Adapting to change

PROVIDING LONG-TERM FINANCIAL SECURITY
IN AN UNCERTAIN WORLD

LIFE INSURANCE | PENSIONS | INVESTMENTS

AEGON

About AEGON

Throughout their working lives and into retirement, millions of people around the world rely on AEGON to help them secure their long-term financial futures.

As an international life insurance, pension and investment company, AEGON has businesses in over twenty markets in the Americas, Europe and Asia. AEGON companies employ approximately 31,500 people and serve over 40 million customers across the globe.

AEGON uses its strength and expertise to create added value for customers, employees, shareholders and the wider community. AEGON does this by encouraging innovation and by growing its businesses profitably and sustainably.

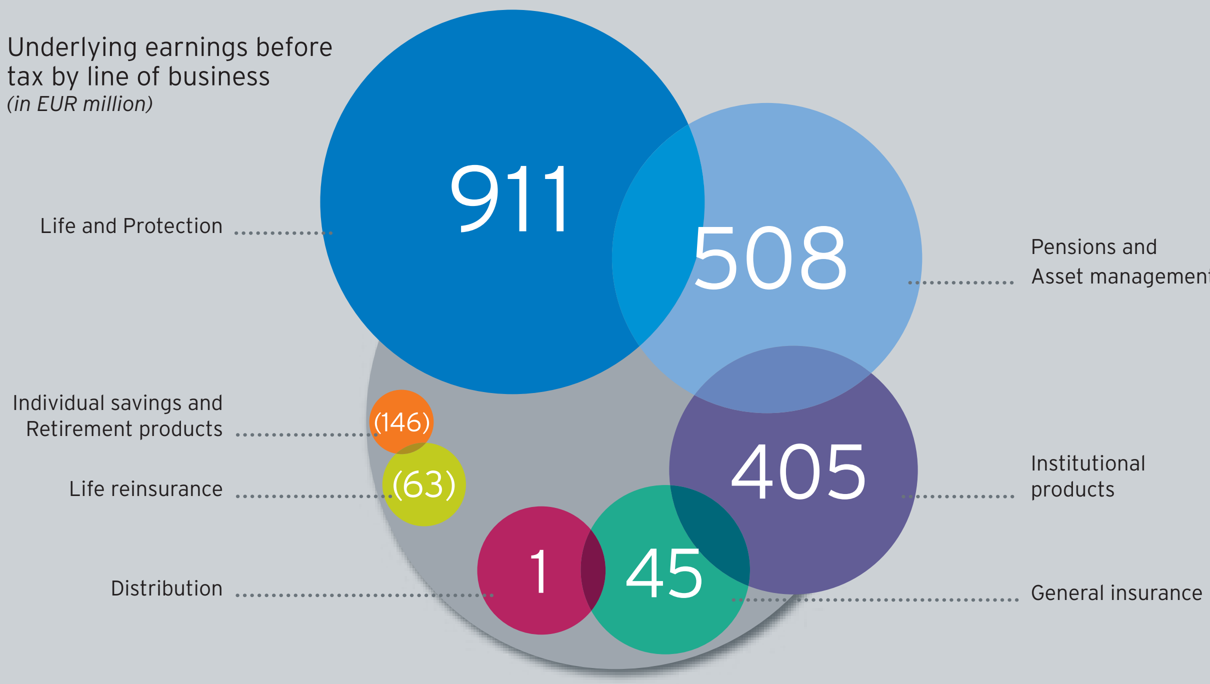
AEGON's aim is to be a leading force in global financial services.

25 YEARS A NAME...
over 150 years
creating better futures.

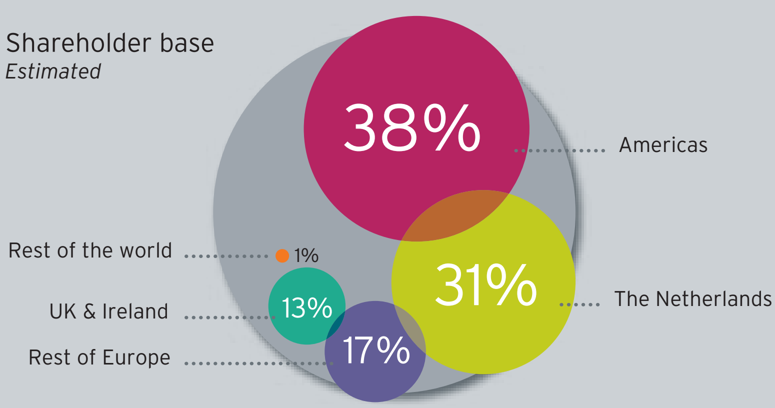
At a glance

AEGON has businesses in more than 20 markets in the Americas, Europe and Asia, providing life insurance, pensions, savings and investment products for over 40 million policyholders around the world.

Underlying earnings before tax by line of business
(in EUR million)



Shareholder base
Estimated



In 2008, AEGON's earnings were severely affected by the global financial crisis. Underlying earnings before tax declined 40% to EUR 1.57 billion. During the year, AEGON remained committed to its short-term strategic objectives to lower risk, reduce cost and release additional capital from the company's existing businesses.

AEGON around the world

Americas AEGON companies in the United States can trace their roots back to the mid-nineteenth century. Today, AEGON has businesses across the United States, as well as in Canada and Mexico. Transamerica is one of the best known names in the US financial services industry.

The Netherlands AEGON's history in the Netherlands goes back to the country's early burial funds, which rose to prominence more than 150 years ago. Today, AEGON The Netherlands is one of the country's largest providers of life insurance, pensions and long-term investment products.

United Kingdom AEGON UK is a leading provider of life insurance and pensions and also has a strong presence in both the asset management and financial advice market.

Other countries In the past few years, AEGON has significantly expanded its international presence outside its three established markets. In particular, AEGON has seen strong growth in its business in Central & Eastern Europe, as well as in Asia.

