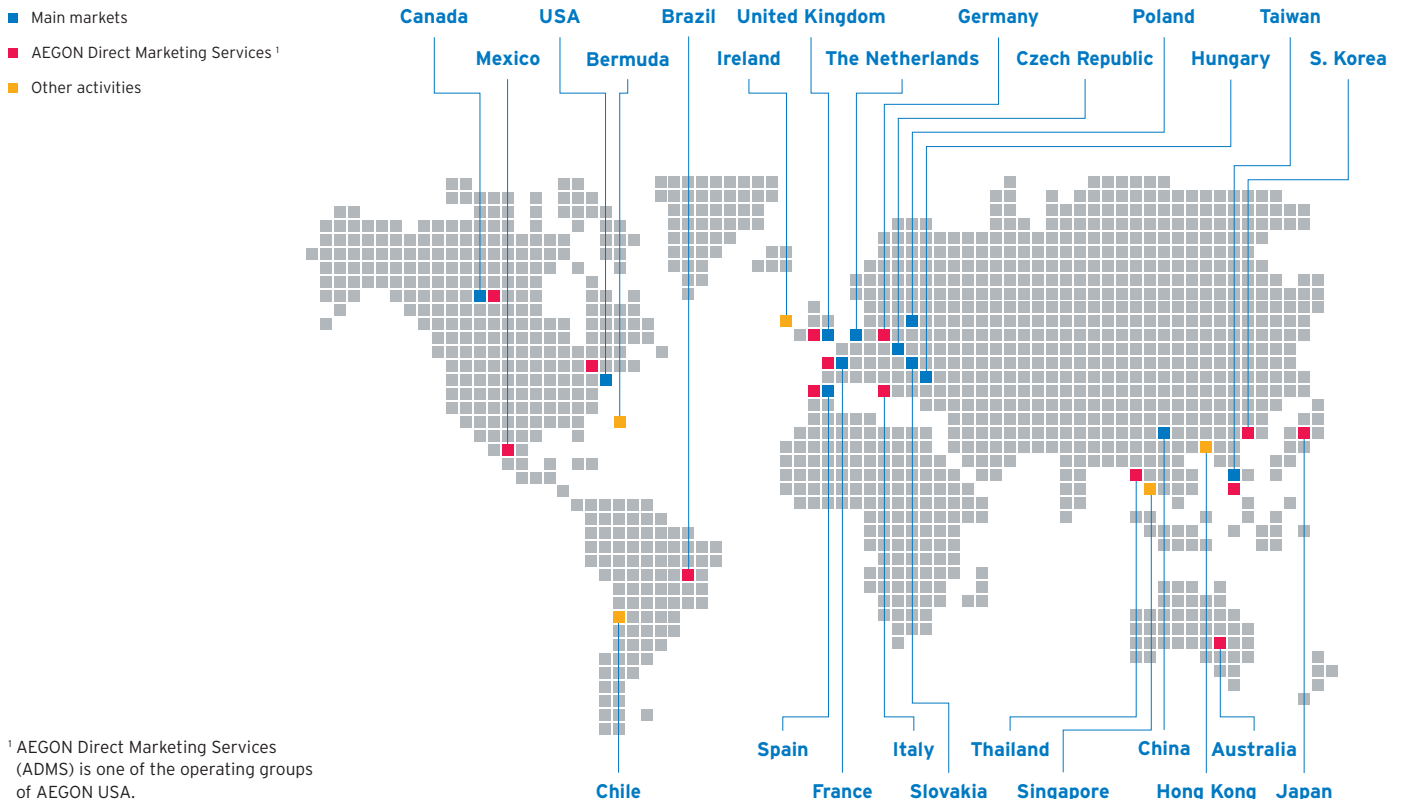
**MAIN OFFICE** Edinburgh

**MAIN PRODUCT AREAS** Traditional life, life for account of policyholders, pensions, fee business (incl. mutual funds)

**MAJOR CUSTOMER SEGMENTS** Individuals, corporates, institutions

**MAIN DISTRIBUTION CHANNELS** Financial advisors

[www.aegon.co.uk](http://www.aegon.co.uk)



<sup>1</sup> AEGON Direct Marketing Services (ADMS) is one of the operating groups of AEGON USA.

## CANADA

**NUMBER OF EMPLOYEES** 692

**MAIN OFFICE** Toronto

**MAIN PRODUCT AREAS** Traditional life, variable annuities, fee business (incl. mutual funds)

**MAJOR CUSTOMER SEGMENTS** Individuals

**MAIN DISTRIBUTION CHANNELS**

Independent advisors, brokers, financial planners, financial institutions

[www.transamerica.ca](http://www.transamerica.ca)

## CHINA\*

**NUMBER OF EMPLOYEES** 1,497, of which 909 agent-employees (100 percent)

**MAIN OFFICE** Shanghai

**MAIN PRODUCT AREAS** Traditional life, universal life, accident and health insurance

**MAJOR CUSTOMER SEGMENTS** Individuals

**MAIN DISTRIBUTION CHANNELS** Tied agents, banks, direct marketing, brokers

[www.aegon-cnooc.com](http://www.aegon-cnooc.com)

\* 50/50 joint venture by China National Offshore Oil Corporation and AEGON N.V.

## CZECH REPUBLIC

**NUMBER OF EMPLOYEES** 55

**MAIN OFFICE** Prague

**MAIN PRODUCT AREAS** Unit-linked, universal life, risk products

**MAJOR CUSTOMER SEGMENTS** Individuals, corporates

**MAIN DISTRIBUTION CHANNELS** Tied agents, brokers, direct marketing

[www.aegon.cz](http://www.aegon.cz)

## FRANCE\*

**NUMBER OF EMPLOYEES** 525

**MAIN OFFICE** Paris

**MAIN PRODUCT AREAS** Traditional life, unit-linked, pensions

**MAJOR CUSTOMER SEGMENTS** Individuals, corporates

**MAIN DISTRIBUTION CHANNELS** Brokers, financial institutions

[www.lamondiale.com](http://www.lamondiale.com)

\* Joint ventures/associates: La Mondiale Participations (35%).

## HUNGARY

**NUMBER OF EMPLOYEES** 960

**MAIN OFFICE** Budapest

**MAIN PRODUCT AREAS** Traditional life, life for account of policyholders, pensions, fee business (incl. mutual funds), accident and health insurance, general insurance, mortgage loans

**MAJOR CUSTOMER SEGMENTS** Individuals

**MAIN DISTRIBUTION CHANNELS**

Independent and tied agents, pension advisors, direct marketing, worksite marketing

[www.aegon.hu](http://www.aegon.hu)

## POLAND

**NUMBER OF EMPLOYEES** 113

**MAIN OFFICE** Warsaw

**MAIN PRODUCT AREAS** Life for account of policyholders

**MAJOR CUSTOMER SEGMENTS** Individuals

**MAIN DISTRIBUTION CHANNELS** Tied and independent agents, banks, brokers

[www.aegon.pl](http://www.aegon.pl)

## SLOVAKIA

**NUMBER OF EMPLOYEES** 67

**MAIN OFFICE** Bratislava

**MAIN PRODUCT AREAS** Universal life, unit-linked, pensions, accident and health insurance

**MAJOR CUSTOMER SEGMENTS** Individuals, corporates, institutions

**MAIN DISTRIBUTION CHANNELS** Tied agents, pension advisors, brokers

[www.aegon.sk](http://www.aegon.sk)

## SPAIN\*

**NUMBER OF EMPLOYEES** 221

(excl. employees in joint ventures/associates)

**MAIN OFFICE** Madrid

**MAIN PRODUCT AREAS** Traditional life, life for account of policyholders, pensions, accident and health insurance

**MAJOR CUSTOMER SEGMENTS** Individuals, corporates

**MAIN DISTRIBUTION CHANNELS** Financial institutions, independent and tied agents, brokers, direct marketing, worksite marketing

[www.aegon.es](http://www.aegon.es)

\* Joint ventures/associates: Caja de Badajoz Vida (50 percent), Seguros Navarra (50 percent), CAM AEGON Holding Financiero (49.99 percent).

## TAIWAN

**NUMBER OF EMPLOYEES** 1,109, of which 706 agent-employees

**MAIN OFFICE** Taipei

**MAIN PRODUCT AREAS** Variable universal life, traditional life, structured notes, accident and health insurance

**MAJOR CUSTOMER SEGMENTS** Individuals, corporates, institutions

**MAIN DISTRIBUTION CHANNELS** Tied agents, brokers, banks, worksite marketing, direct marketing

[www.aegon.com.tw](http://www.aegon.com.tw)

## CHAIRMAN'S LETTER

**Donald J. Shepard**

CHAIRMAN OF  
THE EXECUTIVE BOARD



### DEAR READER,

During the past year, we took a number of important steps to strengthen AEGON's position as a leading provider of life insurance, pensions and related savings and investment products internationally. On behalf of the Executive Board, I am pleased to present this Annual Review detailing our progress and ongoing commitment to providing our customers with reliable, need-specific products and services while creating long-term value for AEGON's many stakeholders.

#### **A CONSISTENT FOCUS ON PROFITABILITY**

Profitability continues to be a cornerstone of AEGON's growth strategy. This was evident in 2006 with the 32 percent increase in operating earnings before tax, as well as the 41 percent increase in the value of new business for the AEGON Group, which represents a compound annual growth rate of 33 percent since 2003. Similarly, the internal rate of return on AEGON's new business improved to 14.5 percent during 2006, compared to 12.4 percent for 2005. These positive developments represent better-than-expected progress toward our goal of doubling AEGON's value of new business to EUR 1.1 billion by 2010. We are confident that our businesses in the Americas, the Netherlands, and the United Kingdom will continue to perform well and together comprise the majority of AEGON's

earnings growth in the coming years. However, we believe that our operations in Central and Eastern Europe, as well as in other European countries and in Asia, will constitute an increased proportion of new business growth in the next several years.

#### **SEIZING THE PENSION OPPORTUNITY GLOBALLY**

Another key component in AEGON's growth strategy is the retirement opportunity globally. Demographics and trends in nearly every market indicate that ours is the right business at the right time. There is a clear and increasing need for a broader range of protection and pre- and post-retirement solutions given people's needs to successfully manage their accumulated assets during a longer retirement.



“A key component in our growth strategy is the retirement opportunity.”

It is for this reason that AEGON has identified pensions as a global growth initiative. By coordinating product concepts and sharing the broad expertise of our various business and country units, we believe that AEGON will further strengthen its leading position in the growing retirement market. Another indication of our concerted focus on the pension opportunity was our decision to acquire PTE Ergo Hestia, a top-ten pension fund management company in Poland. This will provide a strong complement to our successful life operations in Poland, following our entry into the Polish market in 2005.

## TRENDS INDICATE THAT OURS IS THE RIGHT BUSINESS AT THE RIGHT TIME

During 2006, HDI Pensionsmanagement - Germany's third largest pension provider - joined the AEGON Pension Network, adding further momentum to our efforts to provide innovative cross-border pension solutions for AEGON's multi-national clients and their employees. Multi-national companies are taking a more international view of their pensions and AEGON Pension Network is providing solutions that will enable them to better negotiate the complexities involved.

### EXPANDING AEGON'S INTERNATIONAL FOOTPRINT

International expansion is another essential pillar in AEGON's growth strategy and the past year was an especially productive one in this regard. In October, we completed our 49 percent acquisition of Seguros Argos in Mexico, and at the same time announced our plans to establish a pension management joint venture, known as Afore Argos. During the year, we also continued the roll-out of our operations in the highly developed coastal provinces in China with the opening of AEGON-CNOOC's Shandong branch, and in December we finalized our new partnership with the Ranbaxy Promoter Group in India to provide life insurance and asset management products through Ranbaxy's subsidiary, Religare. In January 2007, we fulfilled our intention to enter Romania with the formation of a new pension fund company with Banca Transilvania, in anticipation of the mandatory pension system next year. In addition, AEGON will also establish a life insurance

company in Romania that will enter into a distribution agreement with Banca Transilvania to sell co-branded products through the bank's extensive network of 340 branches.

## INTERNATIONAL EXPANSION IS AN ESSENTIAL PILLAR IN AEGON'S GROWTH STRATEGY

Also in January 2007, AEGON announced its intention to form a new life insurance company in Japan with Sony Life. The 50/50 joint venture will initially focus on developing variable annuity products that will be distributed through Sony Life's Lifeplanner® channel as well as through banks and other financial institutions. AEGON regards this new partnership with one of Japan's most respected companies as an excellent platform for ongoing collaboration in the world's second largest market for life insurance products and services.

### STRENGTHENING DISTRIBUTION

Efforts to enhance further AEGON's broad distribution network were also successful in 2006. In November, we announced our agreement to acquire Clark Incorporated, a leading distributor of bank-owned and corporate-owned life insurance in the United States. AEGON also acquired the remaining 55 percent of Unirobe, a leading company of independent financial advisors in the Netherlands.

AEGON's strong relationship with banks in the United States, throughout Europe and in Asia provides critical access to a growing customer segment in both our established and developing markets. It is for this reason that we have also identified broadening AEGON's presence through the bank channel as another of our global growth initiatives. In addition to our successful partnership with Caja de Ahorros del Mediterráneo in Spain, two new joint ventures with Spanish mutual savings banks - Caja de Badajoz and Caja Navarra - became operational during 2006, extending AEGON's products and services through nearly 1,500 bank branches across the country. As banks internationally expand their product offering to include protection and retirement products, we intend to advance AEGON's reputation as a preferred partner in this essential distribution channel.

Chairman's letter

CONTINUATION



**ENSURING THE BENEFITS OF SHARED EXPERTISE**

In November, we announced the formation of the AEGON Management Board, as a way to further maximize the opportunities we see for AEGON's businesses internationally. In addition to my Executive Board colleagues Jos Streppel and Alex Wynaendts, the Management Board also includes the leaders of AEGON's major country units: Pat Baird, President and CEO of AEGON USA, Otto Thoresen, CEO of AEGON UK, and Johan van der Werf, CEO of AEGON The Netherlands. The Executive Board will continue its role as the statutory governing body of AEGON N.V. The Management Board will work to identify business opportunities consistent with AEGON's international growth strategy.

**AEGON'S STRONG RELATIONSHIP WITH BANKS PROVIDES ACCESS TO A GROWING CUSTOMER SEGMENT**

The formation of the Management Board reflects the clear and increasing need for closer cooperation between country and business units and the importance of coordinating global initiatives and leveraging AEGON's broad expertise.

**CONTINUED GROWTH THROUGH FINANCIAL STRENGTH**

AEGON has long focused on achieving and maintaining financial strength. In addition to providing the basis for continued growth and expansion, it is also an important measure of a company's future ability to deliver on the promises it makes to its customers, business partners and shareholders. During 2006, AEGON's capital position

improved further. This enabled us to continue our investments in new partnerships and acquisitions, as well as increase the shareholder dividend by 22 percent to EUR 0.55. Also, we initiated a program to repurchase shares in 2006 to neutralize the effect of stock dividends. It is our intention to increase dividends annually, naturally subject to the development of AEGON's capital position and cash flows.

Our ability to ensure AEGON's continued growth and financial strength depends on the talent and dedication of management, employees and trusted business partners. Their many contributions to AEGON's business objectives enabled us to achieve the progress we are pleased to report for 2006. As we look to the opportunities ahead, AEGON remains committed to leveraging the resources of an expanding global operation with the knowledge and expertise of local business managers and partners. At the same time, we will continue to identify and implement operational and cost efficiencies in order to maintain AEGON's reputation as a competitive and reliable provider of life insurance, pensions and related savings products and services.

We are grateful for your ongoing support and continued interest in AEGON.

A handwritten signature in blue ink, which reads "Donald J. Shepard". The signature is stylized and fluid.

Donald J. Shepard  
CHAIRMAN OF THE EXECUTIVE BOARD

# AEGON BELIEVES ITS CORE BUSINESSES OFFER SIGNIFICANT POTENTIAL FOR GROWTH

AEGON's objective is to create long-term value for its many stakeholders. With this in mind, AEGON focuses on its core businesses of life insurance, pensions and related investment products. The company's strategy is to achieve long-term profitability, encourage entrepreneurship in its local markets, attain sufficient scale in each operating country and pursue opportunities for international expansion.

### COMMITMENT TO CORE BUSINESSES

Given changing demographics, AEGON believes its core businesses of life insurance, pensions and related investment products offer significant potential for growth in the years ahead. Aging populations in the developed world and shrinking workforces mean that growth in the pension business will prove particularly strong.

In 2006, AEGON took a number of important steps to expand its worldwide pension business and is well positioned to capture future growth in both its established markets of the United States, the Netherlands and the United Kingdom, as well as in new and emerging markets.

In Central and Eastern Europe, AEGON's pension business is growing at a rapid pace. AEGON Hungary is experiencing particularly strong growth, while in Slovakia the number of customers registered with AEGON pension funds grew to more than 200,000 in 2006. The proposed acquisition of PTE Ergo Hestia, one of Poland's leading pension fund management companies, will further strengthen AEGON's position in the region. Thanks to this recent expansion, AEGON will soon manage the pension accounts of more than 1.2 million people throughout Central and Eastern Europe.

In the United States, AEGON's largest market, a key initiative is underway to provide financial solutions to customers entering retirement. Transamerica Retirement Management was launched as a new business unit in 2006, aimed specifically at helping customers manage their assets during retirement. As life expectancy rates increase, more people are having to manage their pension assets over longer periods of time and AEGON believes it can offer broad and innovative solutions to serve this rapidly-expanding segment of the retirement market.

### SERVING LOCAL NEEDS WITH GLOBAL CAPABILITIES

AEGON has always relied on talented local managers to identify the changing needs of their customers and the opportunities emerging in their particular markets. In this way, AEGON seeks to combine the resources of an expanding global operation with the more specific knowledge and expertise of its local businesses.

Through the AEGON Pension Network, AEGON is helping its multi-national corporate customers negotiate the growing complexities of diverse national pension systems by providing local solutions within a broader, more international framework. Established with AEGON's French partner La Mondiale, the AEGON Pension Network is the first coordinated cross-border network to cater to the needs of multi-national companies, addressing issues such as asset pooling, regulatory reporting, varying tax regimes and supplying pension solutions for expatriate workers. Since its inception, the AEGON Pension Network has been expanding steadily. Its members now include HDI Pensionsmanagement AG, Germany's third largest pensions provider.

In 2006, AEGON also extended its partnerships with banks in a number of countries - an essential part of the company's multi-channel distribution strategy. AEGON's two new joint ventures in Spain - with leading savings banks Caja de Badajoz and Caja Navarra - complement the strong partnership established in 2003 with Caja de Ahorros del Mediterráneo.