Highlights

Excess capital

2.9 billion

At the end of 2008, AEGON had an excess capital of EUR 2.9 billion over and above AA-capital adequacy requirements.

Revenue-generating investments

332 billion

AEGON manages EUR 332 billion in revenue-generating investments – EUR 105 billion on behalf of policyholders.

Fixed annuities

+254%

Fixed annuity deposits rose 254% in 2008 to just over EUR 4 billion compared to 2007.

Value of new business

837 million

AEGON generated EUR 837 million in new business in 2008 – an important indicator of the company's future profitability.

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Highlights 2008

February

- AEGON takes first step in Turkey, announcing acquisition of life insurer Ankara Emeklilik.

April

- AEGON extends presence in China, opening new branch office in the eastern coastal province of Guangdong.
- AEGON finalizes joint venture with Industrial Securities, one of China's leading asset management firms.
- Alex Wynaendts takes over as CEO from Don Shepard, who retires at AEGON shareholders' meeting.

June

- Marco Keim starts as CEO of AEGON's operations in the Netherlands.
- CEO Alex Wynaendts unveils new strategy, designed to increase earnings, improve returns and make better use of the company's international resources.
- AEGON Hungary further strengthens position by merging its pension fund with UNIQA & Public Service Pension Fund.

July

- AEGON launches new life insurance business in India.
- AEGON adds EUR 315 million to core capital through innovative securitization transaction in the United Kingdom.

August

- AEGON agrees new joint venture with savings bank Caixa Terrassa, further extending distribution in Spain.

September

- Following recommendations from the Dutch 'Ombudsman' for Financial Services, AEGON announces it will reduce costs of unit-linked insurance policies sold in the Netherlands.

October

- AEGON signs joint venture with Mongeral, Brazil's sixth biggest independent life insurer.
- AEGON secures EUR 3 billion in additional core capital from the Dutch State.

November

- AEGON outlines short-term strategy to address financial crisis, promising measures to reduce risk, free up more capital and keep a tight lid on operating costs (the three C's: Capital, Cost, Contingency).
- AEGON The Netherlands CEO Marco Keim presents new business plan, setting out measures to expand distribution and improve profitability.

December

- AEGON finalizes acquisition of Polish pension fund company PTE Skarbiec Emerytura.

Our Strategy

Providing long-term financial security in an uncertain world

Letter of the CEO

These are unprecedented and challenging times for AEGON and for financial services companies across the globe. As such, I appreciate this opportunity to provide you an overview of the impact of the economic crisis on AEGON during 2008, as well as the actions we have initiated to strengthen AEGON's long-term prospects in the life insurance, pension and retirement markets.

A clear strategy
Clearly, the effects of the financial crisis were significant for AEGON during 2008. However, they confirmed our belief that the strategy we introduced last June is the right one: to improve the capital efficiency of AEGON's operations internationally and deploy capital to areas with higher growth and return prospects; to improve growth and returns within existing businesses; and to manage AEGON as an international company in order to more fully leverage our extensive expertise and resources.

Maintaining confidence
Despite the difficult economic environment during 2008, we were encouraged by the continued confidence of AEGON's many customers around the world, as evidenced by strong persistency levels and the growth of our customer base in both our established and developing markets. The severity of the crisis, however, had a negative impact on AEGON's earnings in 2008. Despite the disappointing financial results, AEGON's core businesses demonstrated their resilience. New life sales decreased by a modest 11% at constant currency, while AEGON's fixed and variable annuity sales doubled over the previous year. Total net deposits also rose sharply by 47% at constant currency. We regard these positive developments as a clear result of AEGON's strong financial position and the steps we are taking to weather the turbulent conditions impacting nearly every sector of the economy.

The 3 C's
In response to the sharp downturn in financial markets during the year, we implemented three strategic priorities to strengthen AEGON's position. Characterized as 'The 3 C's', they fit well with the strategy we introduced in June and are aimed at enhancing AEGON's Capital position, reducing Costs, and ensuring that sufficient Contingencies are in place to enable AEGON to withstand further market deterioration.

Central to AEGON's strategy is our focus on releasing capital from our businesses. In June, we announced our aim to release between EUR 4 billion to EUR 5 billion in capital by 2012. We accelerated our actions in the second half of 2008 given worsening market conditions. This resulted in a release of EUR 1.7 billion for the full year. We expect to release an additional EUR 1.5 billion in 2009 by continuing to reduce AEGON's risk to equity and credit markets; reducing interest rate risks and lowering product guarantees; reducing spread-based balances within our institutional business in the United States; further increasing our hedging program; and improving the matching of assets and liabilities.

In November, we introduced a cost savings target of EUR 150 million to be achieved mainly by AEGON's operations in the United States, the Netherlands and the United Kingdom during 2009. We will reduce costs without sacrificing the quality and service our customers and business partners have come to expect.

Furthermore, we regard it as essential to put in place clear contingencies that will enable AEGON to withstand further market distress. AEGON's participation in the capital facility program extended by the Dutch government for the benefit of healthy and viable financial services companies operating in the Netherlands was an additional measure to strengthen AEGON's capital position by EUR 3 billion and secure a solid capital buffer to withstand future market turmoil.

Strategic expansion

During 2008, we continued to make progress in expanding AEGON's presence in new growth markets and in strengthening our position in the international retirement market. In Central & Eastern Europe, we enhanced AEGON's position in the pension markets of Hungary and Poland. We also initiated our first steps in the fast-developing Turkish market with the acquisition of an established life insurance and pension provider. AEGON's footprint in Latin America expanded further with a new life insurance joint venture in Brazil; and in Spain, AEGON's presence through the important bank channel was extended through a fifth joint venture agreement. In China, AEGON's continued roll-out across the highly developed coastal provinces resulted in record sales, and we also entered into a promising new asset management joint venture. In July, AEGON launched its business in India to provide life insurance and pensions for the rapidly expanding middle class.