In Asia, AEGON was among the first to introduce bancassurance to Taiwan and AEGON-CNOOC has secured cooperation agreements with three of China's leading banks as a way of supporting AEGON's expansion in the country.

In addition, AEGON further strengthened its distribution network in 2006 by acquiring the remaining 55 percent of Unirobe, a leading provider of financial advice in the Netherlands, and with its acquisition of Clark Inc., a distributor of bank- and corporate-owned life insurance in the United States.

## STRATEGIC FRAMEWORK

### COMMITMENT TO CORE BUSINESS

AEGON is focused on the long-term financial protection and asset accumulation needs of its clients, with a primary focus on delivering life insurance, pension, savings and investment products.

### SERVING LOCAL NEEDS WITH GLOBAL CAPABILITIES

Supported by its global resources and broad expertise, AEGON relies on the knowledge of local management to identify and serve the evolving needs of its customers. AEGON further seeks to deliver innovative products and services through multi-channel distribution networks best suited to local markets.

### EMPHASIS ON PROFITABILITY

AEGON pursues a strategy of long-term profitability and sustainable growth. AEGON aims to achieve a long-term average net income growth rate of 10 percent per annum.

In the medium term, AEGON aims to double its value of new business during the period 2005-2010. AEGON sets its return objectives relative to the risks of its markets and well in excess of the cost of capital. Disciplined expense management, together with the divestiture of non-core and structurally underperforming activities, are key to achieving these objectives.

### MARKET POSITION

AEGON strives for a leading position in its chosen markets in order to realize the benefits of scale, while attracting and retaining quality management as well as strong local partners.

### INTERNATIONAL EXPANSION

AEGON pursues growth in countries that offer long-term profitable growth for the products and services it provides. AEGON seeks to expand its presence in its chosen markets through organic growth and through select acquisitions and partnerships.

### EMPHASIS ON PROFITABILITY

Writing profitable new business is an essential pre-condition for growth in both AEGON's established and developing markets. It ensures a good return for shareholders as well as a financially sound company.

In 2006, AEGON posted an increase of 32 percent in its operating earnings and 41 percent in its value of new business. AEGON's internal rate of return (IRR), a measure of the profitability of the business AEGON is writing, rose to 14.5 percent in 2006, up from 12.4 percent in 2005. In November 2006, AEGON also announced a new growth target to double the value of new business for the Group by 2010 to EUR 1.1 billion.

AEGON's financial results, over the past two years, demonstrate the company's commitment to profitability, with significant increases in the value of new business and a consistent improvement in the IRR. The decision to set out a new financial target reflects AEGON's confidence in the strong growth potential of its core businesses.

### MARKET POSITION

AEGON aims to achieve a leading position in each of its chosen markets. This allows extensive economies of scale and helps attract strong local business partners as well as talented managers and staff. Currently, AEGON is one of the largest providers of life insurance and pensions in the United States, the Netherlands and

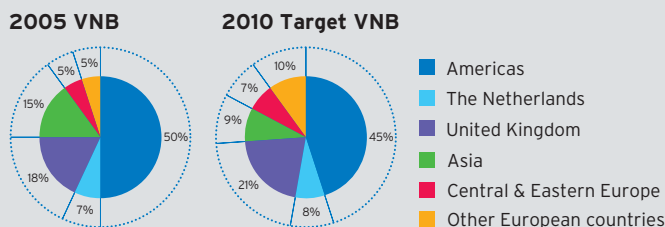
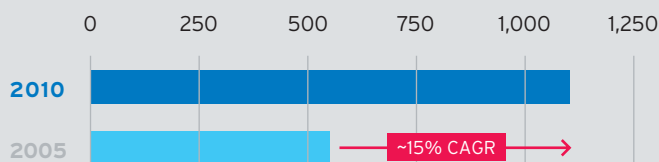
the United Kingdom. In addition, the company occupies a leading position in the Hungarian, Slovakian and Polish markets. In Asia, AEGON is one of the largest foreign-owned life insurance providers in Taiwan and has a growing presence in China.

### INTERNATIONAL EXPANSION

In 2006, AEGON made significant progress in its efforts to expand its international presence. During the year, AEGON fulfilled its ambition to re-enter the Mexican market, buying a 49 percent stake in life insurer Seguros Argos. In Poland, AEGON bought PTE Ergo Hestia, a pension fund management company. And in India, AEGON signed a new joint venture with the Ranbaxy Promoter Group and achieved further expansion in China with the opening of its new branch in the Shandong province.

In early 2007, AEGON's international expansion continued. AEGON announced plans to establish a new partnership in Romania with Banca Transilvania, the country's fifth largest commercial bank, in anticipation of a new mandatory pension system, to be introduced in the country in early 2008. In addition, AEGON also agreed to establish a new joint venture with Sony Life in Japan, providing access to the world's second largest life insurance market. In the coming year, AEGON will continue to pursue opportunities for international expansion, in line with its strategy of ensuring long-term growth and profitability for its products and services.

## AMBITIOUS GROWTH TARGETS



### A BLUEPRINT FOR GROWTH

In 2006, AEGON launched its new global growth initiatives. These initiatives seek to capitalize on significant opportunities in three areas: pensions, distribution through banks and international expansion. Executive Board member Alex Wynaendts has been given responsibility for coordinating efforts on these initiatives across the entire AEGON Group. For the first time in 2006, AEGON also set out an ambitious new medium-term financial growth target.

### THE GLOBAL PENSION OPPORTUNITY

The worldwide pension market is changing rapidly - and AEGON is convinced that these changes will result in significant opportunities for the company in the years ahead. Throughout the developed world, people are living longer, while the size of the workforce available to fund pensions is shrinking. It is estimated that by the middle of this century, the working-age population in Europe will have declined by 20 percent. The population of over-65s, meanwhile, will have risen by 80 percent. This phenomenon is putting strain on many countries' pension systems. Increasingly, governments around the world are shifting responsibility for pension funding from the public to the private sector. More companies, conscious of their growing liabilities, are switching their pension plans from defined benefit to defined contribution, effectively transferring responsibility for retirement planning to the individual.

These changes are driving demand for the type of pension and long-term savings products in which AEGON specializes, as many individuals now have to manage their retirement assets for considerably longer periods of time than in the past. For these reasons, AEGON is determined to enhance its already significant presence in the worldwide pension business, not only in its established markets of the United States, the Netherlands and the United Kingdom, but also in the fast-growing, emerging markets of Central and Eastern Europe and Asia. As the baby-boomer generation enters retirement, much of the focus in Europe and the United States is now on helping individuals manage their pension assets. In emerging countries, however, market penetration of pensions and life insurance is still relatively low and recent reform - particularly in Central and Eastern Europe - is opening up previously-closed markets to private pension providers like AEGON.

### PURSuing GROWTH THROUGH BANKS

For AEGON, partnerships with banks with well-established local branches are an essential means of distribution, given banks' growing role as providers of a wide range of financial and retirement solutions. For this reason, AEGON is determined to extend its network of bank partnerships as part of its broader, multi-channel distribution strategy. In many cases, particularly in the United States, AEGON already has relationships with banks that span decades. In some countries, banks have long been the primary means of distribution. In Spain, for example, where AEGON has distribution agreements in place with three of the country's largest regional savings banks, an estimated 70 percent of life insurance policies are sold through banks.

### GROWTH THROUGH INTERNATIONAL EXPANSION

As part of its overall growth strategy, AEGON is working to expand its international presence targeting, through selected partnerships and joint ventures, markets that will offer above-average growth in the years ahead. These emerging markets promise significant potential. Reform is already spurring economic growth and wealth creation, while sales of life insurance and pension products are still very low, relative to AEGON's established markets. In many places, pension reform is underway, creating additional opportunities. In Hungary, Poland and Slovakia mandatory private pensions systems have already been introduced. It is expected that Romania will introduce a similar system in 2008, the reason AEGON signed a new joint venture partnership with Banca Transilvania in early 2007.

### AMBITIOUS GROWTH TARGET

For the first time, in 2006, AEGON set out a medium-term financial target, a measure of the company's confidence in its core markets and businesses and the significant growth opportunities that will emerge in the coming years. AEGON's objective is to double the value of its new business by 2010 to EUR 1.1 billion. AEGON believes this target is ambitious, but realistic. Expanding the company's pension business, extending its network of bancassurance deals and targeting new, fast-growing emerging markets will all be vital, over the next few years, to achieve this objective.

Joseph B.M. Streppel

CFO AND MEMBER  
EXECUTIVE BOARD

“AEGON is an avid supporter of developments that can lead to increased transparency and comparability.”

AEGON's results demonstrate that 2006 has been a successful year for the company. Taking into consideration various measures of financial performance, each of these showed a positive development, with significant increases in operating earnings (32%), net income (2%) and value of new business (41%).

In addition, AEGON's cash flows and capital position improved further, allowing us to increase the dividend substantially. AEGON will propose to pay a final dividend of EUR 0.31 per share and taking into account the interim dividend, this will bring the total dividend for 2006 to EUR 0.55 per share. This represents an increase of 22 percent compared to the previous year. As in the case of the interim dividend, AEGON will buy back shares in the market to neutralize the dilution effect of stock dividends, affirming the solid cash flows of the company. Contingent on sustained strong capital position and cash flows, it is AEGON's objective to increase dividends.

During 2006, important progress was made in the development of Solvency II regulations for the insurance industry. A proposed directive is expected to be published in 2007, although implementation is unlikely to take place before 2010. AEGON is pleased with the progress made in the development of Solvency II as it is expected to be an economic capital based system, which will increase transparency and comparability among insurers all over Europe.

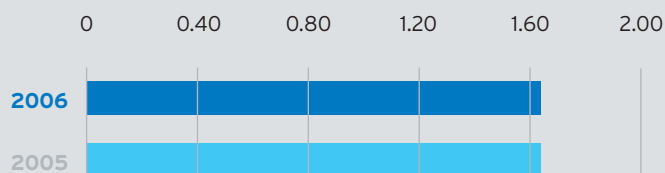
AEGON sees this as a very positive development, provided that Solvency II is implemented on the same basis as the next round of IFRS accounting to prevent an additional administrative burden for the insurance industry. Given the importance of various regulatory developments for AEGON and the industry, AEGON established a public affairs office in Brussels in 2006 to support decision makers in this process.

In 2007, AEGON will be running its economic capital model internally for calibration purposes, with full implementation of the model expected to be phased in during 2008. Large, diversified companies such as AEGON will be in the best position to capture the diversification benefits that exist under economic capital. For instance, while AEGON is exposed to mortality risk in some products, such as traditional life insurance, it is also exposed to longevity risk in its large pension business. These risks work in opposite directions and mitigate the overall risk in a diversified company such as AEGON.

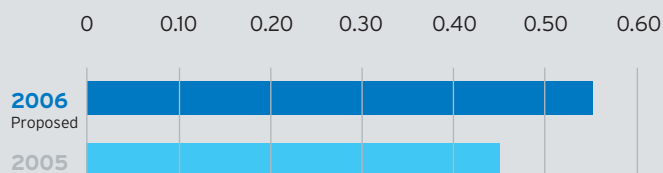
REVENUES GEOGRAPHICALLY 2006						Holdings, other activities and eliminations	Total
	Americas	The Netherlands	United Kingdom	Other countries			
Amounts in EUR million							
Total life insurance gross premiums	7,709	3,028	9,214	1,817	0	21,768	
Accident and health insurance premiums	1,981	191	0	69	0	2,241	
General insurance premiums	0	434	0	127	0	561	
Total gross premiums	9,690	3,653	9,214	2,013	0	24,570	
Investment income	5,718	2,006	2,413	192	47	10,376	
Fee and commission income	971	375	278	41	0	1,665	
Other revenues	0	0	0	1	3	4	
<b>TOTAL REVENUES</b>	<b>16,379</b>	<b>6,034</b>	<b>11,905</b>	<b>2,247</b>	<b>50</b>	<b>36,615</b>	
Number of employees, including agent-employees	14,236	6,404	4,639	3,274	173	28,726	

**NET INCOME PER SHARE**

Amounts in EUR

**DIVIDEND PER SHARE**

Amounts in EUR

**EARNINGS OVERVIEW**

Amounts in EUR million

	2006	2005	%
<b>Result of operations</b>			
<b>By product segment</b>			
Traditional life	790	823	(4)
Life for account of policyholders	614	243	153
Fixed annuities	433	425	2
Variable annuities	261	130	101
Institutional guaranteed products	275	280	(2)
Fee - off balance sheet products	75	33	127
Reinsurance	163	105	55
Accident and health insurance	369	324	14
General insurance	55	55	0
Banking activities	35	15	133
Other	0	(6)	
Interest charges and other	(242)	(280)	(14)
<b>Operating earnings before tax</b>	<b>2,828</b>	<b>2,147</b>	<b>32</b>
Gains/(losses) on investments	469	1,157	(59)
Impairment charges	(25)	14	
Other non-operating income/(charges)	86	277	(69)
Share in profit/(loss) of associates	32	20	60
<b>Income before tax</b>	<b>3,390</b>	<b>3,615</b>	<b>(6)</b>
Income tax	(601)	(885)	(32)
<b>Income after tax</b>	<b>2,789</b>	<b>2,730</b>	<b>2</b>
Minority interest	0	2	
<b>NET INCOME <sup>1</sup></b>	<b>2,789</b>	<b>2,732</b>	<b>2</b>
<b>Income before tax geographically</b>			
Americas	2,140	2,181	(2)
The Netherlands	1,042	1,286	(19)
United Kingdom	331	272	22
Other countries	81	248	(67)
Holding and other activities	(196)	(352)	(44)
Eliminations	(8)	(20)	60
<b>Income before tax</b>	<b>3,390</b>	<b>3,615</b>	<b>(6)</b>
Income tax	(601)	(885)	(32)
Minority interest	0	2	
<b>NET INCOME <sup>1</sup></b>	<b>2,789</b>	<b>2,732</b>	<b>2</b>

<sup>1</sup> Net income refers to net income attributable to equity holders of AEGON N.V.

**AEGON Group**

CONTINUATION

This leads to lower economic capital requirements, a benefit which is much more difficult to obtain for smaller, local insurance companies operating in specific niches.

Finally, European Embedded Value Principles continue to evolve. The CFO forum is trying to establish a market-consistent embedded value (MCEV) definition that is applicable to all members, so MCEV will also be comparable between participating companies. As an active member of the CFO forum, AEGON is an avid supporter of developments that can lead to increased transparency and comparability in the insurance industry. In May 2007, AEGON will publish its full 2006 Embedded Value Report which will provide an important additional set of information about AEGON's financial performance.

**OVERVIEW**

During the past year, AEGON made significant progress in line with its strategy to increase profitability, enhance distribution and expand geographically into regions that offer long-term growth potential for our core products and services.

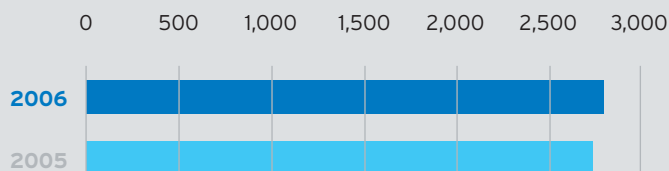
The 32 percent increase in operating earnings reflects growth across most lines of business especially in the Americas and the United Kingdom. The 2 percent increase in AEGON's net income for the year reflects higher operating earnings, as well as lower gains on the company's investment portfolio and lower book gains.

In 2006, new life sales<sup>1</sup> increased 20 percent for the full year, reflecting record sales at AEGON UK which increased 54 percent, as well as a rebound in retail life sales at AEGON USA and improved life sales at AEGON The Netherlands. AEGON Spain's new life sales more than doubled to EUR 52 million as a result of our recent partnerships with major savings banks. AEGON Central and Eastern Europe's new life sales were particularly strong in Poland during the year, with record sales in the fourth quarter of 2006. AEGON Taiwan made the transition to a more balanced product portfolio during 2006. Nearly half of its new business came from higher margin unit-linked products.

<sup>1</sup> New life sales refers to standardized new premium production and is defined as new recurring premium + 1/10 of single premium.

**NET INCOME**

Amounts in EUR million



**RESULTS**

Operating earnings before tax in 2006 increased 32 percent to EUR 2,828 million (and increased 33 percent at constant currency exchange rates), with increases from AEGON Americas, AEGON The Netherlands, and AEGON UK. Operating earnings before tax at AEGON Americas were USD 2,732 million for 2006, an increase of USD 367 million or 16 percent compared to 2005. The return on hedge funds, limited partnership and convertible bond assets contributed significantly to the earnings growth. In addition, the earnings improvement at AEGON Americas is due to growth in most lines of business and improved mortality experience. The increase in operating earnings at AEGON The Netherlands reflects primarily the net positive impact of changes in interest rates on guarantee provisions and related hedges. At AEGON UK, the increase in operating earnings before tax mainly reflects the positive effect of higher equity and bond markets and growth of the businesses, partly offset by the impact of higher surrenders due to 'Pension A-Day'. The decrease of operating earnings before tax in Other countries primarily reflects investments to grow AEGON's businesses in Slovakia and China. This decrease was partly offset by higher earnings in Hungary and Spain.

Net gains on investments (before tax) and impairment charges together amounted to EUR 444 million compared to a gain of EUR 1,171 million in 2005. The decline, partly offset by net gains on the sale of shares in the Netherlands, primarily reflects a negative fair value change in derivatives used for asset and liability management in the Netherlands and normal trading activity in the United States in a higher interest rate environment.

Other non-operating income/(charges) and the share in the profit/(loss) of associates together amounted to EUR 118 million. The comparable figure in 2005 contained the book gain before tax on the sale of the general insurance activities in Spain of EUR 176 million.



Net income increased 2 percent to EUR 2,789 million (3 percent at constant currency exchange rates) in 2006. Higher operating earnings were offset by lower net gains on investments and lower other non-operating income. The effective tax rate decreased to 18 percent from 24 percent in 2005, mainly due to higher tax-exempt gains in the Netherlands and the impact of the reduction in 2007 of the corporate tax rate in the Netherlands from 29.6 percent to 25.5 percent ratified by the Dutch parliament in the fourth quarter of 2006 and resulting in a release of deferred tax liabilities. Net income per share of EUR 1.63 was equal to net income per share in 2005.

Commissions and expenses increased 10 percent to EUR 6,085 million (11 percent at constant currency exchange rates) reflecting a change in business mix, growth in the businesses and higher DPAC amortization.

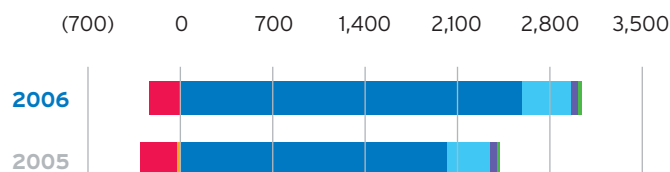
Total revenue generating investments amounted to EUR 363 billion at December 31, 2006, compared to EUR 358 billion at December 31, 2005.

## PRODUCTION

In 2006, new life sales increased 20 percent to EUR 3,051 million, primarily due to record sales in the United Kingdom. In the UK, new life sales increased 54 percent for the period as a result of strong pension sales, partly attributable to 'Pension A-Day', and growth in the sales of bonds, annuities and individual protection products. New life sales in the Americas increased 7 percent in 2006. Higher bank-owned and corporate-owned (BOLI/COLI) sales, reinsurance sales, as well as growth in the middle market were partly offset by lower retail sales within the Transamerica agency channel earlier in the year. New life sales in the Netherlands increased 7 percent to EUR 248 million, driven by growth of individual life sales through the intermediary channel and increased activity in the group pensions business. New life sales in Other countries in 2006 decreased 30 percent due to lower sales in Taiwan, but were partly offset by higher sales in Spain and Poland. The increase in new life sales in Spain mainly reflects the joint ventures with Caja de Badajoz and Caja Navarra which became operational mid-year 2006.

### OPERATING EARNINGS BEFORE TAX BY ACTIVITY

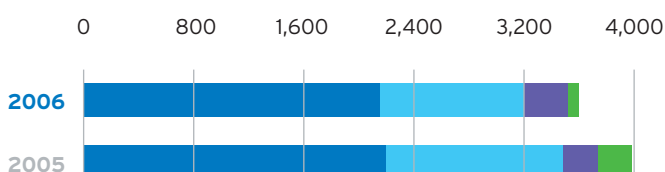
Amounts in EUR million



- Life insurance
- Accident & health insurance
- General insurance
- Banking activities
- Other activities
- Interest charges and other

### INCOME BEFORE TAX GEOGRAPHICALLY

Amounts in EUR million



- Americas
- Netherlands
- UK
- Other countries

## AEGON Group

## CONTINUATION

Sales of annuity and institutional guaranteed products in the Americas increased 11 percent to USD 21.3 billion, compared to 2005. Variable annuity deposits of USD 6.6 billion increased 6 percent compared to 2005. The retail segment increased 15 percent over last year due to increased demand for variable annuity products and increased wholesaler distribution. Fixed annuity deposits declined 2 percent while deposits in the pension channel increased 48 percent. Retail fixed annuity deposits declined 19 percent as sales continue to be challenged by the inverted yield curve and competition from other bank-sold products. Deposits in institutional guaranteed products increased 17 percent, primarily due to higher medium-term note issuance.

Off balance sheet production for AEGON increased 14 percent, reflecting strong sales of synthetic Guaranteed Investment Contracts (GICs), strong sales in retail mutual funds in the US and the UK, and continued growth of AEGON's pension fund business in Central and Eastern Europe. The increase was partly offset by lower sales of managed assets.

This report includes a non-GAAP financial measure: operating earnings before tax. The reconciliation of this measure to the most comparable GAAP measure is shown below in accordance with SEC Regulation G, regarding conditions for use of non-GAAP financial measures. AEGON believes the non-GAAP measure shown herein, together with the GAAP information, provides a meaningful measure for the investing public to evaluate AEGON's business relative to the businesses of our peers.

Amounts in EUR million	2006	2005
<b>Operating earnings before tax</b>	<b>2,828</b>	<b>2,147</b>
Gains on investments	964	1,269
Other income	12	176
Losses on investments	(495)	(112)
Impairment charges	(25)	14
Other charges	(1)	(3)
Policyholder tax	75	104
Share in profit/(loss) of associates	32	20
<b>Income before tax</b>	<b>3,390</b>	<b>3,615</b>

This review of operations should be read in conjunction with the financial statements in the annual report.

**Patrick S. Baird**

PRESIDENT AND CEO  
 AEGON USA



“AEGON Americas is tailoring existing products to address a broader range of retirement needs.”

AEGON Americas is well-positioned, profitable, and growing. We continue to be disciplined with regard to profitability and risk management, and this discipline has been instrumental in driving our solid financial results and meeting the long-term expectations of our stakeholders - even during changing market conditions.

In 2006, we focused on growing the value of our business and accomplished this growth in three ways - through organic growth domestically, leveraging our capabilities to support AEGON's growth in existing and developing markets in Europe and Asia, and through new acquisitions.

Organic growth initiatives included increasing our penetration of the middle market through the development of new products and accelerated agent recruitment. Targeting the worksite, we launched a new initiative through Transamerica Worksite Marketing that offers employers a state-of-the-art system designed to enroll employees and make premium payments through direct payroll deduction. Through our intense recruiting efforts, World Financial Group has increased its network of licensed agents.

Early in 2006, we created a new business unit called Transamerica Retirement Management. While our industry has done well to encourage retirement savings during employment, we believe that more can be done at the point of retirement.

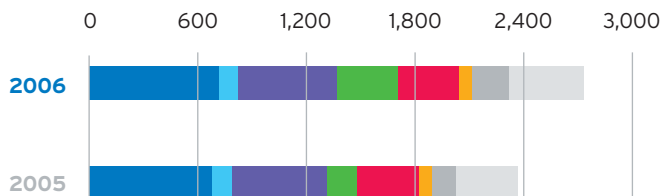
This unit is devoted to helping the aging baby boomer generation manage its assets as they enter retirement in increasing numbers. This initiative includes tailoring existing AEGON products to address a broader range of retirement needs, while relying on our broad network of distribution channels.

Cost-saving measures introduced in 2006 included consolidating some of our back-office functions, investing in new technology to create efficiencies and improve services, as well as reducing the number of administrative platforms we operate. We anticipate saving between USD 15 million and USD 20 million because of recent consolidation.

Our companies continue to export their expertise and proven capabilities internationally. AEGON Direct Marketing Services and Transamerica Reinsurance are examples of businesses that have successfully transferred their capabilities into markets outside the Americas.

**OPERATING EARNINGS BEFORE TAX**

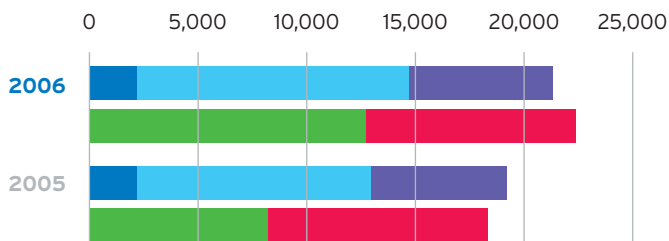
Amounts in USD million



- Traditional
- Account policyholders
- Fixed annuities
- Variable annuities
- Institutional guaranteed products
- Fee - off balance sheet
- Reinsurance
- Accident & health insurance

**GROSS DEPOSITS / OFF BALANCE SHEET PRODUCTION**

Amounts in USD million



- On balance sheet
- Off balance sheet
- Fixed annuities
- Institutional guaranteed products
- Variable annuities
- Synthetic GICs
- Mutual funds / collective trusts, other assets

**AEGON Americas**

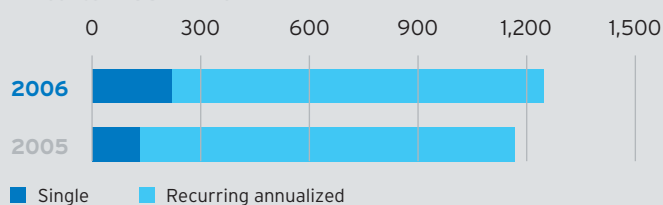
## CONTINUATION

Increasingly, this approach of sharing knowledge and experience and leveraging skills is proving a distinct competitive advantage as AEGON pursues its growth opportunities.

Acquisitions in 2006 included the purchase of a 49 percent interest in Seguros Argos S.A. de C.V., a Mexican life insurance company that distributes term life products through the worksite. The Mexican insurance and savings market offers significant opportunities for growth. We also announced our agreement to acquire Clark Inc., a US company with a strong presence in the bank- and corporate-owned life insurance (BOLI/COLI) market.

**STANDARDIZED NEW PREMIUM PRODUCTION**

Amounts in USD million



In 2006, we announced for the first time a value of new business growth target. Over the next five years, we are projecting a 13 percent growth in the value of new business. We expect our business mix during this period to move toward more individual savings and pensions.

Our businesses are strong and they are growing. We will continue to support international expansion, while identifying ways to reduce costs and acquisition opportunities that will further boost our growth.

<b>AMERICAS</b> (includes AEGON USA and AEGON Canada)	<b>2006</b> in million USD	<b>2005</b> in million USD	<b>%</b>	<b>2006</b> in million EUR	<b>2005</b> in million EUR	<b>%</b>
<b>Income by product segment</b>						
Traditional life	716	674	6	570	541	5
Life for account of policyholders	109	108	1	87	87	0
Fixed annuities	545	529	3	434	425	2
Variable annuities	327	162	102	260	130	100
Institutional guaranteed products	346	349	(1)	275	280	(2)
Fee – off balance sheet products	68	67	1	54	54	0
Reinsurance	205	131	56	163	105	55
Accident and health insurance	416	345	21	331	277	19
<b>Operating earnings before tax</b>	<b>2,732</b>	<b>2,365</b>	<b>16</b>	<b>2,174</b>	<b>1,899</b>	<b>14</b>
Gains/(losses) on investments	(28)	299		(22)	240	
Impairment charges	(15)	53		(12)	42	
<b>Income before tax</b>	<b>2,689</b>	<b>2,717</b>	<b>(1)</b>	<b>2,140</b>	<b>2,181</b>	<b>(2)</b>
Income tax	(738)	(705)	5	(587)	(566)	4
Minority interest	0	2		0	2	
<b>NET INCOME</b>	<b>1,951</b>	<b>2,014</b>	<b>(3)</b>	<b>1,553</b>	<b>1,617</b>	<b>(4)</b>

<b>EXCHANGE RATES</b>	Weighted average		Year-end	
	<b>2006</b>	<b>2005</b>	<b>2006</b>	<b>2005</b>
<b>Per 1 EUR</b>				
USD	1.2566	1.2456	1.3170	1.1797
CAD	1.4236	1.5094	1.5281	1.3725

## THE NETHERLANDS

Johan G. van der Werf

CEO  
AEGON  
THE NETHERLANDS



“We are clearly benefiting from the restructuring in 2003.”

As expected, 2006 marked an improvement in fortunes for AEGON The Netherlands. Past efforts to create a new, more responsive organization for the business began to yield positive results. While strong competition in the Dutch market showed no signs of abating, production and value of new business improved markedly, compared with 2005.

In 2003, AEGON The Netherlands decided to combine its various business units into a more centralized structure. This has benefited the company, bringing product knowledge, administration and IT infrastructure under one roof and creating a more efficient and better organized sales force.

As part of its policy of reducing state benefits, the Dutch government ended an official pre-retirement savings plan, known as VUT, at the end of 2005 and replaced it with 'Levensloop'. Levensloop allows savers to put aside a certain amount each year, free of tax, either to fund their retirement, take early retirement or, in some cases, finance a break in their careers. Many companies in the Netherlands decided to support Levensloop as a way of enhancing their overall employee benefits packages. Over the past year, AEGON The Netherlands has succeeded in establishing itself as the largest insurer providing Levensloop products.

In 2006, new legislation was introduced that reduced state sickness benefits and further extended company obligations toward employees who become sick and are unable to work. Under the legislation, companies in the Netherlands must assume greater responsibility for meeting the costs of an employee's illness and take steps to enable employees to return as quickly as possible to the workforce. Such legislation can prove costly, especially for small and medium-sized companies. AEGON The Netherlands therefore introduced a new product providing additional disability coverage. This product was extremely successful and generated sales in 2006 of approximately EUR 39 million.

Pensions and individual life insurance continue to be our core products. In 2006, AEGON The Netherlands' corporate and institutional sales force, and its TKP Pensioen unit, posted improved sales. AEGON is now the second largest pensions provider in the Dutch market with 24 percent of the market in 2005, and continues to make progress in its ambition to become the market leader.

As the post-war 'baby boomer' generation heads into retirement, an increasingly large pool of assets is entering the life insurance market in the Netherlands and elsewhere. In such circumstances, it is incumbent on companies like AEGON to help individuals identify the most suitable products and services for their long-term retirement needs. Over the years, AEGON The Netherlands has established a successful track record in doing this. In particular, the company saw a 40 percent increase in 2006 in its sales of immediate annuity products and is well positioned for further growth in the years ahead.

In 2006, AEGON The Netherlands decided to strengthen its position in the highly competitive Dutch mortgage market. The company redesigned its leading products and, thanks to its solid financial base, was able to offer borrowers competitive long-term interest rates. These measures enabled AEGON The Netherlands to triple its share of the market, as homebuyers took advantage of historically favorable interest rates available during the year.

**AEGON**  
**The Netherlands**

CONTINUATION

AEGON The Netherlands also strengthened its distribution network in 2006, with the acquisition of Unirobe, a company that mainly provides independent financial advice to large companies. Together with Meeùs, AEGON is now the largest distribution company in the Netherlands. AEGON The Netherlands also continued its extensive education program for smaller, independent insurance agencies, in order to develop their capacity to provide effective and successful financial advice. AEGON The Netherlands believes that the advisory business will remain a critical one in the market.

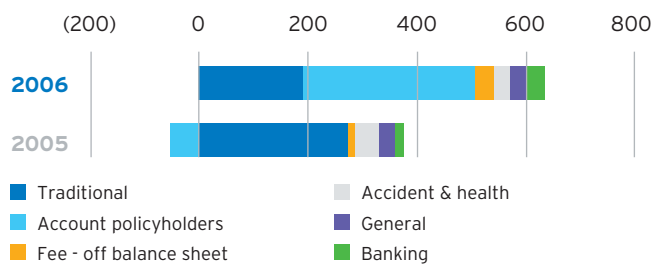
With its tax and legal advice unit, Adfis, AEGON The Netherlands is a noted center of knowledge and expertise for the pensions industry. In April 2006 a group of Dutch parliamentarians visited AEGON's head office in The Hague to discuss the impact of recent legislation on the pensions market in the Netherlands.

The Dutch pensions and insurance market is a mature one. It is becoming ever more competitive. Despite that, AEGON The Netherlands believes it is well positioned to become the leading, recognizable, quality brand in the market. For that reason, the company invested heavily in 2006 to expand its general staff and its sales teams, as well as improve its administration systems. At the same time, AEGON The Netherlands took action to lower its operating costs, enhancing the company's ability to provide high quality, competitive pensions and insurance products.

AEGON The Netherlands believes the Dutch market will continue to grow in the coming years. However, only companies that are able to offer the highest quality and tailored, integrated solutions and services will be able to maximize the opportunities. We believe AEGON The Netherlands is well positioned for further growth in 2007 and beyond.

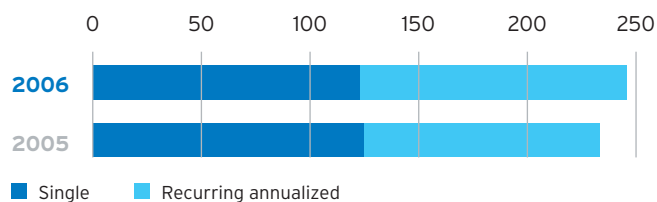
### OPERATING EARNINGS BEFORE TAX

Amounts in EUR million



### STANDARDIZED NEW PREMIUM PRODUCTION

Amounts in EUR million



### AEGON THE NETHERLANDS

Amounts in EUR million

#### Income by product segment

	2006	2005	%
Traditional life	189	270	(30)
Life for account of policyholders	315	(53)	
Fee – off balance sheet products	35	15	133
Accident and health insurance	34	45	(24)
General insurance	26	30	(13)
Banking activities	35	15	133

#### Operating earnings before tax

Gains/(losses) on investments	413	985	(58)
Impairment charges	(12)	(25)	52
Share in profit/(loss) of associates	7	4	75

#### Income before tax

Income tax	(2)	(272)	(99)
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#### NET INCOME

	1,040	1,014	3
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# UNITED KINGDOM

**Otto Thoresen**

CEO  
AEGON UK



“AEGON UK brought new propositions to the market designed to meet the changing demands of its customers.”

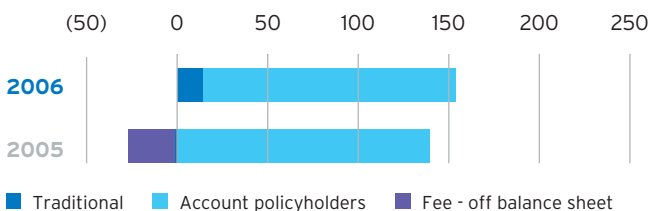
Last year was a highly successful one for AEGON in the United Kingdom. Our business performance was stronger than ever. At the same time, we put in place strategic initiatives that will help us deliver our future growth objectives.

New business volumes in our corporate and individual life and pensions businesses reached higher levels than ever before, while our value of new business increased significantly, highlighting the profitable nature of our growth. New legislation simplifying rules on pensions came into effect in April 2006. These changes, collectively referred to as ‘Pension A-Day’, prompted many people and businesses to restructure their existing pension arrangements, leading to a high level of activity across the market. AEGON UK benefited from the impact of ‘Pension A-Day’ as a net winner in terms of new business. Our advisory units, Origen and Positive Solutions, also saw increased business as a result. Both continued to make good progress, with Positive Solutions posting particularly strong results. Asset Management also saw impressive increased new business in the retail funds market, driven by our fixed income team’s continued high level of performance.

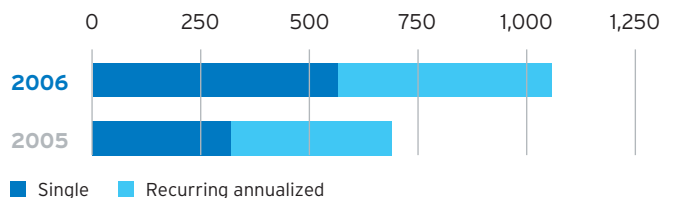
We have been delighted with the progress we have made toward realizing our medium-term plans. We have moved to underline our global strength by giving the AEGON name a higher profile and repositioning the established Scottish Equitable brand as AEGON Scottish Equitable. This has been well received by our target markets of intermediary distributors and corporate customers.