Transition and continuity

Early in 2009, AEGON announced that Jos Streppel will fulfill his long-stated intention to retire after over 35 years with AEGON and its predecessor companies. His many contributions as Chief Financial Officer for the past ten years have been invaluable. Jos' in-depth knowledge of financial markets and keen understanding of developments in international accounting standards has helped guide AEGON through both difficult and prosperous times, complementing AEGON's growth ambitions with prudent financial discipline. The nomination of Jan Nooitgedagt to succeed Jos ensures that AEGON's strong financial and risk management capabilities will continue to be integral to the day-to-day management decisions that shape our business.

On behalf of the Management Board, I wish to thank the employees of AEGON around the world for their continued commitment to providing our customers the high quality products and services they have come to expect and require, particularly in these uncertain times. We are also grateful to our many shareholders, business partners and other stakeholders for their confidence in AEGON now and in the years to come.

Alexander R. Wynaendts
Chairman of the Executive Board and CEO

AEGON's Management Board

Alexander R. Wynaendts (1960, Dutch)
CEO
Chairman of the Executive Board
Chairman of the Management Board

Alex Wynaendts began his career in 1985 with ABN Amro, working in Amsterdam and London in the Dutch bank's capital markets, asset management, corporate finance and private banking operations. In 1997, Mr. Wynaendts joined AEGON as Senior Vice-President for Group Business Development. Since 2003, he has been a member of AEGON's Executive Board, overseeing the company's international growth strategy. In April 2007, Mr. Wynaendts was named AEGON's new Chief Operating Officer. A year later, Mr. Wynaendts succeeded Don Shepard as CEO and Chairman of AEGON's Executive Board.

Joseph B.M. Streppel (1949, Dutch)
CFO
Member of the Executive Board
Member of the Management Board

Jos Streppel started his career in 1973 occupying treasury and investment positions at one of AEGON's predecessor companies in the Netherlands. In 1986, he became the Chief Financial Officer of FGH Bank, joining the bank's Executive Board the following year. In 1991, Mr. Streppel was appointed Chairman and CEO of the merchant bank Labouchère. Four years later, he also became Chairman of FGH Bank. Mr. Streppel was named as AEGON's Chief Financial Officer in 1998. In 2000, he was appointed to the company's Executive Board. In addition to his positions at AEGON, Mr. Streppel is also a member of the Supervisory Boards of both Royal KPN N.V. and Van Lanschot N.V. Mr. Streppel has announced that he will step down at AEGON's General Meeting of Shareholders scheduled for April 22, 2009.

Patrick S. Baird (1954, US citizen)
CEO AEGON USA
Member of the Management Board, responsible for the Americas, Asia-Pacific and Global Life Reinsurance

Pat Baird began his career at AEGON USA in 1976. He has served as Executive Vice-President and Chief Operating Officer, Chief Financial Officer and Director of Tax and was appointed to his current position in March 2002. Mr. Baird is also a member of the board of directors at Cedar Rapids Bank & Trust in the United States.

Marco B.A. Keim (1962, Dutch)
CEO AEGON The Netherlands
Member of the Management Board, responsible for the Netherlands

Marco Keim began his career with accountants Coopers & Lybrand/Van Dien. Mr. Keim has also worked for aircraft maker Fokker Aircraft and NS Reizigers, part of the Dutch national railway company NS Group. In 1999, Mr. Keim joined Swiss Life in the Netherlands as a board member. Three years later, he was appointed CEO before joining AEGON The Netherlands at the beginning of June 2008.

Gábor Kepecs (1954, Hungarian)
CEO AEGON Central & Eastern Europe
Member of the Management Board, responsible for Central & Eastern Europe

Gábor Kepecs began his career with the Hungarian government before joining former state-owned insurance company Állami Biztosító. In 1990, he was appointed CEO, two years before Állami Biztosító was privatized and acquired by AEGON. Since 1992, Mr. Kepecs has been CEO of AEGON Hungary. In that time, he has spearheaded an expansion of AEGON's businesses not only in Hungary but also across the Central & Eastern European region.

Otto Thoresen (1956, British)
CEO AEGON UK
Member of the Management Board, responsible for the United Kingdom, India and Variable Annuities in Europe

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

Broadening the role of AEGON's Management Board

In 2008, AEGON broadened the roles of the members of the company's Management Board. With this new structure, members of the Board have a mix of local and global responsibilities. This change has helped bring AEGON's corporate governance into line with its objective of running the company more as one international business. The Management Board works alongside the Executive Board and oversees a broad range of strategic and operational issues. While the Executive Board remains AEGON's sole statutory executive body, the Management Board provides vital support and expertise in pursuit of the company's strategic goals.

Strategy | ADAPTING TO A CHANGING BUSINESS ENVIRONMENT

In 2008, AEGON marked its twenty-fifth anniversary. The company was formed in 1983 – the result of a merger between two Dutch insurance companies, AGO and Ennia. But AEGON's roots date back much further, to the mid-nineteenth century when the company's predecessors provided burial funds for customers in the Netherlands.

Today, AEGON is an international life insurance, pension and investment company, with major operations in the United States, the Netherlands and the United Kingdom, and a growing presence in the new, emerging markets of Asia, the Americas and Central & Eastern Europe.

With EUR 332 billion in revenue-generating assets, AEGON companies employ some 31,500 people worldwide, serving over 40 million customers in more than twenty markets.

AEGON's strategy: the building blocks

AEGON has a clear, well-defined strategic framework, aimed at creating added value for the company's customers, employees, shareholders and the wider community. This framework is based on five main principles – the building blocks of AEGON's strategy:

- AEGON is committed to its core businesses: life insurance, pensions and investments;
- AEGON serves local needs, using global resources – combining local knowledge and local decision-making with the resources of an expanding international company;
- AEGON pursues sustainable, profitable growth, by aiming to improve its return on equity and writing new business with a minimum internal rate of return of 11% after tax;
- AEGON aims to be a leader in the markets in which it operates, realizing benefits of scale;
- AEGON wants to strengthen its international presence by expanding into new markets that offer prospects for sustainable, profitable growth.