We have also put in place a number of strategic initiatives, which will further strengthen the company’s position as we look to the future. The customer focus we have developed since we formed our Individual and Corporate businesses in late 2005 is already having a positive impact in the market. Last year also saw AEGON UK bring new propositions to the market designed to meet the changing demands of its corporate and individual customers as people live longer and need to fund longer retirements.

**OPERATING EARNINGS BEFORE TAX**  
Amounts in GBP million



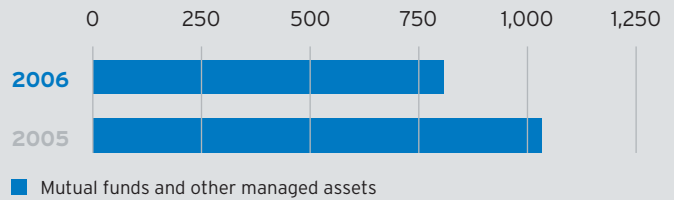
**STANDARDIZED NEW PREMIUM PRODUCTION**  
Amounts in GBP million





## OFF BALANCE SHEET PRODUCTION

Amounts in GBP million



Building on its established position in the crucial 'at retirement' market, AEGON UK is using its financial strength and global position to offer new solutions to its UK customers. Our recent move into the individual annuity market gathered momentum over the year and we have already attained a strong position in that market well ahead of our original schedule. In September, the launch of the '5 for Life' product in the United Kingdom, based on what is an already successful product in the United States, made AEGON UK the first

operator to bring the variable annuity, living benefit concept to the UK market. On the corporate side, our bulk annuity proposition launched in November offered new flexibility to small and medium sized businesses.

We believe AEGON UK is well positioned to build on the considerable advances made in 2006 and achieve further success in 2007.

	2006 in million GBP	2005 in million GBP	%	2006 in million EUR	2005 in million EUR	%
<b>AEGON UK</b>						
<b>Income by product segment</b>						
Traditional life	14	(1)		21	(1)	
Life for account of policyholders	139	139	0	204	203	0
Fee – off balance sheet products	0	(27)		0	(40)	
<b>Operating earnings before tax</b>	<b>153</b>	<b>111</b>	<b>38</b>	<b>225</b>	<b>162</b>	<b>39</b>
Gains/(losses) on investments	11	6	83	16	9	78
Impairment charges	(1)	(2)	50	(1)	(3)	67
Other non-operating income/(charges) <sup>1</sup>	61	71	(14)	90	104	(13)
Share in profit/(loss) of associates	1	0		1	0	
<b>Income before tax</b>	<b>225</b>	<b>186</b>	<b>21</b>	<b>331</b>	<b>272</b>	<b>22</b>
Income tax attributable to policyholder return	(51)	(71)	(28)	(75)	(104)	(28)
<b>Income before income tax on shareholders return</b>	<b>174</b>	<b>115</b>	<b>51</b>	<b>256</b>	<b>168</b>	<b>52</b>
Income tax on shareholders return	(16)	(17)	(6)	(24)	(24)	0
<b>NET INCOME</b>	<b>158</b>	<b>98</b>	<b>61</b>	<b>232</b>	<b>144</b>	<b>61</b>

<sup>1</sup> 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.

EXCHANGE RATES	Weighted average		Year-end	
	2006	2005	2006	2005
<b>Per 1 EUR</b>				
GBP	0.6809	0.6837	0.6715	0.6853

## OTHER COUNTRIES

Alexander R. Wynaendts

MEMBER  
EXECUTIVE BOARD



“In nearly every market, the need for a broader range of protection and retirement products and services is significant.”

In recent years, AEGON has made significant progress in expanding its global footprint beyond its traditional markets, to include developing countries throughout Asia, Central and Eastern Europe, as well as other European countries such as Spain and France.

During 2006, and in the first few months of 2007, we enhanced AEGON's position in Other countries, entering new markets that offer long-term growth opportunity for our core products and services. In nearly every market, the need for a broader range of protection and retirement products and services is significant. The progress achieved during 2006 strengthened AEGON's position as we claim a sizable share of new business that will emerge in the coming years.

### CENTRAL AND EASTERN EUROPE

The economies of Central and Eastern European countries, in particular, continue to develop at a rapid pace and life insurance penetration levels are still relatively low. The governments in this region continue to shift pension responsibility to the private sector, creating a growing opportunity for providers, such as AEGON. It is for these reasons that AEGON has pursued expansion beyond its strong base in Hungary, to include Slovakia, the Czech Republic, Poland, and more recently Romania. During 2006, membership of AEGON Hungary's pension fund grew by a substantial 8 percent. Similarly, in Slovakia, more than 200,000 individuals have now joined AEGON's pension fund, begun in 2005. AEGON's acquisition of PTE Ergo Hestia in Poland in November 2006 and the partnership with Banca Transilvania in January 2007 to form a mandatory pension fund company in Romania further strengthened our pension position in the region.

### SPAIN

Elsewhere in Europe, AEGON has continued to develop its presence in the important bank channel in Spain. The majority of life insurance products are distributed through banks in Spain. AEGON's two new joint ventures with Caja de Badajoz and Caja Navarra became operational mid-way through the year.

Together with our strong partnership with Caja de Ahorros del Mediterráneo, AEGON's products are now sold in over 1,500 bank branches across the country. We will be looking to further expand AEGON's presence in Spain through savings banks in the months ahead.

### AEGON PENSION NETWORK

During the year, we made further progress in strengthening the AEGON Pension Network, developed to provide local pensions solutions in an international framework for multi-national corporate clients and their employees. With the addition of Germany's HDI Pensionsmanagement, the AEGON Pension Network now covers Germany, France, the Netherlands, Luxembourg, Spain, Hungary, Slovakia, the Czech Republic, Poland, the United Kingdom, and the United States.

### ASIA

AEGON strengthened its position in Asia during 2006 with new operations in the coastal province of Shandong in China and with the fulfillment of our intention to enter India through our new partnership with the Ranbaxy Promoter Group. India has long been identified as one of AEGON's target markets given its sizable population and rapidly developing economy, the relatively low penetration level of insurance in the country, and the continued strong growth rates projected for the insurance sector in coming years. AEGON's entry into Japan in early 2007 is also a notable accomplishment. We very much look forward to combining AEGON's product expertise and skills with the highly-respected brand and distribution strength of Sony Life given the importance and growth potential of the Japanese market in the coming years.

Finally, in Taiwan our efforts to transition from traditional whole and term life products to higher margin unit-linked insurance products is proving successful. While sales have been lower during this transitional phase, the profitability of sales continues to be considerably higher. Approximately 50 percent of new sales in 2006 came from unit-linked products and we expect this to increase in the coming years.

### VALUE OF NEW BUSINESS

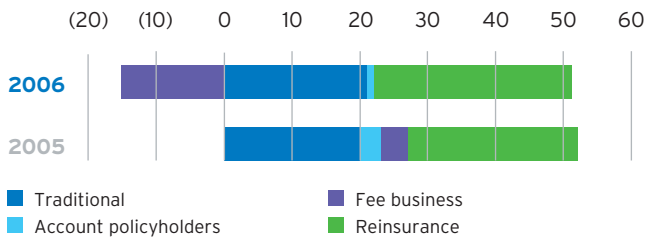
The new target of doubling AEGON's value of new business by 2010 reflects our confidence that a larger portion of new business will come from Europe. Continued strong growth in Central and Eastern Europe and a very substantial increase in VNB from AEGON's operations in Other European countries such as France and Spain will be the drivers behind this. Based on current business plans, it is estimated that between 25 to 30 percent of AEGON's total VNB will come from our Other countries in 2010.

However, given the continued potential presented by the pension opportunity in the Central and Eastern Europe region, our plans to establish more joint ventures in Spain, and AEGON's pipeline for new business in other parts of Europe and Asia, it is our view that the Other country VNB contribution could approximate as much as 30 to 35 percent of AEGON's total.

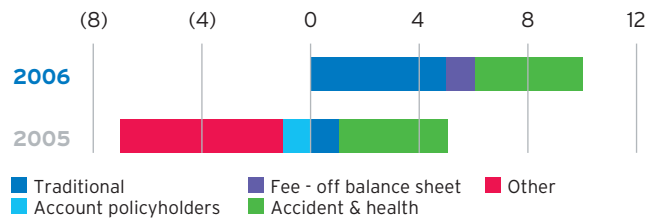
### CONCLUSION

We have been pleased by the progress made to expand AEGON's presence internationally, an important growth initiative formally identified by the Executive Board in 2006, along with the opportunity for pensions and distribution through banks globally. Going forward, we will continue to identify opportunities in emerging markets that offer growth potential consistent with AEGON's requirements of long-term profitability and the creation of shareholder value.

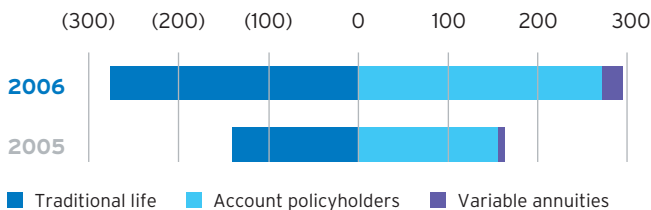
**OPERATING EARNINGS BEFORE TAX**  
CEE, amounts in EUR million



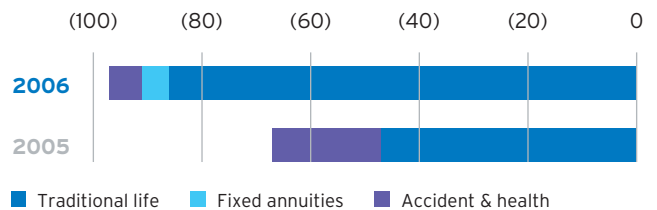
**OPERATING EARNINGS BEFORE TAX**  
Spain, amounts in EUR million



**OPERATING EARNINGS BEFORE TAX**  
Taiwan, amounts in NTD million



**OPERATING EARNINGS BEFORE TAX**  
China, amounts in CNY million



**AEGON**  
**Other countries**

CONTINUATION

<b>OTHER COUNTRIES</b>			
Amounts in EUR million (includes AEGON Hungary, AEGON Czech Republic, AEGON Poland, AEGON Slovakia, AEGON Spain, AEGON Taiwan and AEGON-CNOOC)	2006	2005	%
<b>Income by product segment</b>			
Traditional life	10	13	(23)
Life for account of policyholders	8	6	33
Fixed annuities	(1)	0	
Variable annuities	1	0	
Fee – off balance sheet products	(14)	4	
Accident and health insurance	4	2	100
General insurance	29	25	16
Other	0	(6)	
<b>Operating earnings before tax</b>	<b>37</b>	<b>44</b>	<b>(16)</b>
Gains/(losses) on investments	20	12	67
Other non-operating income/(charges)	0	176	
Share in profit/(loss) of associates	24	16	50
<b>Income before tax</b>	<b>81</b>	<b>248</b>	<b>(67)</b>
Income tax	(45)	(37)	22
<b>NET INCOME</b>	<b>36</b>	<b>211</b>	<b>(83)</b>

Weighted average exchange rates for the currencies of the countries included in the Other countries segment, and which do not report in euro, are summarized in the table.

<b>EXCHANGE RATES</b>	2006	2005
<b>Per 1 EUR</b>		
Czech Republic Krona (CZK)	28.259	29.590
Hungarian Forint (HUF)	264.268	248.020
New Taiwan Dollar (NTD)	41.250	39.760
Polish Zloty (PLN)	3.896	3.860
Rin Min Bi Yuan (CNY)	10.008	10.100
Slovakian Koruna (SKK)	37.005	38.640

Please note that the Other countries segment is accounted for in the financial statements in euro, but the operating results for the individual country units within Other countries are accounted for, and discussed, in terms of the local currencies of those country units.

# A VIEW ON PENSIONS

Alex Wynaendts, member of AEGON's Executive Board, and Francis McGee, Head of Corporate Affairs AEGON UK, talk about the opportunities opening up in pensions, while three people in Hungary, the United States and the Netherlands, give a personal perspective on how their retirement needs are changing.



**Francis McGee**  
HEAD OF CORPORATE AFFAIRS  
AEGON UK

"Governments across Europe are subject to the same pressures... but they are responding to these pressures in different ways."



**Edit Rózsa**  
BANK PROJECT MANAGER  
HUNGARY

"When my parents were young, they didn't have any choice. Things are different for me."



**Catherine Collinson**  
PENSION PLANNER  
UNITED STATES

"Coping with the unfortunate infirmities of old age can be phenomenally expensive."



**Jeroen van den Biggelaar**  
ENTREPRENEUR  
THE NETHERLANDS

"Most of the money I have goes straight into my business. Just now, I don't have too much time or spare cash to think about starting anything for myself."

# “We have a growth story

Last year, AEGON unveiled an ambitious strategy for growth. A key part of that strategy is to expand its worldwide pension business. Executive Board member Alex Wynaendts talks about the strategy and how he expects it will strengthen the company's position as one of the world's leading pension providers.

**WHAT IS HAPPENING IN THE PENSION BUSINESS THAT CONVINCES AEGON THAT THIS PRESENTS SUCH A SIGNIFICANT GROWTH OPPORTUNITY? WHERE EXACTLY IS THE GROWTH GOING TO COME FROM?**

“There are a number of factors that come into this. First, of course, people are living longer. Second, you have governments that, increasingly, are unable to support what were once very generous state pension systems. That means individuals are being asked to take on more responsibility for funding their own retirement. It also means the private sector has the opportunity to step into the space left by the state. Over the next several years, trillions of dollars in accumulated assets will be entering the pension market. In the United States alone, the figure is estimated to be USD 6 trillion by 2012. These are staggering numbers - and a wonderful opportunity for us at AEGON. We are already one of the leading players in the pension business. We know pensions. Pensions are at the core of what we do.”

**ALL FINANCIAL MARKETS ARE SUBJECT TO RAPID CHANGE. THE PENSIONS MARKET IS NO EXCEPTION. IN FACT, THE ATTITUDE OF A LOT OF COMPANIES AROUND THE WORLD IS CHANGING VERY QUICKLY. WHAT ARE THE IMPLICATIONS OF THAT FOR AEGON'S STRATEGY? HOW IS AEGON MEETING THESE CHANGING REQUIREMENTS?**

“You're right to say the market is changing. Pensions are becoming increasingly international. And, to respond sufficiently, we must also become increasingly international in our approach.

These days, companies may have subsidiaries dotted all over the globe. They need to know exactly what their pension liabilities are and where they are. That is why we established the AEGON Pension Network with our French partner La Mondiale - specifically to deal with the changing requirements of our multi-national customers. Now it's clear that we were ahead of the curve.

APN is going to become more and more important to us, as we focus on the global pension opportunity.

**“WE ARE ALREADY ONE OF THE LEADING PLAYERS IN THE PENSION BUSINESS. WE KNOW PENSIONS. PENSIONS ARE AT THE CORE OF WHAT WE DO.”**

The fact remains that there is no single market for pensions. There are now 27 countries in the European Union with 27 different pension regimes. We don't have a 'one size fits all' situation by any means. Even though demand is becoming more international, the market for pension products is still a local one.

So, we need to come up with international solutions for companies that are now looking beyond national borders in pretty much everything they do. But, at the same time, these solutions must be based on excellent, market-leading local products - and I emphasize 'local'. When we say we provide 'domestic solutions within a global framework', this is precisely what we mean.”

**WE READ A LOT ABOUT THE 'BABY-BOOMER' GENERATION THAT IS NOW HEADING INTO RETIREMENT. WHAT DIFFERENCE WILL THIS MAKE TO THE PENSION MARKET?**

“It will make a significant difference. Until now, the primary focus has been on asset accumulation only - making sure you were saving enough to finance your retirement. Now, the emphasis is shifting to both accumulation and 'dissaving' - managing your accumulated assets for a long period of retirement and having to take into account any number of different contingencies.

to tell...”

Alexander R. Wynaendts

MEMBER OF THE  
EXECUTIVE BOARD

“There are significant  
opportunities opening  
up for AEGON.”





“The growth we’re seeing in pension markets around the globe fits perfectly with what we’re doing to expand our international operations.”





Alexander R. Wynaendts

CONTINUATION

Because of this 'baby-boomer' phenomenon, there are millions of people retiring or coming up for retirement. By and large, they have more money than previous generations had. But they are living longer and they are having to manage their assets for a longer period of time. They need to know they will have enough to live comfortably, pay their medical bills and meet the costs of long-term care, for instance.

This is an important focus for AEGON and will continue to be so. We have the products to cater to this expanding market and the good news is, of course, we already have a sizable pool of customers who are looking for the right products and the right solutions for their retirements. Keep in mind, insurance companies have the expertise with providing long-term guarantees to products that serve the long-term needs of their customers.

**IN THE PAST FEW MONTHS, AEGON HAS ANNOUNCED A NUMBER OF NEW PARTNERSHIPS AND JOINT VENTURES OUTSIDE ITS ESTABLISHED MARKETS? HOW DOES THIS GROWING PENSION OPPORTUNITY FIT IN WITH WHAT AEGON IS DOING TO EXPAND ITS INTERNATIONAL PRESENCE?**

"We have a growth story to tell. And pensions are part of that. There are significant opportunities opening up for AEGON, not just in pensions, but also in bancassurance and in extending our international presence. We want to take advantage of those opportunities.

It's true that we have recently secured a number of new partnerships and joint ventures that will extend AEGON's international reach. We now have more than 40 million customers in over twenty countries around the world. But, to be clear, AEGON is not interested in just planting flags on a map. We set ourselves very clear objectives and we meet those objectives. We focus on high-growth markets where we can build up a leading position. In Asia, for example, we are now present in four countries -Japan, China, Taiwan and India.

The growth we're seeing in pension markets around the globe fits perfectly with what we're doing to expand our international operations. This past year, our pension business in Central and Eastern Europe showed very strong growth. We bought one of Poland's largest pension fund management companies. And, in January, we signed a partnership with Banca Transilvania in Romania precisely because that country is in the process of reforming its pension system. This further builds on our growing presence in the region and demonstrates how we can use our experience in one market to capitalize on opportunities in another.

**"OVER THE NEXT SEVERAL YEARS, TRILLIONS OF DOLLARS WILL BE ENTERING THE PENSION MARKET... A WONDERFUL OPPORTUNITY FOR AEGON."**

In virtually every market around the world, there is a growing demand for pensions - even in countries that have younger populations, like those in Central and Eastern Europe and parts of Asia outside Japan. These are markets that are still relatively under-insured and therefore promise significant growth in the coming years. China is perhaps the best example. Everyone is aware of the potential of the Chinese market which will soon become the fourth largest market for insurance in the world. AEGON has been steadily expanding its presence throughout the country's fast-growing and prosperous coastal provinces.