Responding to a rapidly changing business environment

In June 2008, AEGON set out an ambitious five-year plan designed to increase returns and grow the company's businesses. This plan – 'Unlocking the Global Potential' – is based on three strategic objectives:

- To target more of AEGON's financial resources on areas that have strong growth prospects;
- To improve growth and returns from AEGON's existing businesses;
- To manage AEGON as an international company.

The second half of 2008, however, saw a dramatic decline in world financial markets. This led to a shift in priorities both for AEGON and the global insurance industry. In particular, uncertain economic and market conditions have resulted in an increased demand for capital to support existing businesses, which means fewer resources are now available for international expansion or acquisitions. AEGON believes these conditions will last well into 2009.

The global financial crisis, which took hold in the third quarter of 2008, has left the insurance industry facing a number of important challenges, including:

- A downturn in the world's leading economies;
- Falling corporate bond and equity values;
- Lower interest rates;
- High volatility in financial markets;
- Greater demand among customers for financial guarantees;
- A more conservative stance by national industry regulators and international rating agencies.

These factors have resulted in an increased need for capital within the insurance industry. At the same time, however, because of growing economic and market volatility, the cost of capital has risen sharply.

In response to these extraordinary market conditions, AEGON shifted its focus in the second half of 2008 to the following areas:

- Efforts to lower risk and free up additional capital from the company's existing businesses;
- Measures to reduce operating expenses in 2009 and ensure a sufficient capital buffer as a safeguard against further declines in world financial markets.

As part of this approach, AEGON accelerated measures already set out in June in the company's five-year growth plan. These measures are designed to free up a total of EUR 4 billion to EUR 5 billion of capital by 2012 from AEGON's existing businesses.

In addition, AEGON also took a number of steps aimed at reducing risk and protecting the company's position during the financial crisis:

- AEGON reduced its exposure to equity markets;
- Its investment portfolio was structured more defensively, interest rate risk was reduced and guarantees lowered;
- AEGON also stepped up its hedging program and matching of assets and liabilities, and substantially increased the resources committed to risk management.

Taken together, these steps enabled AEGON to free up EUR 1.7 billion in capital from its businesses during the second half of 2008 – capital that helped the company withstand a considerable worsening in market conditions. AEGON expects to free up a further EUR 1.5 billion in capital in 2009. In October 2008, AEGON took the further step of securing EUR 3 billion in additional core capital from Vereniging AEGON, funded by the Dutch State – a necessary precaution against further declines in world financial markets.

"What happened in the financial markets in the second half of 2008 really changed the rules of the game for insurance companies. We needed to take immediate action – first of all, to further reduce the amount of risk we were carrying and secondly, to free up capital from our balance sheets.

At AEGON, because of the plans we'd announced in June, we were already focused on this area. Thanks to these measures – and the support we received from Vereniging AEGON, funded by the Dutch state – we entered 2009 with a substantial capital buffer, comfortably above what we would require to maintain AA capitalization.

The fact is: 2009 is not going to be easy. During the year, we'll continue with the same measures – we'll carry on lowering risk and releasing capital to support our businesses. It's the right strategy to deal with what are still very challenging market conditions."

Michiel van Katwijk
Executive Vice-President
and Group Treasurer

"AEGON has always had strong asset management businesses – in the United States, the United Kingdom, the Netherlands and elsewhere around the world. But, traditionally, our businesses have worked independently of each other.

By setting up a single, global organization for asset management, we can start making the most of our collective strength – particularly important in the current troubled market environment. We can start thinking 'global', rather than just 'local'. That's a big shift in mentality. But it's one we have to make.

This change means we'll be able to offer a broader range of products and investment ideas to our clients. And we'll be able to start developing and selling cross-border products as well."

Erik van Houwelingen
Chairman Executive Committee AEGON Asset Management

Overall, this approach ensured that AEGON would enter 2009 with a significantly reinforced capital buffer, an important safeguard in the current uncertain market environment. At the end of 2008, the company had EUR 2.9 billion in capital over and above what would be required to maintain a AA rating for its operating units.

In addition, AEGON has also announced that it expects to lower operating expenses in 2009 by more than EUR 150 million, equivalent to approximately 5% of the company's 2008 cost base. These savings will be achieved through restructuring programs, efficiency improvements and expense reductions at AEGON's operations in the United States, the Netherlands and the United Kingdom.

Progress with 'Unlocking the Global Potential'

The financial crisis has led to an increased near-term focus on capital, but AEGON's longer-term strategy – the company's commitment to increase returns and grow its businesses – remains in place. 'Unlocking the Global Potential' is aimed at delivering sustainable, profitable growth for AEGON and its investors over the next several years. Despite the financial crisis, AEGON has made important progress with the specific measures outlined in the plan. AEGON senior management is planning to update investors at the company's regular Analyst & Investor Conference scheduled for June 2009 in London.

AEGON is improving growth and returns from its existing businesses

A crucial part of 'Unlocking the Global Potential' is ensuring that AEGON's existing businesses perform as efficiently as they can. AEGON has already announced a reshaping of its operations in Canada to reduce capital use and ensure profitable growth by focusing on a select range of products. In the Netherlands, meanwhile, AEGON has introduced a new strategic plan, aimed at increasing profitability, expanding the company's distribution network and improving the return on capital.

AEGON has taken steps toward managing AEGON more as an international company

AEGON wants to make the most of its expanding international resources. The company is setting up a global asset management organization, bringing together existing businesses in the United States, the United Kingdom, the Netherlands and elsewhere. In addition, AEGON will use its existing strength and expertise in the United States to develop new markets for its variable annuities and life reinsurance businesses in Europe and Asia.

AEGON has begun to reallocate capital toward businesses with higher growth and return prospects

Measures to reduce risk and free up capital released EUR 1.7 billion in the second half of 2008. But, because of the financial crisis, investment in new businesses has been reduced. Even so, over the past year, AEGON has opened new businesses in India and Turkey, signed a new joint venture with one of Brazil's largest independent insurers, expanded its bank distribution network in Spain and invested in the company's growing pension business in Central & Eastern Europe. By 2012, AEGON expects over 50% of its capital will be allocated to businesses outside the United States – an approach that will give the company a more balanced international presence.

Insurance: a growth business

Despite the financial crisis, AEGON believes that the insurance and pension industry offers prospects for strong, sustainable growth in the years ahead. 'Unlocking the Global Potential' is designed to ensure AEGON is well positioned to take advantage of new opportunities opening up in the industry.

In many parts of the world, particularly in Europe, North America and Japan, people are living longer, healthier lives. Governments are no longer able to afford the generous state pensions that were once commonplace. As a result, demand for private pensions, life insurance and other long-term savings and investment products is rising. At the same time, the growing number of people entering retirement has led to a shift in focus, away from simply saving toward how to use those savings to ensure a comfortable old age. Fifty years ago, according to United Nations' World Population estimates, just one in ten Europeans was over the age of 65. By 2020, it will be one in five.

In other parts of the world, new markets are emerging – in China, India and the countries of Central & Eastern Europe. Here, growth stems from a combination of recent economic expansion, political reform and rising levels of personal wealth. The potential size of some of these markets is enormous. By the middle of this century, it is estimated that there will be almost 340 million people in China over the age of 65 – more than the total populations of the United States, the United Kingdom and the Netherlands combined.

AEGON is well placed to capitalize on these opportunities. The company has a significant presence in the United States, the world's biggest life insurance and pension market. And, over the past several years, AEGON has expanded its international businesses. Today, AEGON is present in six countries in Central & Eastern Europe as well as China, India and Taiwan in Asia, and Mexico in Latin America. In China alone, AEGON has businesses in provinces that cover a population of more than 300 million people.

AEGON unveiled a long-term growth plan, 'Unlocking the Global Potential', in June 2008. The plan is designed to increase earnings, improve return on equity from AEGON's existing businesses over the next few years and make better use of the company's international resources.

Because of the financial crisis, AEGON shifted its short-term focus in the second half of 2008 to measures designed to improve capital efficiency, lower risk and reduce operating expenses. 'Unlocking the Global Potential' is based on the following country unit initiatives and objectives:

Country unit	Objectives 2012
United States	■ Invest in higher growth markets ■ Focus on retirement, pensions and asset management ■ Maintain tight control of costs ■ Improve return on capital by 100 basis points by 2010
United Kingdom	■ Accelerate diversification of both products and distribution ■ Improve management of capital
The Netherlands [1]	■ Improve overall profitability ■ Expand distribution network ■ Increase return on capital by 100 basis points by 2012
Other Western European countries	■ Expand successful bank distribution model in Spain ■ Capitalize on cross-border pension opportunities ■ Pursue selective acquisitions in new markets
Central & Eastern Europe	■ Achieve top five position in all existing markets ■ Broaden product and distribution range ■ Pursue possible add-on acquisitions and entry into new markets
Asia	■ Establish regional office in Hong Kong ■ Improve financial performance in Taiwan ■ Expand life and asset management businesses in China ■ Realize potential from start-ups in India and Japan ■ Pursue selective entry into new markets
Latin America	■ Build scale in Mexico through joint venture with Seguros Argos ■ Pursue selective entry into new markets

[1] Introduced separately in November 2008.

The financial community | THE IMPORTANCE OF COMMUNICATION

AEGON has shareholders and bondholders around the world. The company's investor relations program is aimed at ensuring investors have the information they need to make sound investment decisions.

AEGON endeavors to provide information that is clear, transparent, accurate and timely.

Turmoil in world financial markets, particularly during the second half of 2008, underscored the importance of maintaining communication with investors and the broader financial community.

During 2008, AEGON organized a number of conferences, road shows and other events designed to communicate the company's strategy and performance directly to investors and financial markets.
These included:

- Presentations by senior executives to industry conferences around the world;
- Investor road shows in North America, Europe and Asia, with one-on-one and group meetings with shareholders and other potential investors;
- In total there were meetings with about 700 investors in 28 countries.

In addition, AEGON hosted an Analyst & Investor Conference in June, as well as an Investor Day in November. In total, these events – both held in London – attracted around 120 participants. Presentations by members of AEGON's senior management addressed specific industry issues as well as the financial performance of the company and its operating units. In June, presentations were also given on AEGON's strategy, 'Unlocking the Global Potential'. In November, CEO Alex Wynaendts set out AEGON's approach to dealing with the global financial crisis by focusing on Capital, Cost and Contingency, while Marco Keim, the new CEO for the Netherlands, outlined his strategy for the company's Dutch operations. There was also a presentation on AEGON's approach to risk and capital management

In February 2008, AEGON's Executive Board adopted a new policy on communications between the company and its shareholders.

In line with recommendations issued by the Monitoring Committee overseeing the Dutch Corporate Governance Code, this policy sets out clear rules and guidelines for interaction between AEGON and its investors. A copy of the policy is available at www.aegon.com.

Shareholding structure

The vast majority of AEGON's shareholders are located either in North America or Europe. Approximately 86% of the company's common shares are held by institutional investors. These investors include Vereniging AEGON, the company's single largest shareholder, with 22.9% of AEGON's outstanding shares.

AEGON's capital base

AEGON's common shares are listed on four stock exchanges. The primary listing is in Amsterdam. The company's shares are also listed in London, New York and Tokyo. These listings give AEGON access to global capital markets, a vital part of the company's overall corporate and financial management strategies. In addition, AEGON is also active on world debt markets, using its strong credit rating to issue debt instruments in various currencies.