Having the chance to serve the significant populations of these emerging markets is a very exciting prospect for us. In all these markets, there are significant opportunities opening up for AEGON and this is something that we believe is important not only for our businesses but for our investors, our employees and, ultimately, our customers."

Francis  
McGee

HEAD OF  
CORPORATE AFFAIRS  
AEGON UK

# “There is a trend tow

“Governments across Europe are subject to the same pressures... but (they) are responding to these pressures in different ways.”



# ard reform...”



Pension reform has been a hot topic for governments across Europe for many years. Francis McGee, Head of Corporate Affairs for AEGON UK, talks about the progress that has been made, what obstacles to change remain - and what it all means for AEGON.

**PRESSURE HAS BEEN GROWING ON EUROPEAN GOVERNMENTS TO REFORM THEIR PENSION SYSTEMS. HOW ARE THEY RESPONDING?**

“Governments across Europe are subject to the same pressures - aging populations, rising pension costs, higher dependency ratios and so on. Since 1990, life expectancy for men and women in the European Union has risen by almost two years. At the same time, birth rates are falling and young people are waiting longer before entering the labor market. But governments are responding to these pressures in different ways because of a mix of political, cultural and social reasons. Different countries have different sensitivities. In one, it may be tax. In another, the Netherlands, for example, the issue of pension portability - being able to move a pension plan from one country to another - is one that has gained a lot of attention, and with increasing urgency. In the United Kingdom, there is a move towards more means-testing - making sure those at the lower end of the income ladder receive the support they need. So, responses vary. What you can say is that, across the whole of Europe, there is a clear trend toward reform. Still, the pace of that reform is not necessarily even. It's not the same in every country and the models you're ending up with in individual countries are, of course, different as well.”

**“THE BEAUTY OF AEGON, OF COURSE, IS THAT, WHILE THERE ARE DIFFERENCES BETWEEN MARKETS, YOU CAN LEARN FROM WHAT OTHER COUNTRIES ARE DOING.”**

**IT'S A TIME OF SIGNIFICANT CHANGE AND FLUIDITY IN THE PENSIONS BUSINESS IN EUROPE. HOW DOES AEGON ADJUST TO THAT?**

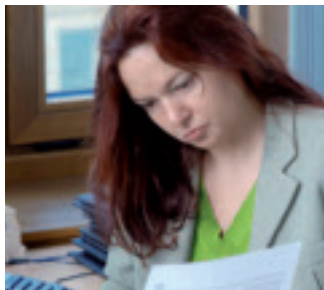
“Pensions are part of our core business - and a part that will grow rapidly in the coming years, precisely because of the changes we've been talking about. We have to ensure that we understand what is going on in each of the countries in which we have operations.

We have to know how our products will serve our markets, how they can be made relevant to our customers' requirements and where they will have the most value. The beauty of AEGON, of course, is that, while there are differences between markets, you can learn from what other countries are doing. That's the advantage of being a global operation. One example is the 'Five-for-Life' product which has just been rolled out in the United Kingdom. This is a product that has proven very successful in the United States. As it turned out, tailoring it for the UK market was much simpler than expected.”

**“WHEN WE SIT DOWN AND TALK WITH GOVERNMENTS ABOUT PENSION REFORM, WE ARE CONSTANTLY MAKING THE CASE FOR LONG-TERM, PROGRESSIVE REFORM.”**

**WITH PENSION REFORM SO HIGH UP ON THE POLITICAL AGENDA, TO WHAT EXTENT CAN AEGON REALLY INFLUENCE THE WAY POLITICIANS ARE THINKING ABOUT THIS ISSUE?**

“Insurance is a long-term business. We have to think long term. So, this is important for us - we need stability in regulations. We've stepped up our public policy work in the United Kingdom, we've opened up a new office in Brussels and our public policy unit in the United States has never been so busy. When we sit down and talk with governments about pension reform, we are constantly making the case for long-term, progressive reform. We try to explain to governments what is actually happening in people's lives. I think we and politicians are, in a sense, grappling with the same issue: aging populations and how, over the long term, to finance pension systems. We can work together. AEGON has a long history in this field, an enormous amount of expertise that politicians can rely on. At the end of the day, this is a collaborative effort. We both have an interest in getting it right.”



“We have gre

Edit Rózsa was only 14 when Hungary's communist regime collapsed. Eighteen years on, she says reform of her country's pension system is opening up opportunities that her parents never had.

“My parents are getting older. My mother is now 56 and my father 57. They would like to retire in five years or so.

When they were young, they didn't have any choice. They had to pay into the state pension. That was the system - there weren't any private pensions. As it stands, my father will get an average of his past five years' earnings - that's how the state system works now. That's not so good. It would mean a decline in his living standards.

What I'd really like, you know, when I retire, is a big family. Lots of grandchildren, and a big house with a garden. But, of course, that's still a long way off.”

**AEGON:**

*In recent years, AEGON has been steadily expanding its presence in Central and Eastern Europe. The company now has operations in five countries - Hungary, Poland, the Czech Republic, Slovakia and Romania, all now members of the European Union.*

*Eighteen years after the collapse of communism, demand for private pensions is growing as the region's wealth increases and more people are able to save for retirement. Important, too, has been the changeover to mandatory private pension contributions. In Hungary, Poland and Slovakia, mandatory systems have already been introduced. Romania will make the introduction in early 2008.*

*“This is a region where we expect strong growth in the years ahead,” says AEGON Executive Board member Alex Wynaendts. “Joining the European Union is a significant step - it makes the environment more business friendly. And, of course, these are countries where the penetration of pensions and life insurance products is still relatively low. This region represents a great opportunity for us.”*

“WHAT I'D REALLY LIKE, WHEN I RETIRE, IS A BIG FAMILY. LOTS OF GRANDCHILDREN AND A BIG HOUSE WITH A GARDEN. BUT, OF COURSE, THAT'S STILL A LONG WAY OFF.”

But the fact is, you never know what might happen. My parents still have some time before they retire. There have been so many changes, I can't say what they'll receive in the end.

“I OWN MY OWN APARTMENT, WITH MY FIANCÉ, IN BUDAPEST - I'M NOT BADLY PAID, SO I CAN AFFORD TO SAVE A LITTLE.”

Things are different for me, of course. We have much greater choice now. We can put some of our money aside. That makes me more confident about the future. I'm a project manager at a bank. I work with a lot of international companies. I own my own apartment, with my fiancé, in Budapest - I'm not badly paid, so I can afford to save a little.

ater choice now...”

Edit Rózsa

BANK PROJECT MANAGER  
HUNGARY

“When my parents were young,  
they didn't have any choice.  
Things are different for me.”

Catherine  
Collinson

PENSION PLANNER  
UNITED STATES

# “It shows what can



“Coping with the  
unfortunate infirmities  
of old age can be  
phenomenally expensive.”

# be achieved...”



Four years ago, Catherine Collinson's grandmother suffered a severe stroke. She survived, but had to give up her apartment and move into an assisted living facility in Sacramento, California. Fortunately, Ms. Collinson's grandmother, now 96 years old, made the decision a long time ago to save for the future. Now she can afford the care she needs.

"My grandparents' formative years were during the 1920's and the Great Depression. Money was obviously extremely tight and that taught them enormous discipline. Even growing up, I remember debt was not a word they would ever entertain. They started out at zero, but they always lived within their means and saved what they could.

Together, they made some very good investment decisions. They set up a plan for managing their retirement. They bought an annuity, some life insurance and took out other investments.

When Grandpa passed away about seven years ago, Grandma took the very tough decision to sell their home and move into a smaller apartment. Now, she's able to live off the proceeds of their investments and from the sale of the house. In the end, she's managing to live reasonably well.

**"TOGETHER, MY GRANDPARENTS MADE SOME VERY GOOD INVESTMENT DECISIONS... THEY SET UP A PLAN FOR MANAGING THEIR RETIREMENT."**

You know, coping with the unfortunate infirmities of old age can be phenomenally expensive. Often, people don't understand that. Assisted living places in and around the major cities in California can easily cost over USD 5,000 a month. Grandma is fortunate, but she's also been prudent.

This whole experience has given me a new perspective on my work in pensions! It's hard when you're young to comprehend the potential growth of your savings if you start early and maintain a certain discipline. But what Grandma has now shows what can be achieved."

**"THIS WHOLE EXPERIENCE HAS GIVEN ME A NEW PERSPECTIVE ON MY WORK IN PENSIONS. WHAT GRANDMA HAS NOW SHOWS WHAT CAN BE ACHIEVED."**

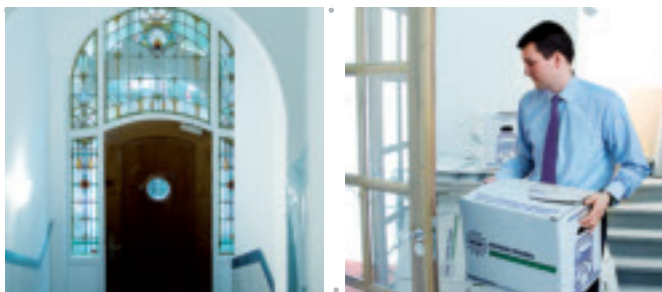
**AEGON:**

*People in the developed world are living longer than ever before. At the beginning of the last century, women in the United States lived on average less than 50 years. Now, life expectancy is more than 80<sup>2</sup>. There are similar trends in both Europe and Japan. As a result, more people are having to manage their retirement assets for longer periods than in the past.*

*Aging populations are bringing about a fundamental shift in the pension market from savings and asset accumulation to 'dissaving' and financial management. Through Transamerica Retirement Management, a new business unit launched in the United States in 2006, AEGON is providing customers with flexible, tailored products and services that help them manage their assets and ensure they meet the ever-rising costs of retirement.*

<sup>1</sup> Catherine Collinson works as a Strategic Planner for Transamerica Retirement Services in Los Angeles. Transamerica Retirement Services is an AEGON company.

<sup>2</sup> Source: US National Center for Health Statistics



# “It’s a question

Jeroen van den Biggelaar is Managing Partner at the De Bas Groep, a fast-growing legal advice and research firm in Amsterdam. At the age of 37, he is still young and right now has priorities other than planning for his retirement.

“I suppose I haven’t really thought too much about a pension for myself. I’m still fairly young - only 37. And I’m still ambitious.

Most of the money I have goes straight into my business. It’s an important time for us. We’re a small company, but we’re growing pretty quickly. Just now, I don’t have too much time or spare cash to think about starting anything for myself.

**“IF I’M HONEST, I KNOW THAT  
WHAT I HAVE AT THE MOMENT WON’T  
BE ENOUGH FOR WHEN I RETIRE.”**

For the moment, I’m not that worried. Retirement seems a long way off. I just wish there was a pension that allowed business people like me to pay a little less in the first few years and then more later on when there’s more money available.

**“I SUPPOSE I HAVEN’T REALLY THOUGHT  
TOO MUCH ABOUT A PENSION FOR MYSELF.  
I’M STILL FAIRLY YOUNG - AND I’M STILL  
AMBITIOUS.”**

If I’m honest, I know that what I have at the moment won’t be enough for when I retire. I have two young children and, naturally, I would like to guarantee my family a certain standard of living when I stop work. It’s a question of priorities. And mine now is growing my business. Maybe later there’ll be time to save. “

**AEGON:**

*AEGON strives to provide financial products that address its customers’ changing needs and circumstances. Like Jeroen, many people need flexibility - a pension plan that enables them to lead their lives in the way they want and still be able to save enough money for when they retire.*

*In all its markets, AEGON offers pension plans that allow customers to choose the level of their contributions and the extent of the coverage for themselves and their families. In the Netherlands, AEGON offers the ‘Pensioen Pakket’ - a package of products that gives individuals the choice of how much they want to contribute each month and a range of payout and coverage options. AEGON is the Dutch market’s second largest pension provider.*

*In providing flexible pension plans that can be tailored to different and evolving needs, AEGON is helping millions of customers around the world meet their financial responsibilities and face the future with confidence.*



of priorities...”

Jeroen  
van den Biggelaar

ENTREPRENEUR  
THE NETHERLANDS

“Most of the money I have goes straight into my business. Just now, I don't have too much time or spare cash to think about starting anything for myself.”



## MANAGEMENT BOARD

*From left to right*

**Joseph B.M Streppel**

**Donald J. Shepard**

**Johan G. van der Werf**

**Alexander R. Wynaendts**

**Patrick S. Baird**

**Otto Thoresen**



In November, the formation of the AEGON Management Board was announced, as a way to further maximize the opportunities AEGON sees for its businesses internationally.

In addition to the Executive Board members Don Shephard (CEO), Jos Streppel (CFO) and Alex Wynaendts, the Management Board also includes the leaders of AEGON's major country units: Pat Baird, President and CEO of AEGON USA, Otto Thoresen, CEO of AEGON UK, and Johan van der Werf, CEO of AEGON The Netherlands. The Executive Board will continue its role as the statutory governing body of AEGON N.V.

The Management Board will work to identify business opportunities consistent with AEGON's international growth strategy. The formation of the Management Board, reflects the clear and increasing need for closer cooperation between country and business units, the importance of coordinating global initiatives and leveraging AEGON's broad expertise.

#### **DONALD J. SHEPARD - CHAIRMAN EXECUTIVE BOARD**

(1946, American nationality) began his career with Life Investors, Inc., an insurance holding company, in 1970. Serving in various management and executive functions with Life Investors, he became executive vice-president and chief operating officer in 1985, a position he held until AEGON consolidated its other United States operations with Life Investors to form AEGON USA in 1989, whereupon Mr. Shepard became president and CEO. In 1992, Mr. Shepard became a member of the Executive Board of AEGON N.V. and in April 2002 he was appointed chairman. He currently serves as a member of the Boards of Directors of the Mercantile Bankshares Corporation and the CSX Corporation.

#### **JOSEPH B.M. STREPPPEL - CFO, MEMBER EXECUTIVE BOARD**

(1949, Dutch nationality) began his career in 1973 at one of AEGON's predecessors occupying several treasury and investment positions. In 1986, he became CFO of FGH BANK and in 1987 he joined the Executive Board of FGH BANK. In 1991, he became chairman and CEO of Labouchère and, in 1995, also chairman of FGH BANK. In 1998 he became CFO of AEGON N.V. In May 2000 he was appointed a member of the Executive Board of AEGON N.V. Mr. Streppel is also a member of the Supervisory Boards of Royal KPN N.V. and Van Lanschot Bankiers N.V.

#### **ALEXANDER R. WYNAENDTS - MEMBER EXECUTIVE BOARD**

(1960, Dutch nationality) began his career with ABN AMRO in 1984 and had several assignments in asset management (Amsterdam) and corporate finance (London). In 1997, he joined AEGON's Group Business Development department and was promoted to executive vice-president and head of Group Business Development in May 1998. In 2003 he was appointed a member of the Executive Board of AEGON N.V.

#### **PATRICK S. BAIRD - PRESIDENT AND CEO AEGON USA**

(1954, American nationality) began his career at AEGON USA in 1976. He served as executive vice-president and chief operating officer, chief financial officer and director of tax and was appointed in March 2002 to his current position as president and CEO of AEGON USA, Inc. He was appointed a member of the Management Board of AEGON N.V., effective January 1, 2007. He is also a member of the Board of Directors of QCR Holdings.

#### **OTTO THORESEN - CEO AEGON UK**

(1956, British nationality) began his career at Scottish Equitable in 1978. After qualifying as an actuary he served as marketing manager until leaving Scottish Equitable in 1988 to follow senior roles with Abbey Life and Royal Insurance before returning to AEGON UK in 1994 as development director. He was appointed finance director in 2002 and then became CEO of AEGON UK in 2005. He was appointed a member of the Management Board of AEGON N.V., effective January 1, 2007.

#### **JOHAN G. VAN DER WERF - CEO AEGON THE NETHERLANDS**

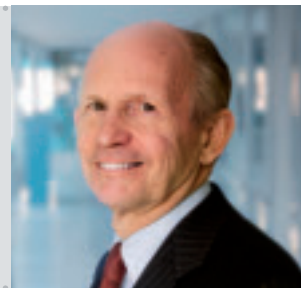
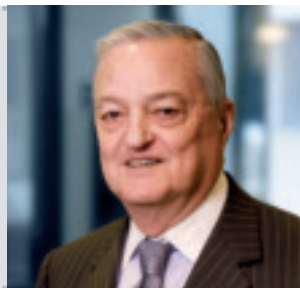
(1952, Dutch nationality) began his career in 1973 as an officer in the Merchant Marine. In 1982 he joined one of the predecessors of AEGON as a sales manager. From 1987 to 1992 he was chairman of the Management Board of Spaarbeleg and, in 1992, he became a member of the Management Board of AEGON The Netherlands. In April 2002, he was appointed CEO of AEGON The Netherlands and a member of the Executive Board of AEGON N.V. Mr. Van der Werf stepped down from the Executive Board when he was appointed to the Management Board of AEGON N.V., effective January 1, 2007.

Governance and compliance

## SUPERVISORY BOARD

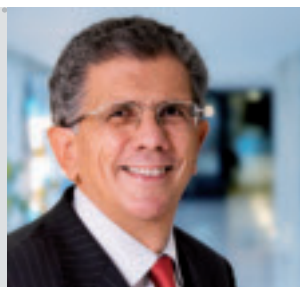
The Supervisory Board Members  
From left to right

**Dudley G. Eustace**  
**O. John Olcay**  
**Irving W. Bailey II**



The Supervisory Board Members  
From left to right

**René Dahan**  
**Shemaya Levy**  
**Toni Rembe**



The Supervisory Board Members  
From left to right

**Willem F.C. Stevens**  
**Kees J. Storm**  
**Leo M. van Wijk**



The supervision of the management of the Executive Board and of the company's business and general course of affairs is entrusted to the Supervisory Board, acting as a body with collective responsibility and accountability. The Supervisory Board also assists the Executive Board by giving advice.

In performing their duties, the Supervisory Board members shall act in accordance with the interests of the company and its business. The members of the Supervisory Board are appointed by the General Meeting of Shareholders upon nomination by the Supervisory Board. The Supervisory Board currently consists of nine non-executive members, one of whom is a former member of the Executive Board.