Dividend policy

AEGON recognizes the importance of a clear, stable and coherent dividend policy. Dividends to shareholders depend on the company's cash flow and capital position.

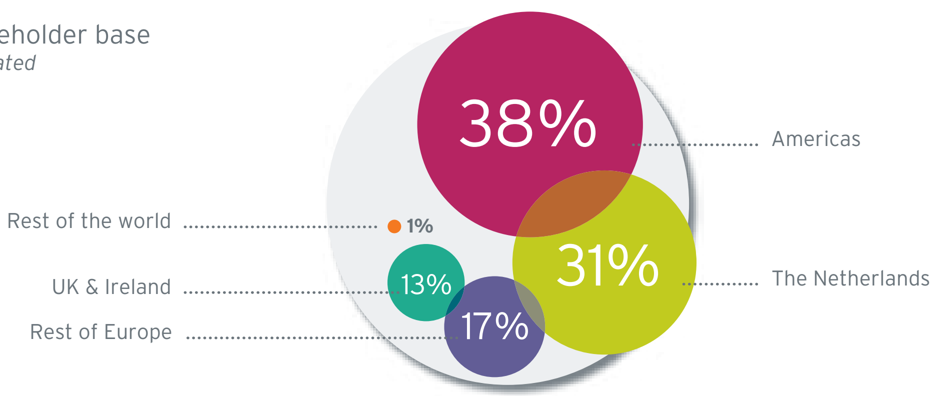
AEGON's policy is that the total dividend for the year should be composed of two parts:

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

Payment of the interim and final dividend is made in either cash or stock.

In 2008, AEGON paid an interim dividend of EUR 0.30 a share. Shareholders who elected to receive their interim dividend in AEGON shares were entitled to one new common share for every 27 they already held. The value of the stock dividend was approximately equal to the cash dividend. AEGON decided to forego the final dividend for 2008 as part of broader measures to preserve capital in light of the global financial crisis.

Shareholder base
Estimated



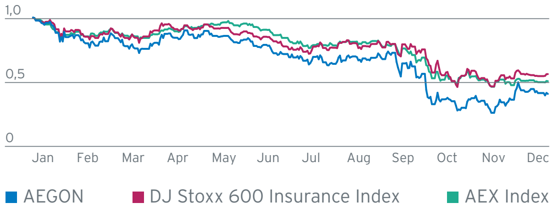
Share price developments
The tables below show the performance of AEGON shares on the Amsterdam and New York stock exchanges during 2008.

Share price information In EUR	2008	2007	2006	2005	2004
Price - high	11.98	16.06	15.56	14.25	12.98
Price - low	2.68	11.46	12.17	9.63	8.24
Price - year-end	4.525	12.09	14.44	13.75	10.03
Price/earnings ratio [1]	N.M. [2]	8.22	7.72	11.00	8.22

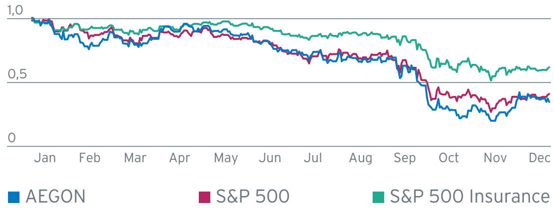
[1] 2004-2006 based on adjusted data.
[2] Not measurable.

Share price information In USD	2008	2007	2006	2005	2004
Price - high	17.52	21.90	18.97	16.78	16.12
Price - low	3.50	16.75	15.24	12.19	10.41
Price - year-end	6.05	17.53	18.95	16.32	13.71

AEGON share price development versus indices
Rebased *(in EUR)*



AEGON share price development versus indices
Rebased *(in USD)*



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Financial calendar

2009

March

23 Record date for attending/voting at the April 22 AGM
31 Annual Report 2008 available on corporate website

April

22 Annual General Meeting of Shareholders

May

14 First quarter 2009 results and Embedded Value Report 2008

June

9 - 10 Analyst & Investor Conference - London

August

13 Second quarter 2009 results

November

12 Third quarter 2009 results

December

2 Investor Day

2010

February

25 Fourth quarter 2009 results

March

29 Annual Report 2009 available on corporate website

April

29 Annual General Meeting of Shareholders

May

12 First quarter 2010 results and Embedded Value Report 2009

August

12 Second quarter 2010 results

November

11 Third quarter 2010 results

Our Businesses

Helping customers secure their long-term financial futures

Jos Streppel
CFO and member Executive Board

"I'm confident we are taking the right steps to deal with the financial crisis."

Jos Streppel, AEGON's CFO, gives his view of a year dominated by turmoil in the world's financial markets.

"There's no doubt that 2008 was a difficult year, not only for AEGON, but for the entire financial services industry. But I'm confident we are taking the right steps to deal with the crisis. We reduced our risk and we freed up capital from our existing businesses.

Last June, when we announced our new strategic priorities, we said we wanted to use our capital more efficiently to free up resources in order to make use of them in markets that offer stronger growth and higher returns. Because of the global financial crisis, we had to rethink our priorities. We needed that extra capital not for growth, but to protect ourselves from the effect of falling bond and equity prices. In October, as a precautionary step, we also secured additional core capital from our main shareholder Vereniging AEGON, funded by the Dutch State. Taken together, these measures ensured AEGON's ability to enter 2009 with a strong buffer – a safeguard against further turmoil in the world financial markets.

Despite what we've achieved, 2009 will inevitably be a difficult year as well. All signs suggest we're already in a deep economic recession. These uncertainties mean that liquidity and capital management will continue to be a high priority in the next year or two.