Specific issues are prepared and dealt with in committees comprising members of the Supervisory Board. In view of a balanced composition of the Supervisory Board a profile has been drawn up outlining the required qualifications of its members. The remuneration of the members of the Supervisory Board is determined by the General Meeting of Shareholders.

### AUDIT COMMITTEE

Shemaya Levy, chairman  
Toni Rembe, member  
Willem F.C. Stevens, member  
Irving W. Bailey II, member

### COMPENSATION COMMITTEE

René Dahan, chairman  
Willem F.C. Stevens, member  
Leo M. van Wijk, member

### NOMINATING COMMITTEE

Dudley G. Eustace, chairman  
René Dahan, member  
O. John Olcay, member

### STRATEGY COMMITTEE

Dudley G. Eustace, chairman  
Irving W. Bailey II, member  
O. John Olcay, member  
Kees J. Storm, member

#### **DUDLEY G. EUSTACE, CHAIRMAN**

(1936, dual citizenship British and Canadian) is a retired chairman of Smith & Nephew PLC (London, UK) and a retired vice-chairman of Royal Philips Electronics N.V. He was appointed to AEGON's Supervisory Board in 1997 and his current term will end in 2009. He is also a member of the Supervisory Board of Royal KPN N.V., the Supervisory Board of Hagemeyer N.V., the European Advisory Council for Rothschilds, the Council of the University of Surrey and chairman of the Supervisory Board of VNU N.V. He is currently chairman of the Supervisory Board Nominating and Strategy Committees.

#### **O. JOHN OLCAY, VICE-CHAIRMAN**

(1936, American nationality) is vice-chairman and managing director of Fischer, Francis, Trees and Watts, Inc. (New York, USA). He was appointed to AEGON's Supervisory Board in 1993 and his current term will end in 2008. He is also chairman of FFTW Funds Inc. in New York (USA), FFTW Funds Selection in Luxembourg and FFTW Funds in Dublin (Ireland). He is currently a member of the Supervisory Board Nominating and Strategy Committees.

#### **IRVING (IRV) W. BAILEY II**

(1941, American nationality) is a senior advisor to Chrysalis Ventures. He is a retired chairman and CEO of Providian Corp., a former managing director of Chrysalis Ventures, and a former chairman of the Board of Directors of AEGON USA Inc. He was appointed to AEGON's Supervisory Board in 2004 and his current term will end in 2008. He is also a member of the Board of Directors of Computer Sciences Corp. and Hospira, Inc. He is currently a member of the Supervisory Board Audit and Strategy Committees.

#### **RENÉ DAHAN**

(1941, Dutch nationality) is a retired executive vice-president and director of Exxon Corporation. He was appointed to AEGON's Supervisory Board in 2004 and his current term will end in 2008. He is also chairman of the Supervisory Board of Royal Ahold N.V., a member of the Supervisory Board of TNT N.V. and a member of the International Advisory Board of the Guggenheim Group. He is currently chairman of the Supervisory Board Compensation Committee and a member of the Nominating Committee.

#### **SHEMAYA LEVY**

(1947, French nationality) is a retired executive vice-president and CFO of the Renault Group. He was appointed to AEGON's Supervisory Board in 2005 and his current term will end in 2009. He is also a non-executive director of Nissan Motor Cy, Renault Spain and the Safran Group, and a member of the Supervisory Boards of the Segula Technologies Group and TNT N.V. He is currently chairman of the Supervisory Board Audit Committee.

#### **TONI REMBE**

(1936, American nationality) is a retired partner/senior advisor of Pillsbury Winthrop LLP (San Francisco, USA). She was appointed to AEGON's Supervisory Board in 2000 and her current term will end in 2008. She is also a member of the Board of Directors of AT&T, Inc. (USA). She is currently a member of the Supervisory Board Audit Committee.

#### **WILLEM F.C. STEVENS**

(1938, Dutch nationality) is a retired partner of Baker & McKenzie and was a senator in the Dutch Parliament until June 2003. He was appointed to AEGON's Supervisory Board in 1997 and his current term will end in 2009. He 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. He is currently a member of the Supervisory Board Audit and Compensation Committees.

#### **KORNELIS (KEES) J. STORM**

(1942, Dutch nationality) is a former chairman of the Executive Board of AEGON N.V. He was appointed to AEGON's Supervisory Board in 2002 and his current term will end in 2010. He is also chairman of the Supervisory Board of KLM Royal Dutch Airlines N.V., a non-executive director of Unilever N.V. of Rotterdam and Unilever PLC of London, a member of the Supervisory Board of Pon Holdings B.V. and a member of the Board of Directors of InBev S.A. (Leuven, Belgium) and Baxter International Inc. (USA). He is currently a member of the Supervisory Board Strategy Committee.

#### **LEO M. VAN WIJK**

(1946, Dutch nationality) is president and CEO of KLM Royal Dutch Airlines N.V. and vice-chairman of Air France-KLM S.A. He was appointed to AEGON's Supervisory Board in 2003 and his current term will end in 2007. He is also a member of the Supervisory Boards of Randstad Holding N.V. and Martinair, and a member of the Board of Directors of Northwest Airlines. He is currently a member of the Supervisory Board Compensation Committee.

# REMUNERATION POLICY AND REPORT

The Compensation Committee, one of the Supervisory Board's four committees, is responsible for the design, development, implementation, and review of the Remuneration Policy. This policy outlines the terms and conditions of Executive Board member employment and remuneration of Supervisory Board members. The Compensation Committee comprises three members: Messrs. Dahan (chairman), Stevens and Van Wijk.

Each year, the Compensation Committee reviews the adequacy of the Remuneration Policy, based on information from an independent external advisor (Towers Perrin). Subsequently, it makes recommendations to the Supervisory Board. Any material changes to the Remuneration Policy are submitted to the General Meeting of Shareholders (AGM) for adoption.

This section details the Remuneration Policy for the period 2004- 2006 and the Executive and Supervisory Board Remuneration Report for the year ended December 31, 2006.

## REMUNERATION POLICY

### SUPERVISORY BOARD REMUNERATION

The remuneration of the members of the Supervisory Board is made up of three separate components, each of fixed amounts.

#### Base fee

per annum, for membership of the Supervisory Board, in EUR

Chairman	60,000
Vice-chairman	50,000
Member	40,000

#### Fee

per annum, for membership of a committee, in EUR

Audit Committee chairman	10,000
Member	8,000
Other Committees chairman	7,000
Member	5,000

#### Attendance fee

per meeting, in EUR, for face-to-face meetings of the committees (i.e. committee members have attended the meeting in person)

Audit Committee	3,000
Other Committees	1,250 <sup>1</sup>

<sup>1</sup> In case of intercontinental travel this fee will be EUR 2,500 per face-to-face meeting.

Supervisory Board members do not receive any performance or equity related compensation and do not accrue any pension rights with AEGON.

## STI PLAN BONUS (% OF BASE SALARY)

	Actual OE equals target OE	Actual OE equals or is higher than 150% of target OE (maximum STI Plan bonus)
Shepard	118 %	189 %
Streppel	50 %	80 %
Van der Werf	80 %	125 %
Wynaendts	80 %	125 %

## EXECUTIVE BOARD REMUNERATION

### AIMS AND OBJECTIVES

This policy aims at enhancing simplicity, transparency and credibility of Executive Board remuneration. The objectives of this Remuneration Policy may be summarized as follows:

- The remuneration structure should enable the company to attract and retain highly qualified, expert members for its Executive Board by providing well-balanced and performance-related remuneration.
- The structure should ensure the interests of Executive Board members are closely aligned with those of shareholders by linking Executive Board remuneration directly to company performance.
- Target Total Compensation for Executive Board members should be based on market standards for executives from selected peer companies and should consist of a fixed component and a variable component. Actual Variable Compensation will be based on company performance.

### POLICY TERM

This Remuneration Policy took effect on January 1, 2004, for a three-year term. The AGM approved an extension of the existing Remuneration Policy until the AGM in 2007. A proposal for a new policy will be submitted to shareholders for adoption at the 2007 AGM and will, upon adoption, take effect retrospectively as from January 1, 2007.

### TERM OF APPOINTMENT

New members of the Executive Board will be appointed for a period of four years and may then be reappointed for successive periods of four years.

### REMUNERATION COMPONENTS

The remuneration of Executive Board members comprises the following components: (1) fixed compensation (base salary) and variable compensation in the form of (2) a short-term incentive and (3) a long-term incentive compensation; (4) pension arrangements; (5) perquisites and (6) termination arrangements.

### FIXED COMPENSATION

Levels for fixed compensation (base salary) reflect the requirements and responsibilities of an Executive Board position. The Compensation Committee ensures that these levels are realistic and competitive,

taking into account individual roles and responsibilities of Executive Board members and benchmark information provided by independent external advisors.

Each year, the Compensation Committee reviews remuneration levels, taking into account circumstances that might justify any adjustment, such as fundamental changes in the business environment or in the individual's responsibilities.

### VARIABLE COMPENSATION

The variable part of the remuneration is designed to strengthen the Executive Board members' commitment to the company and its objectives. The greater part of the total remuneration consists of variable compensation linked to previously determined and measurable performance targets.

### SHORT-TERM INCENTIVE PLAN

Members of the Executive Board participate in the Short-term Incentive (STI) Plan, which provides for an annual cash bonus for the achievement of previously determined performance targets. The achievable STI bonus levels relate to the fixed compensation and vary among the members of the Executive Board, reflecting the differences in responsibilities.

Under the STI Plan, a bonus is paid only if a positive value of new business (VNB), as publicly disclosed, is realized. Each member of the Executive Board has been assigned a specific area of responsibility of which the related VNB will be taken into account when determining individual bonus levels.

The amount of the STI Plan bonus will then be determined by the level of achieved operating earnings (OE) relative to the OE target. The STI Plan bonus increases as the actual OE exceeds the target OE; in the event that the actual OE is equal to or higher than 150 percent of the target OE, the STI Plan bonus will be regarded as having reached its maximum value. The OE target is calculated as the rolling three-year average OE, increased by 2.5 percent to reflect inflation.

Provided the VNB of the AEGON Group in the plan year is positive, the members of the Executive Board are eligible for an STI Plan bonus.

VESTING SCHEDULE			
Ranking	Vesting as % of the grant	Ranking	Vesting as % of the grant
1	200	7	75
2	180	8	50
3	160	9	0
4	140	10	0
5	120	11	0
6	100	12	0

If the VNB of the AEGON Group is positive, Messrs. Shepard and Streppel are eligible for 100 percent of their STI Plan bonus, while Messrs. Van der Werf and Wynaendts are eligible for 40 percent of their STI Plan bonus. In the event that the VNB in the areas of their respective responsibilities is also positive, Messrs. Van der Werf and Wynaendts become eligible for the remaining 60 percent of their STI Plan bonus.

Each year, the Compensation Committee reviews the agreed parameters to ensure that they continue to provide the best reference. Independent external advisors, Tillinghast and Ernst & Young, review and confirm relevant data.

Additionally, Mr. Shepard is entitled to a cash bonus equal to 0.1 percent of AEGON's net income for the corresponding year.

#### LONG-TERM INCENTIVE PLAN

The Long-term Incentive (LTI) Plan is designed to focus members of the Executive Board on achieving long-term growth of sustainable value for the company's shareholders. For this purpose, the Plan aims to reward Executive Board members for AEGON's relative total shareholders return (TSR) performance over a three-year period. TSR is defined as the return, in terms of share price appreciation and dividends, to shareholders.

Each year, an LTI grant is determined to serve as a basis for the calculation of the achievable bonus under the LTI Plan. The LTI grant is calculated as a percentage of the compensation of the Executive Board members. The grant is a 50/50 combination of the value of performance shares and performance options. For each year, the value (amount) of the grant is determined, as is the related number of shares and options granted. After three financial years, starting with the grant year, vesting of the granted shares and options is subject to AEGON's TSR performance relative to that of a select peer group. This peer group comprises companies that are comparable in type of business, size, geographical presence, and that are generally recognized as the most appropriate reference group. The reference group consists of Allianz, Aviva, AXA, Fortis, Generali, ING, Lincoln National, Metlife, Nationwide Financial Services, Prudential Financial, and Prudential PLC.

Should AEGON rank nine through twelve within this group (after three years), the granted shares and options will not vest. The granted shares and options will only vest if AEGON achieves a number eight position or better, with an increasing percentage according to the vesting schedule.

Shares granted to Executive Board members under the LTI Plan shall be retained for a period of at least five years from the grant date or at least until the end of the employment if this latter period is shorter. Neither the exercise price nor other conditions regarding the granted share options shall be modified during the term of the options, except in the case that such modification is prompted by structural changes in the company or its shares in accordance with established market practice. Please refer to page 55 to 56 for more information on the shares and share options granted under the LTI Plan.

During the three-year grant period, the TSR data are compiled by the Compensation Committee based on independent external advice. After the grant period, the Compensation Committee will advise the Supervisory Board on the percentage of the LTI grant to be vested. The Compensation Committee will also ensure that the peer group composition and the performance incentive zone continue to provide an appropriate reference.

#### PENSION ARRANGEMENTS

The Remuneration Policy aims to offer Executive Board members pension arrangements that are in line with local practices in their countries of residence and retirement benefits that are consistent with those provided to executive directors of other multinational companies in those countries. Pension arrangements are based on a retirement age of 62, with optional early retirement for the Dutch members at reaching the age of 60.

Mr. Shepard's benefits would be based on 55 percent of his 'final average earnings' calculation (his five highest complete and consecutive calendar years of pensionable earnings). For Messrs. Streppel, Van der Werf and Wynaendts, their benefits would be 70 percent of their final salary, provided they have completed 37 years of service. In addition, the arrangements include entitlements to a pension in the event of disability and a pension



for spouse or dependent in the event of the participant's death. Please refer to page 54 for more information on the costs of the pension arrangements.

#### PERQUISITES

Members of the Executive Board receive other benefits, based on their contractual agreements, local practices, and customary arrangements for executives of multinational companies. Moreover, it is the company's policy not to grant Executive Board members any personal loans, guarantees or the like, unless in the normal course of business and on terms applicable to the personnel as a whole, and only after Supervisory Board approval. No remission of loans shall be granted.

#### TERMINATION OF EMPLOYMENT

Termination of the employment contracts requires a three-month 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 members of the Executive Board would be entitled to a severance arrangement.

Under his employment agreement, Mr. Shepard will 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 years' 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.

Messrs. Van der Werf and Wynaendts would be entitled to three years' fixed salary, only in the case of termination in connection with a merger or take-over.

Employment contracts for any new members of the Executive Board would contain a notice period of three months for the Executive Board member, six months for the company, and termination arrangements would be in line with the Dutch Corporate Governance Code.

## REMUNERATION REPORT 2006

#### SUPERVISORY BOARD REMUNERATION

The compensation arrangement of the Supervisory Board members is reviewed every three years. The last review took place in 2005. The compensation arrangement remained unchanged in 2006.

#### EXECUTIVE BOARD REMUNERATION

##### TERMS OF APPOINTMENT

Messrs. Shepard (2005), Streppel (2005) and Van der Werf (2006) have been reappointed for a four-year term. Mr. Van der Werf however, resigned from the Executive Board as of January 1, 2007, upon his appointment as a member of the Management Board as of that date. Mr. Wynaendts is eligible for reappointment in 2007.

##### TOTAL COMPENSATION

As explained in the plans which are posted on AEGON's website, when performance is at target level, for Mr. Shepard approximately 75 percent of his total compensation is based on variable reward components, while for the other members the variable portion is approximately 50 percent.

Please refer to page 54 for information on the remuneration of members of the Executive Board.

##### FIXED COMPENSATION

Base salaries of the Executive Board members in 2006 are as follows:

BASE SALARY	2006 <sup>1</sup>
Shepard	USD 1,000,000
Streppel	EUR 679,409
Van der Werf	EUR 575,086
Wynaendts	EUR 575,086

<sup>1</sup> For Dutch members the amounts include an increase due to Dutch Central Labor Agreement, the customary employee profit sharing bonus as well as a tax deferred employee savings plan.

### SHORT-TERM INCENTIVE, 2005 PLAN

In line with the regulations of the STI Plan, it was established that the 2005 VNB of the AEGON Group and of the relevant country units was positive, as stated in the 2005 Embedded Value Report. Subsequently, operating earnings (OE) have been compared to the relevant target OE. On this basis and after adoption of the 2005 annual accounts by shareholders, this translated into the following STI bonuses for the 2005 Plan as paid in 2006.

STI BONUSES FOR THE 2005 PLAN <sup>1,2</sup>	OE per area of responsibility (results as % of target)	STI bonus (as % of base pay)	STI amount (in EUR)
Shepard	133	165	1,327,098
Streppel	133	70	474,639
Van der Werf	174	122	697,392
Wynaendts	121	105	602,415

<sup>1</sup> OE per area of responsibility was established as set out in the Remuneration Policy and described in the STI Plan Rules.

<sup>2</sup> The reported STI bonus percentages have been rounded off.

Mr. Shepard also received EUR 2,732,000 in 2006 as an additional bonus related to AEGON's net income over the financial year 2005.

### SHORT-TERM INCENTIVE, 2006 PLAN

The bonuses for the 2006 Plan, as well as Mr. Shepard's additional STI bonus related to AEGON's net income over the financial year 2006, will be calculated and paid in 2007, after adoption of the 2006 annual accounts by shareholders, and be reported in the 2007 Annual Report.

### LONG-TERM INCENTIVE, 2006 PLAN

The LTI grant is determined as a percentage of the fixed compensation of the Executive Board members.

In accordance with the 2006 LTI Plan, non-vested (conditional) AEGON common shares and options have been granted to each of the Executive Board members. Vesting of these rights is conditional upon AEGON's TSR performance relative to that of the peer group over a three-year period.

The date of grant for the 2006 LTI Plan was April 26, 2006 and the closing share price of that day was EUR 14.55. The grant is a 50/50 combination of the value of the performance shares and performance options. Vesting of these rights will take place after three years, in accordance with the aforementioned LTI vesting schedule.

LTI BONUSES FOR THE 2006 PLAN <sup>1</sup>		Target LTI value (% of base pay) in EUR	Number of shares	Number of options
Shepard <sup>2</sup>	95%	762,807	26,213	150,989
Streppel	60%	407,747	13,909	80,115
Van der Werf	60%	342,478	11,769	67,789
Wynaendts	60%	342,478	11,769	67,789

<sup>1</sup> LTI target bonus amounts have been calculated from base salaries as per January 1, 2006.

<sup>2</sup> Calculation example Mr. Shepard:  
 $\text{EUR } 762,807 : 2 = 381,403.50 : \text{EUR } 14.55 = 26,213 \text{ shares.}$

### PENSION ARRANGEMENTS

Mr. Shepard's benefits are based on 55 percent of his 'final average earnings' calculation (his five highest complete and consecutive calendar years of pensionable earnings). For Messrs. Streppel, Van der Werf and Wynaendts, their benefits are 70 percent of their final salary, provided they have completed 37 years of service.

The pension plan for Dutch Executive Board members was reconciled with new regulations in the Netherlands (the so-called VPL law; Wet Vut Prepensioen en Levensloop) as from January 2006.

### OTHER ARRANGEMENTS

Mr. Wynaendts was seconded to AEGON USA for the period from August 2005 to September 2006. In determining the specific provisions of the secondment, AEGON engaged independent external advisors to ensure that the arrangements were in line with customary practices. The Compensation Committee reviewed and approved these provisions.

## AEGON HAS LONG-TERM RESPONSIBILITIES TO THE COMMUNITIES IT SERVES

As a company that provides long-term financial protection and services to individuals, families and institutions in diverse international markets, AEGON also has long-term responsibilities to the communities it serves.

AEGON's 2006 Corporate Responsibility Report, which can be found on [www.aegon.com](http://www.aegon.com), details the specific steps AEGON has been taking to ensure that these principles become an integral part of the way AEGON conducts its business around the world.

AEGON's Code of Conduct provides both management and employees with clear and consistent guidelines to responsible business practices. It defines the company's core values and underlying principles and sets out how AEGON expects its managers, employees and business partners to carry out their work with respect to local laws, customs and industry standards. AEGON believes it is critical the Code of Conduct become a vital and indispensable part of the daily operations of all AEGON's country units. The company also expects employee to come to understand and abide by these basic principles and to put them into practice in their everyday customer and business relationships. To heighten awareness of the Code of Conduct and to ensure it is implemented as effectively as possible, AEGON has put in place an intranet-based training program which was rolled out last year across its business and country units. This additional resource complements existing employee training programs that have long been a part of AEGON's corporate culture.

AEGON's structure, which emphasizes the importance of local businesses within a global framework, is also reflected in the company's approach to issues of corporate responsibility. While AEGON provides the guiding principles for this approach and sets out a Code of Conduct applicable to all company employees, each country and local business unit is empowered to identify and focus on issues specific to their local situations with respect to corporate responsibility.

All country units, however, share common objectives. These include a commitment to providing sound and transparent financial products that add value for customers, working with employees who are

both committed and knowledgeable, and managing the company's businesses to the highest possible standards of integrity and in the best interests of all stakeholders.

Central to AEGON's growth objectives and its efforts to improve its record on corporate responsibility is the firm commitment to transparent products and services. As the company's business evolves in response to changing needs, AEGON welcomes suggestions from its many stakeholders as to how the company can continue to maintain the highest ethical standards in all its activities. For AEGON, the only target that truly matters is the continued confidence and trust of its customers, business partners, employees and shareholders.

### AEGON'S CODE OF CONDUCT PROVIDES BOTH MANAGEMENT AND EMPLOYEES WITH CLEAR AND CONSISTENT GUIDELINES TO RESPONSIBLE BUSINESS PRACTICES

All of AEGON's country units are committed to supporting initiatives to improve consumer awareness on savings, retirement, and protection products.

AEGON UK is heavily involved in the National Strategy for Financial Capability launched by the Financial Services Authority, while AEGON USA is a major contributor to the Life and Health Insurance Foundation for Education (LIFE). Both projects are designed to address the growing need for instruction about life, health, disability, pensions, and long-term care insurance. In the Netherlands, AEGON also has an extensive training program aimed at better preparing salesmen and intermediaries to advise customers on their insurance and savings requirements.

## AEGON'S CORE VALUES

### RESPECT

We treat all our stakeholders as we would want to be treated with consideration for individual and cultural diversity.

### QUALITY

We offer products and services that are designed to improve the futures and financial security of our customers.

### TRANSPARENCY

We provide open, accurate and timely information about our products, performance and financial results.

### TRUST

We build long-term relationships by honoring our commitments.

AEGON and its employees are active members of the communities in which they work and live. AEGON companies make a range of charitable donations and its employees often volunteer time and expertise to a wide variety of local causes. AEGON also donates funds to larger causes. In particular, AEGON is supporting the international fight against cancer, helping fund a program of research into prostate, breast and colon cancer. As part of these programs, money has been donated to the VU Medical Center in Amsterdam, the Erasmus Medical Center in Rotterdam, the Utrecht University Medical Center, the Johns Hopkins Oncology Center in Baltimore, and the Nanjing University in China.

AEGON is determined to build on the achievements of 2006 and further improve its corporate responsibility record in the coming year. Already in 2007, AEGON has signed up to the Carbon Disclosure Project, which encourages companies around the world to be more open about their greenhouse gas emissions. Going forward, AEGON will pursue new, globally coordinated initiatives to reduce energy consumption, set out guidelines for responsible investment and establish minimum corporate responsibility standards for suppliers in all its major procurement centers.

AEGON continues to receive external recognition for its performance in matters of Corporate Responsibility. The company is included in both the Dow Jones Sustainability and FTSE4Good indices, which rank companies according to their ability to manage a variety of economic, social and environmental risks. AEGON's continued inclusion in these indices is tangible evidence of the company's commitment to its core principles of corporate responsibility and a further indication that AEGON may legitimately take its place among the world's leading insurance companies, not only in terms of its size and financial performance but also in terms of sound and responsible management of its businesses.

## AEGON'S STAKEHOLDERS

### CUSTOMERS

AEGON builds long-term relationships with all its customers by delivering products and services designed to improve their financial security, both now and in the future. The company ensures its customers have clear, accurate and timely information, allowing them to choose the right products and services for their evolving needs. AEGON shows its customers respect by honoring its commitments to them, by soliciting their views and, where appropriate, acting upon them.

### SHAREHOLDERS

AEGON works hard to create sustainable financial returns for its shareholders, while making sure the company also respects its core values and the concerns of all its other stakeholders. Open, accurate and timely financial communication allows shareholders to make informed decisions regarding their investments in the company.

### EMPLOYEES

AEGON provides its employees with the incentives they need to translate the company's core values of respect, quality, transparency and trust into practice. AEGON encourages a culture in which employees are committed to working together. Training is a high priority for AEGON and the company provides formal skills and development training for employees at all levels.

### BUSINESS PARTNERS

AEGON builds lasting relationships with business partners who share its basic core values. Together, AEGON and its partners work to provide quality products and services. At all times, AEGON strives to communicate openly and accurately and expects its business partners to do the same.

### COMMUNITIES

AEGON endeavors to establish long-term relationships within the communities in which it operates. Through employment and the opportunities AEGON provides for personal development, as well as through respect for the local environment, AEGON hopes to enrich the communities in which its employees live and work.

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# FINANCIAL INFORMATION

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# CONSOLIDATED BALANCE SHEET OF AEGON GROUP

## AS AT DECEMBER 31, 2006

Amounts in EUR million	2006	2005
<b>ASSETS</b>		
Intangible assets	4,338	4,678
Investments	136,131	146,075
Investments for account of policyholders	135,537	127,547
Derivatives	1,883	2,295
Investments in associates	478	542
Reinsurance assets	3,970	4,125
Defined benefit assets	398	409
Deferred tax assets	3	83
Deferred expenses and rebates	11,458	11,348
Other assets and receivables	7,473	6,806
Cash and cash equivalents	13,144	7,307
<b>TOTAL ASSETS</b>	<b>314,813</b>	<b>311,215</b>
<b>EQUITY AND LIABILITIES</b>		
Shareholders' equity	19,137	19,276
Other equity instruments	4,032	3,379
<b>ISSUED CAPITAL AND RESERVES ATTRIBUTABLE TO EQUITY HOLDERS OF AEGON N.V.</b>	<b>23,169</b>	<b>22,655</b>
Minority interest	16	15
<b>GROUP EQUITY</b>	<b>23,185</b>	<b>22,670</b>
Trust pass-through securities	123	437
Subordinated borrowings	34	284
Insurance contracts	88,428	95,690
Insurance contracts for account of policyholders	72,194	70,280
Investment contracts	36,618	38,842
Investment contracts for account of policyholders	64,097	58,724
Derivatives	1,788	2,202
Borrowings	4,991	5,532
Provisions	262	253
Defined benefit liabilities	2,040	2,015
Deferred revenue liabilities	43	84
Deferred tax liabilities	2,843	2,911
Other liabilities	17,734	10,733
Accruals	433	558
<b>TOTAL LIABILITIES</b>	<b>291,628</b>	<b>288,545</b>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>314,813</b>	<b>311,215</b>

# CONSOLIDATED INCOME STATEMENT OF AEGON GROUP FOR THE YEAR ENDED DECEMBER 31, 2006

Amounts in EUR million (except per share data)	2006	2005	2004
<b>Income</b>			
Premium income	24,570	18,882	18,329
Investment income	10,376	9,937	9,337
Fee and commission income	1,665	1,444	1,303
Other revenues	4	73	331
<b>Total revenues</b>	<b>36,615</b>	<b>30,336</b>	<b>29,300</b>
Income from reinsurance ceded	1,468	1,691	1,548
Net fair value and foreign exchange gains	937	698	206
Net gains on investments for account of policyholders	9,313	11,340	5,873
Net gains on investments	965	1,269	1,290
Other income	11	176	138
<b>TOTAL INCOME</b>	<b>49,309</b>	<b>45,510</b>	<b>38,355</b>
<b>Charges</b>			
Premiums to reinsurers	1,671	1,554	1,563
Policyholder claims and benefits	35,848	33,807	26,984
Profit sharing and rebates	133	171	156
Commissions and expenses	6,085	5,522	5,784
Net fair value and foreign exchange losses	127	385	199
Net losses on investments for account of policyholders	1,174	2	13
Net losses on investments	526	112	87
Impairment charges/(reversals)	24	(14)	183
Interest charges and related fees	362	373	398
Other charges	1	3	218
<b>TOTAL CHARGES</b>	<b>45,951</b>	<b>41,915</b>	<b>35,585</b>
<b>Income before share in profit/(loss) of associates and tax</b>	<b>3,358</b>	<b>3,595</b>	<b>2,770</b>
Share in profit/(loss) of associates	32	20	25
<b>Income before tax</b>	<b>3,390</b>	<b>3,615</b>	<b>2,795</b>
Income tax	(601)	(885)	(537)
<b>Income after tax</b>	<b>2,789</b>	<b>2,730</b>	<b>2,258</b>
Attributable to minority interest	–	2	(2)
<b>NET INCOME ATTRIBUTABLE TO EQUITY HOLDERS OF AEGON N.V.</b>	<b>2,789</b>	<b>2,732</b>	<b>2,256</b>
<b>Earnings and dividends per share</b>			
Basic earnings per share (EUR per share) <sup>1</sup>	1.63	1.63	1.38
Diluted earnings per share (EUR per share) <sup>1</sup>	1.62	1.63	1.38
Dividend per share (EUR per share)	0.55	0.45	0.42

<sup>1</sup> After deduction of preferred dividends and coupons on perpetuals

# CONSOLIDATED CASH FLOW STATEMENT OF AEGON GROUP FOR THE YEAR ENDED DECEMBER 31, 2006<sup>1</sup>

Amounts in EUR million	2006	2005 <sup>1</sup>	2004 <sup>1</sup>
<b>Income before tax</b>	<b>3,390</b>	<b>3,615</b>	<b>2,795</b>
Gains and losses on investments (including foreign exchange differences)	(9,397)	(12,820)	(7,166)
Amortization and depreciation	1,916	1,792	1,957
Impairment losses	33	(2)	279
Income from associates	(32)	(20)	(25)
Other	7	334	(139)
<b>Adjustments of non-cash items</b>	<b>(7,473)</b>	<b>(10,716)</b>	<b>(5,094)</b>
Insurance and investment liabilities	1,993	3,512	4,206
Insurance and investment liabilities for account of policyholders	12,028	13,964	9,447
Accrued income and prepayments	(3,119)	(1,937)	(1,274)
Accrued expenses and other liabilities	2,729	(3,309)	(1,114)
Release of cash flow hedging reserve	(130)	63	(23)
<b>Changes in accruals not reflected in income</b>	<b>13,501</b>	<b>12,293</b>	<b>11,242</b>
Purchase of investments (other than money market investments)	(63,989)	(64,310)	(70,078)
Purchase of derivatives	(1,009)	(76)	(528)
Disposal of investments (other than money market investments)	64,046	61,943	62,819
Disposal of derivatives	855	35	384
Net purchase of investments for account of policyholders	(5,361)	(1,628)	(751)
Net change in cash collateral	5,774	(822)	2,783
Net purchase of money market investments	(1,623)	(57)	(2,386)
<b>Cash flow movements on operating items not reflected in income</b>	<b>(1,307)</b>	<b>(4,915)</b>	<b>(7,757)</b>
Tax paid	(442)	(680)	(296)
Other	185	(683)	(94)
<b>NET CASH FLOWS FROM OPERATING ACTIVITIES</b>	<b>7,854</b>	<b>(1,086)</b>	<b>796</b>

Continuation >



# CONSOLIDATED CASH FLOW STATEMENT OF AEGON GROUP FOR THE YEAR ENDED DECEMBER 31, 2006

> Continuation

Amounts in EUR million	2006	2005	2004
Purchase of individual intangible assets (other than VOBA and future servicing rights)	(10)	(17)	(16)
Purchase of equipment and other material assets	(62)	(80)	(258)
Acquisition of subsidiaries and associates	(143)	(174)	(336)
Disposal of individual intangible assets (other than VOBA and future servicing rights)	1	–	–
Disposal of equipment and other material assets	19	9	29
Disposal of subsidiaries and associates	11	319	5,590
Dividend received from associates	4	3	–
Other	(19)	–	–
<b>NET CASH FLOWS FROM INVESTING ACTIVITIES</b>	<b>(199)</b>	<b>60</b>	<b>5,009</b>
Issuance of share capital	2	2	1
Issuance of perpetuals	638	1,457	1,352
Issuance and purchase of treasury shares	(262)	74	22
Proceeds from TRUPS, subordinated loans and borrowings	1,554	1,038	571
Repayment of perpetuals	–	(950)	–
Repayment of TRUPS, subordinated loans and borrowings	(2,109)	(1,573)	(3,586)
Dividends paid	(471)	(272)	(351)
Coupon on perpetuals	(204)	(192)	(129)
Other	(22)	(2)	1
<b>NET CASH FLOWS FROM FINANCING ACTIVITIES</b>	<b>(874)</b>	<b>(418)</b>	<b>(2,119)</b>
<b>NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS <sup>2</sup></b>	<b>6,781</b>	<b>(1,444)</b>	<b>3,686</b>
Net cash and cash equivalents at the beginning of the year	6,068	6,804	3,563
Effects of changes in exchange rate	(458)	708	(445)
<b>NET CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR</b>	<b>12,391</b>	<b>6,068</b>	<b>6,804</b>

<sup>1</sup> In 2006, AEGON changed its presentation of cash flows from purchases and disposals of financial assets (excluding derivatives and financial assets through profit or loss), investments in real estate and real estate held for own use. The 2005 and 2004 comparatives have been adjusted accordingly.

<sup>2</sup> Included in net increase in cash and cash equivalents are interest received (EUR 9,458 million; 2005: EUR 9,099 million and 2004: EUR 8,180 million), dividends received (EUR 1,192 million; 2005: EUR 870 million and 2004: EUR 796 million) and interest paid (EUR 123 million; 2005: EUR 50 million and 2004: EUR 189 million).

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

## REMUNERATION

## Remuneration of active and retired members of the Executive Board

Amounts in EUR thousands	Short-term benefits				Pension premiums	Total
	Periodic payments		Performance related			
	Salary	Other <sup>3</sup>	Cash <sup>4</sup>	Shares <sup>5</sup>		
<b>2006</b>						
D.J. Shepard	796 <sup>1</sup>	1,219	4,059 <sup>6</sup>	–	277	6,351
J.B.M. Streppel	679 <sup>2</sup>	16	475	–	220	1,390
J.G. van der Werf	575 <sup>2</sup>	13	697	–	186	1,471
A.R. Wynaendts	575 <sup>2</sup>	164	602	–	186	1,527
<b>TOTAL</b>	<b>2,625</b>	<b>1,412</b>	<b>5,833</b>	<b>–</b>	<b>869</b>	<b>10,739</b>
<b>2005</b>						
D.J. Shepard	803 <sup>1</sup>	223	2,998 <sup>6</sup>	–	270	4,294
J.B.M. Streppel	679 <sup>2</sup>	14	469	–	217	1,379
J.G. van der Werf	575 <sup>2</sup>	11	552	–	184	1,322
A.R. Wynaendts	575 <sup>2</sup>	180	568	–	183	1,506
<b>TOTAL</b>	<b>2,632</b>	<b>428</b>	<b>4,587</b>	<b>–</b>	<b>854</b>	<b>8,501</b>
<b>2004</b>						
D.J. Shepard	804 <sup>1</sup>	458	1,878 <sup>6</sup>	188	226	3,554
J.B.M. Streppel	668 <sup>2</sup>	15	144	144	227	1,198
J.G. van der Werf	566 <sup>2</sup>	11	144	144	192	1,057
A.R. Wynaendts	566 <sup>2</sup>	13	102	102	192	975
Total for active members	2,604	497	2,268	578	837	6,784
P. van de Geijn (pro rata for the year 2003)	–	–	241	–	–	241
<b>TOTAL</b>	<b>2,604</b>	<b>497</b>	<b>2,509</b>	<b>578</b>	<b>837</b>	<b>7,025</b>

<sup>1</sup> Mr. Shepard earns a salary of USD 1 million.

<sup>2</sup> Base salary, including adoption in accordance with the general salary rounds applicable to AEGON employees in the Netherlands, the customary employee profit sharing bonus, as well as a tax deferred employee savings scheme.

<sup>3</sup> 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 2006 amount is 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.

<sup>4</sup> In line with the regulations of the Short-Term Incentive (STI) Plan for the years 2005 and 2004, it was established that in 2005 and 2004 the value of new business of the Group and of the relevant country units was positive. Subsequently, operating earnings were calculated and established per area of responsibility. After adoption of the 2004 and 2005 annual accounts by the shareholders, the disclosed STI cash bonuses for the years 2004 and 2005 were paid in 2005 and 2006 respectively. Under the 2003 STI plan, paid in 2004, Mr. Shepard was entitled to receive USD 50,000 per percentage point increase in the preceding year's earnings per share. The other members of the Executive Board were entitled to receive EUR 32,432 per percentage point increase in the preceding year's earnings per share in excess of the rate of European inflation as indicated by the European Central Bank. The relevant percentage was 8.9%. All 2003 bonuses were maximized at 150% of the year's salary. Under the STI plan 2003, Executive Board members could opt for payment in cash or in shares.