Already we've seen that widening credit spreads are hurting the fair value of our credit portfolio. And naturally, over the coming period, we'll see an increase in impairments for the financial services industry as a whole. That's no surprise; you see that in every economic downturn. However, given AEGON's long-term business model, we are also able to hold on to these investments until they either reach maturity or recover their value. Given our very solid liquidity management, we are unlikely to be forced to sell assets simply to generate cash. Unlike banks, we also run less withdrawal risk because of the long-term contracts we have with our clients. In the current climate, one big advantage of our business model is this absence of possible liquidity shocks.

Moreover, AEGON's earnings capacity – its underlying insurance, pension and investment businesses, with EUR 41 billion in gross deposits in 2008 – remains intact, despite the shock of the financial crisis. As markets stabilize, we believe that profits in the insurance industry will begin to increase.

Today's economic climate means that people have begun to think differently about their financial decisions and the steps they need to take to safeguard their futures. Customers, for example, are already more sensitive to risk now than they were six months ago. They will want products that offer guarantees – products that, in an uncertain environment, will help them secure their long-term financial futures, products that are core to AEGON's business and expertise.

Over the past several months, we've had to make some difficult choices. Among other things, we've introduced a program of cost reductions in the United States, the Netherlands and the United Kingdom that will save us at least EUR 150 million in 2009. Cutting costs is never easy, but it's something we have to do. In addition, measures to release capital and reduce risk will continue throughout 2009. For a company like AEGON, there are opportunities opening up because of the financial crisis – and these measures, by strengthening our financial position, will help ensure we're able to capitalize on them."

Inevitably, the global financial crisis affected AEGON's earnings in 2008. But the company took steps to combat the crisis by reducing risks and freeing up extra capital from its existing businesses.

"Despite what we've achieved, 2009 will inevitably be a difficult year. All signs suggest we're already in a deep economic recession. These uncertainties mean that liquidity and capital management will continue to be a high priority in the next year or two."

Jos Streppel
CFO and member Executive Board

Highlights

Total net deposits

+38%

Total net deposits rose 38% in 2008 to more than EUR 3.4 billion.

Core capital

9.1 billion

At the end of 2008, AEGON's core capital stood at EUR 9.1 billion – EUR 6.1 billon in shareholders' equity and an additional EUR 3 billion from Vereniging AEGON, funded by the Dutch State.

Internal rate of return

17.8%

The internal rate of return on new business reached 17.8% in 2008, comfortably above AEGON's own hurdle rate of 11%.

In 2008, AEGON's earnings were severely affected by the global financial crisis. The company's core businesses, however, remained resilient, while measures taken to reduce risk, release and secure additional capital helped ensure that AEGON entered 2009 with a strong financial position.

Unprecedented turmoil in world financial markets during the year resulted in:
- Significantly lower equity markets;
- A decline in interest rates, particularly in the second half of the year;
- An unprecedented widening in credit spreads and sharply lower bond values; and
- A strong increase in equity market volatility.

Business and economic conditions also worsened, leading to a decline in sales of certain products. Customers, in particular, became more cautious, while regulators took a significantly more conservative approach to capital and solvency requirements. AEGON's earnings for the year were also affected by a rise in impairments, linked mainly to US financial institutions, housing-related structured assets in the United States, high-yield corporate bonds and equity investments.

Despite the financial crisis, AEGON made significant progress toward its short-term objectives:
- In the second half of 2008, AEGON released EUR 1.7 billion in additional capital from its existing businesses, primarily by reducing investment risk, optimizing asset and liability management and transferring risk through reinsurance;
- AEGON also secured EUR 3 billion in additional core capital from Vereniging AEGON, funded by the Dutch State, part of a broader program to help healthy and viable banks and insurance companies in the Netherlands counter the effects of the global financial crisis; and
- AEGON is implementing a program to reduce operating costs by approximately EUR 150 million in 2009. These savings will be achieved mainly by restructuring businesses in the company's three leading markets: the United States, the Netherlands and the United Kingdom.

In addition, AEGON has also announced that it will scale back its institutional markets business in the United States. This will free up an estimated EUR 600 million in capital over the next two years.

As a result of these measures, AEGON's capital position remains strong, despite the significant deterioration in global financial and economic conditions in the second half of the year. At the end of December 2008, AEGON had a capital surplus of EUR 2.9 billion over and above AA capital adequacy requirements. Its solvency ratio, under the European Insurance Group Directive, stood at 183%, down fractionally from 190% at the end of 2007. AEGON's operations in the United States have a NAIC RBC[1] ratio of 350%.

Earnings overview

The deterioration in world financial markets had a significant impact on AEGON's earnings for 2008. The company reported a net loss for the year of EUR 1.1 billion. Underlying earnings before tax declined 40% to EUR 1.6 billion – the result primarily of reserve strengthening and accelerated amortization in the United States of Deferred Policy Acquisition Costs, or DPAC. In general, fees on asset balances were also lower.

Net income for the year was affected by an increase in impairments and the impact of lower markets on financial guarantees and fair value investments in the Americas and the Netherlands. New life sales declined 20% to EUR 2.6 billion – a reflection of adverse currency movements and the impact of increased market turmoil, particularly on sales of unit-linked products and bank-owned and corporate-owned life insurance in the United States. Total gross deposits were down 8% at EUR 40.8 billion, with lower sales of institutional products and pensions and asset management more than offsetting strong sales of fixed annuities in the United States. AEGON's value of new business was also lower, down 10% at EUR 837 million due mainly to a sharp decline in sales in Taiwan and the stronger euro.

[1] NAIC RBC: National Association of Insurance Commissioners Risk Based Capital.