<sup>5</sup> In 2004, all members of the Executive Board opted for payment of half of the cash value of their 2003 STI bonus in AEGON N.V. common shares. These shares are restricted (non-transferable) for a period of three years. The number of shares for each member was: Mr. Shepard 16,143; Mr. Streppel 12,409; Mr. Van der Werf 12,409; and Mr. Wynaendts 8,771. After the three-year holding period, the Executive Board members will be entitled to bonus shares, provided that they are still employed by AEGON. The number of bonus shares will be calculated through performance based matching, on the basis of earnings per share growth over inflation in the preceding three years, i.e. 2004, 2005 and 2006. The number of bonus shares varies from 0 to 100% of the number of shares mentioned above.

<sup>6</sup> 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 2006 table is based on net income over 2005 as reported in accordance with IFRS. The amounts included in the 2005 and 2004 tables are based on 2004 and 2003 net income respectively as reported in accordance with Dutch accounting principles.

In accordance with the 2006 LTI Plan, non-vested (conditional) AEGON common shares and options were granted to each of the Executive Board members. Vesting of these rights is conditional upon AEGON's total shareholders return performance relative to that of the peer group over a three-year period. The number of shares and options vesting after the three year period is in the range from 0% to 200% of the granted number. The number of shares and options in the table represent a 100% vesting of the grant (target award).

The date of grant for the 2006 LTI Plan was April 26, 2006 and the closing price of that day was EUR 14.55. The grant is a 50/50 combination of the value of the performance shares and performance options. Regarding the granted shares and options of the reference period 2004-2006 the Executive Board members are entitled to 0% vesting of the target award.

<b>Total overview of conditionally granted shares</b>	<b>Grant date</b>	<b>Number of shares per January 1, 2006</b>	<b>Number of shares granted in 2006</b>	<b>Number of shares vested in 2006</b>	<b>Number of shares expired/forfeited in 2006</b>	<b>Number of shares per December 31, 2006</b>	<b>Reference period</b>
D.J. Shepard	23-Apr-04	35,767				35,767 <sup>1</sup>	2004 – 2006
	22-Apr-05	38,542				38,542	2005 – 2007
	26-Apr-06		26,213			26,213	2006 – 2008
J.B.M. Streppel	23-Apr-04	16,661				16,661 <sup>1</sup>	2004 – 2006
	22-Apr-05	20,169				20,169	2005 – 2007
	26-Apr-06		13,909			13,909	2006 – 2008
J.G. van der Werf	23-Apr-04	14,106				14,106 <sup>1</sup>	2004 – 2006
	22-Apr-05	17,066				17,066	2005 – 2007
	26-Apr-06		11,769			11,769	2006 – 2008
A.R. Wynaendts	23-Apr-04	14,106				14,106 <sup>1</sup>	2004 – 2006
	22-Apr-05	17,066				17,066	2005 – 2007
	26-Apr-06		11,769			11,769	2006 – 2008

<sup>1</sup> These shares have not vested in 2006 and have subsequently expired.

<b>Total overview of conditionally granted options</b>	<b>Grant date</b>	<b>Number of options per January 1, 2006</b>	<b>Number of options granted in 2006</b>	<b>Number of options vested in 2006</b>	<b>Number of options expired/forfeited in 2006</b>	<b>Number of options per December 31, 2006</b>	<b>Number of exercisable options</b>	<b>Exercise price</b>	<b>Reference period</b>
D.J. Shepard	23-Apr-04	71,534				71,534 <sup>1</sup>		11.74	2004 – 2006
	22-Apr-05	77,084				77,084		9.91	2005 – 2007
	26-Apr-06		150,989			150,989		14.55	2006 – 2008
J.B.M. Streppel	23-Apr-04	33,322				33,322 <sup>1</sup>		11.74	2004 – 2006
	22-Apr-05	40,338				40,338		9.91	2005 – 2007
	26-Apr-06		80,115			80,115		14.55	2006 – 2008
J.G. van der Werf	23-Apr-04	28,212				28,212 <sup>1</sup>		11.74	2004 – 2006
	22-Apr-05	34,132				34,132		9.91	2005 – 2007
	26-Apr-06		67,789			67,789		14.55	2006 – 2008
A.R. Wynaendts	23-Apr-04	28,212				28,212 <sup>1</sup>		11.74	2004 – 2006
	22-Apr-05	34,132				34,132		9.91	2005 – 2007
	26-Apr-06		67,789			67,789		14.55	2006 – 2008

<sup>1</sup> These shares have not vested in 2006 and have subsequently expired.

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 will be provided when the shares and options vest.

## Share options and share appreciation rights and interests in AEGON N.V. held by active members of the Executive Board

	Grant date	Number of options per January 1, 2006	Number of options granted in 2006	Number of options exercised in 2006	Number of options expired/forfeited in 2006	Number of options per December 31, 2006	Number of exercisable options	Exercise price EUR	Shares held in AEGON at December 31, 2006
D.J. Shepard	12-Mar-01	100,000			100,000				
	10-Mar-02	50,000 <sup>1</sup>				50,000 <sup>1</sup>	50,000	26.70	
	16-Mar-04	50,000 <sup>1</sup>				50,000 <sup>1</sup>		10.56	330,180
J.B.M. Streppel	12-Mar-01	100,000			100,000				
	10-Mar-02	50,000 <sup>1</sup>				50,000 <sup>1</sup>	50,000	26.70	
	16-Mar-04	50,000 <sup>1</sup>				50,000 <sup>1</sup>		10.56	13,595
J.G. van der Werf	12-Mar-01	50,000			50,000				
	10-Mar-02	50,000 <sup>1</sup>				50,000 <sup>1</sup>	50,000	26.70	
	16-Mar-04	50,000 <sup>1</sup>				50,000 <sup>1</sup>		10.56	140,293
A.R. Wynaendts	12-Mar-01	20,000 <sup>1,2</sup>			20,000				
	12-Mar-01	15,000 <sup>2</sup>			15,000				
	10-Mar-02	40,000 <sup>1,2</sup>				40,000 <sup>1</sup>	40,000	26.70	
	10-Mar-03	50,000 <sup>1,2</sup>				50,000 <sup>1</sup>	50,000	6.30	
	16-Mar-04	50,000 <sup>1</sup>				50,000 <sup>1</sup>		10.56	9,546

<sup>1</sup> Share appreciation rights.

<sup>2</sup> 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. 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; Mr. Van der Werf had a mortgage loan of EUR 1,240,000, with half of the amount at 3.4% fixed rate and half of the amount at 3.4% floating-rate at year end; and Mr. Wynaendts had two mortgage loans totalling EUR 635,292, with interest rates of 3.9% and 4.1% respectively. In accordance with the terms of the contracts, no principal repayments were received on the loans in 2006. The terms of the board members' loans have not been amended.

### 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. Messrs. Van der Werf and Wynaendts would be entitled to three years' fixed salary, only in the case of termination in connection with a merger or take-over.

<b>Remuneration of active and retired members of the Supervisory Board</b>			
in EUR	<b>2006</b>	<b>2005</b>	<b>2004</b>
D.G. Eustace	79,000	82,565	58,904
O.J. Olcay	65,000	66,250	34,034
I.W. Bailey II (as of April 22, 2004)	56,669	48,750	23,562
R. Dahan (as of April 22, 2004)	59,500	59,500	23,562
S. Levy (as of April 21, 2005)	65,000	46,808	–
T. Rembe	60,000	60,000	51,050
W.F.C. Stevens	73,000	74,750	48,214
K.J. Storm	46,250	47,500	34,034
L.M. van Wijk	47,500	48,750	34,034
<b>TOTAL FOR ACTIVE MEMBERS</b>	<b>551,919</b>	<b>534,873</b>	<b>307,394</b>
P.R. Voser (up to April 25, 2006)	15,138	54,000	34,906
C. Sobel (from April 25, 2006 up to July 17, 2006)	9,231	–	–
M. Tabaksblat (up to April 21, 2005)	–	22,769	56,722
H. de Ruiter (up to April 22, 2004)	–	–	14,137
F.J. de Wit (up to April 22, 2004)	–	–	10,603
<b>TOTAL</b>	<b>576,288</b>	<b>611,642</b>	<b>423,762</b>

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.

#### Share options and share appreciation rights of active members of the Supervisory Board

	Grant date	Number of options per January 1, 2006	Number of options granted in 2006	Number of options vested in 2006	Number of options expired/forfeited in 2006	Number of options per December 31, 2006	Number of exercisable options	Expiration date	Exercise price EUR
K.J. Storm	12-Mar-01	100,000			100,000	–		12-Mar-06	–

The options have been granted by reason of membership of the Executive Board in the related years.

#### Common shares held by Supervisory Board members

Shares held in AEGON at December 31

	<b>2006</b>	<b>2005</b>	<b>2004</b>
I.W. Bailey II	29,759	29,759	29,759
R. Dahan	25,000	25,000	25,000
T. Rembe	6,658	6,658	6,658
K.J. Storm	276,479	276,479	276,479
<b>TOTAL</b>	<b>337,896</b>	<b>337,896</b>	<b>337,896</b>

# AEGON AND THE FINANCIAL COMMUNITY

“AEGON is committed to the highest standards of both integrity and fair disclosure.”

## LISTINGS

<b>Amsterdam</b>	:	Euronext Amsterdam
<b>London</b>	:	London Stock Exchange
<b>New York</b>	:	New York Stock Exchange
<b>Tokyo</b>	:	Tokyo Stock Exchange

The secondary listing of AEGON N.V. common shares on the Frankfurt Stock Exchange in Germany and on the SWX Swiss Exchange in Zurich, Switzerland will be discontinued as per March 13, 2007.

## INVESTOR RELATIONS

AEGON values its many trusted relationships within the global investment community and is committed to the highest standards of both integrity and fair disclosure.

AEGON's investor relations program aims to enhance shareholder value through clear communication and ensures efficient and effective access to the global capital markets. AEGON's common shares are listed on major stock exchanges including Euronext Amsterdam, the London Stock Exchange and the New York Stock Exchange.

AEGON is also active in the global debt capital markets. Using its strong credit ratings, AEGON has issued a variety of debt instruments in various major currencies in order to optimize its capital structure and reduce funding costs.

In 2006, AEGON completed a number of capital markets transactions that include two successful offerings of perpetual capital securities, which strengthened the capital base in a non-dilutive and cost effective manner.

## RATINGS

as per December 31, 2006

	Credit AEGON N.V.
S&P rating	A+
Moody's rating	A2
Fitch rating	AA-

With the objective of obtaining a fair valuation for its securities, AEGON is committed to ensuring that equity and fixed income investors have an accurate understanding of the company's performance and prospects. To this end, AEGON's investor relations program focuses on providing the international investment community with the information required to make sound investment decisions. This includes information on key factors that drive AEGON's businesses and influence its results, financial condition and value. AEGON remains committed to ensuring that both financial and non-financial information is accurately and thoroughly disclosed in a timely and consistent manner.

AEGON's primary reporting basis is by geography and the secondary basis is by line of business. Starting with the first quarter of 2007, AEGON will more closely align its line of business reporting with the way the businesses are organized.

In addition to its IFRS results, AEGON believes value of new business and embedded value information should be considered in arriving at a balanced assessment of its underlying performance. AEGON supports the European Embedded Value Principles, which are aimed at improving the consistency and transparency of the life insurance industry's embedded value reporting.

In keeping with its commitment to further improve disclosure, AEGON has started to report quarterly value of new business information and internal rate of return of the new business, beginning with the first quarter 2006 results.

Additionally, AEGON will provide information on its various business activities in a statistical supplement to be included in its quarterly earnings releases starting with the first quarter of 2007.

With the aim of ensuring equal access to all relevant information, AEGON actively maintains contact with the financial community. Interactions with the financial community include roadshows throughout the USA, Europe, and Asia, webcasts, press releases and regularly scheduled investor days. Moreover, shareholders, bondholders and potential investors are encouraged to learn more about AEGON's businesses and management decisions aimed at achieving its strategy of long-term profitable growth in AEGON's major and developing markets.

In keeping with its ongoing determination to maintain an open dialogue with the financial community, AEGON's professional investor relations staff is available to answer questions at any time.

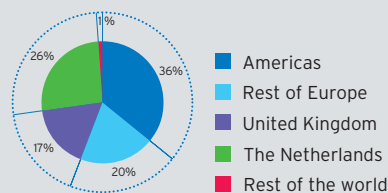
## DIVIDEND POLICY

AEGON recognizes the importance of offering its shareholders a stable and adequate dividend, which is supported by the company's cash flow and capital position.

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

<b>AEX</b>	<b>MSCI Euro Index</b>
<b>FTSE Eurotop 100</b>	<b>S&amp;P Euro Index</b>
<b>FTSE Eurotop 300</b>	<b>DJ Euro Stoxx 50</b>
<b>FTSE4Good Index</b>	<b>DJ Sustainability Index</b>

#### SHAREHOLDER BASE *Estimated*



AEGON's total dividend for the full year is composed of an interim dividend, declared at the time of the publication of the six months' results in August, and a final dividend proposed at the time of the year end results in March and approved at the annual General Meeting of Shareholders. Payment of the interim and final dividend is either in cash or in stock to be paid out of the paid-in surplus fund (free of tax in the Netherlands) or, if so requested, out of the net income. The management has the ability to alter the relative attractiveness of cash versus stock dividend if deemed appropriate.

The stock fraction, used to determine the dividend in shares, will be based upon the average share price calculated over a period of five trading days. There will be no trading in dividend rights on Euronext Amsterdam N.V. or other stock exchanges.

In 2006, AEGON declared an interim dividend of EUR 0.24 per common share. The stock fraction was determined at 1/62 resulting in an approximately 5.6 percent lower value for the stock dividend compared to an interim dividend in cash. To neutralize the effect of the stock dividend, AEGON repurchased 11.6 million shares in the open market. The final dividend of 2006 proposed to the AGM amounts to EUR 0.31 per common share bringing the total 2006 dividend to EUR 0.55, an increase of 22 percent compared to the prior year. The final dividend in shares will be approximately 5 percent lower than the value of the cash dividend. AEGON started to repurchase shares to neutralize the effect of stock dividends. It remains AEGON's objective to increase dividend subject to the development of capital position and cash flows.

#### SHAREHOLDERS

AEGON's international business activities are reflected in the geographical diversity of its investor base.

The investor base consists of approximately 86 percent of institutional shareholders (including Vereniging AEGON) and 14 percent individual shareholders.

Based on publicly available information, Vereniging AEGON is the only major shareholder (exceeding 5 percent participation in AEGON common shares).

### AEGON VALUES ITS MANY TRUSTED RELATIONSHIPS WITHIN THE GLOBAL INVESTMENT COMMUNITY

#### SHARE PRICE DEVELOPMENT

In 2006, the AEGON share price appreciated 5.0 percent, from EUR 13.75 on December 30, 2005 to EUR 14.44 on December 29, 2006. In May 2006, AEGON paid a final dividend for 2005 of EUR 0.23 and in September 2006 an interim dividend of EUR 0.24 for 2006. Including the dividends paid in 2006 the total return<sup>1</sup> for an AEGON common share in 2006 was 8.7 percent (2005: 42.8 percent). This compares to total returns<sup>1</sup> for the European Insurance Index (DJ Stoxx 600 Insurance Index) of 20.7 percent (2005: 34.6 percent) and the S&P 500 Insurance Index (in EUR) of minus 0.5 percent (2005: 30.7 percent).

<sup>1</sup> The source for the total return calculation and comparison is Bloomberg. The calculation assumes reinvestment of the dividend in the stock or in the index.

# FINANCIAL CALENDAR

## Share price information<sup>1</sup> (in EUR)

	2006	2005	2004	2003	2002
Price - high	15.56	14.25	12.98	13.47	28.89
Price - low	12.17	9.63	8.24	5.87	9.04
Price - year-end	14.44	13.75	10.03	11.73	11.79
Price/earnings ratio	8.86	8.44	7.27		

## Share price information<sup>1</sup> (in USD)

	2006	2005	2004	2003	2002
Price - high	18.97	16.78	16.12	14.80	26.00
Price - low	15.24	12.19	10.41	6.76	8.88
Price - year-end	18.95	16.32	13.71	14.80	12.33

<sup>1</sup> Source: Bloomberg

## FINANCIAL CALENDAR 2007

March 8	Announcement of 2006 full year results
March 26	Record date for attending/voting at the April 25 AGM
March 30	Publication of 2006 Annual Report and Form 20-F
April 25	Annual General Meeting of Shareholders
April 26	Ex-dividend date for the final dividend 2006
April 30	Final dividend 2006 record date
May 2	Start of final dividend 2006 election period
May 9	First quarter 2007 results and Embedded Value Report 2006
May 16	End of final dividend 2006 election period
May 22-23	Analyst & Investor Conference - Amsterdam
May 23	Final dividend 2006 payment date
August 9	Second quarter 2007 results
August 10	Ex-dividend date interim dividend 2007
August 10	Start of interim dividend 2007 election period
August 14	Interim dividend 2007 record date
August 31	End of interim dividend 2007 election period
September 14	Interim dividend 2007 payment date
November 8	Third quarter 2007 results
November 26-27	Analyst & Investor Conference - New York

## FINANCIAL CALENDAR 2008

March 6	Announcement of 2007 full year results
April 23	Annual General Meeting of Shareholders
May 7	First quarter 2008 results and Embedded Value Report 2007
August 7	Second quarter 2008 results
November 6	Third quarter 2008 results

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## FORWARD-LOOKING STATEMENTS

The statements contained herein that are not historical facts may be forward-looking statements within the meaning of the Private Securities Litigation Reform Act. Forward-looking statements are made based upon management's current expectations and beliefs concerning future developments and their potential effects upon the company. There can be no assurance that future developments affecting the company will be those anticipated by management. Actual results may differ materially from those included in the forward-looking statements. These forward-looking statements involve risks and uncertainties including the factors set forth in our Annual Report on Form 20-F, which is available for review at [www.aegon.com](http://www.aegon.com) and [www.sec.gov](http://www.sec.gov)

The Annual Report 2006 of AEGON N.V. is published at [www.aegonannualreport.com](http://www.aegonannualreport.com).

## COLOPHON

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