Underlying earnings before tax

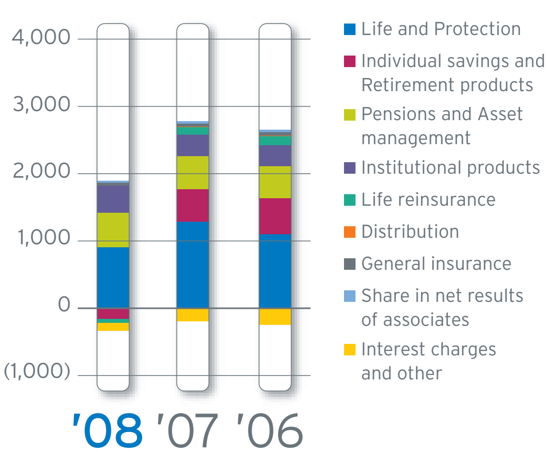
AEGON's underlying earnings before tax declined 40% in 2008 to EUR 1.6 billion – a reflection primarily of reduced fees on asset balances and of lower equity markets, which led to reserve strengthening and an accelerated amortization of deferred policy acquisiton costs, particularly in the company's variable annuities business in the Americas.

In the United Kingdom, lower equity and bond markets led to a decline in income from fees in the company's pension business. Increase in long-term assumptions with regard to equity market volatility also adversely impacted AEGON's earnings from the Americas. These factors were offset partly by gains from higher interest rates spreads and a one-off dividend payment of EUR 75 million received from an investment fund in the Netherlands.

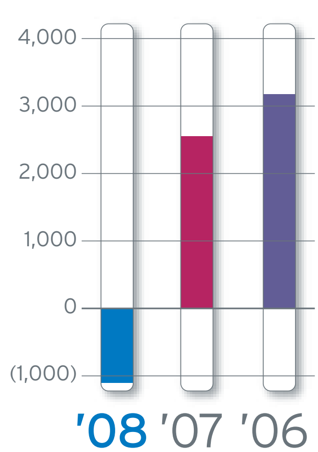
Net income

AEGON reported a net loss for 2008 of EUR 1.1 billion, the result of a steep decline in financial markets during the second half of the year. The underperformance of fair value investments and fair value losses related to guarantees led to a charge of almost EUR 1.6 billion. This charge reflected a sharp decline in equity markets, increases in equity volatility and a decrease in government bond rates. These factors were partly offset by the impact of the increase in the spread of credit risk on the valuation of the guarantees. Alternative investment classes in the Americas and the Netherlands, such as hedge funds, private equity and credit derivatives, also significantly underperformed their expected long-term returns. AEGON has taken steps to reduce its exposure to alternative assets, as well as to credit and equity markets. Impairments also rose sharply during the year to EUR 1.0 billion. This was the result of a significant deterioration in business and economic conditions. Impairments stemmed primarily from investments in US financial institutions (particularly AEGON's holdings in Lehman Brothers and Washington Mutual), housing-related structured assets, high-yield corporate bonds and equity investments. As expected, the credit crisis has resulted in impairments rising above their long-term expectations. Gains on investments, meanwhile, declined sharply to EUR 35 million from EUR 746 million in 2007 and included gains on derivatives held at holding level. Income tax amounted to EUR 21 million due to a charge of EUR 490 million related to inter-company reinsurance treaties more than offsetting the tax benefit from the company's reported operational losses.

Underlying earnings before tax
(in EUR million)



Net income/(loss)
(in EUR million)



Commissions and expenses

Commissions and expenses rose 3% in 2008 to EUR 6.1 billion. This was due primarily to an acceleration in DPAC amortization, as well as a number of one-off items, including restructuring charges, project expenses and provisions.

Sales

New life sales declined 20% during the year to EUR 2.6 billion. Worsening financial market conditions clearly affected sales in the Americas, Central & Eastern Europe and Asia. In the Americas, there was also a decline in sales of both bank-owned and corporate-owned life insurance and life reinsurance. In the Netherlands sales also decreased, mainly due to a slow down in the Dutch group pension market. In the United Kingdom, sales held up well, mainly due to continued growth in individual annuities and the corporate pension markets. Sales in Spain were boosted by changes to local pension legislation and an expansion of AEGON's bank distribution network in the country. In Central & Eastern Europe, sales of unit-linked products, in particular, were adversely affected by the decline in world equity markets, but AEGON's pension business in the region continued to show signs of growth. In Asia, unit-linked sales were also adversely affected by the decline in world equity markets.

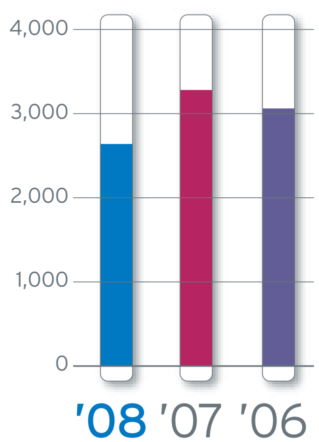
Deposits

Total gross deposits decreased 8% in 2008 to EUR 40.8 billion. Overall sales of variable annuities, savings products, pensions and asset management all declined, mainly because of unprecedented volatility in the global financial markets. Sales of savings products were also affected by increased competition as interest rates declined. Fixed annuity deposits in the United States, however, showed strong gains, rising to EUR 4.1 billion in 2008 from EUR 1.1 billion the year before, as customers sought additional financial security amid significant equity market volatility.

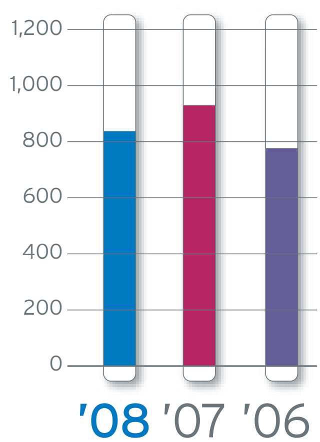
Value of new business

AEGON's value of new business (VNB) in 2008 totaled EUR 837 million, a decline of 10% compared with the previous year. Operations in the Americas, the United Kingdom and Central & Eastern Europe all posted gains in VNB. Asia was, however, sharply lower – due mainly to a decrease in VNB from Taiwan. The company's internal rate of return on new business declined slightly to 17.8% from 18.4%, but remains comfortably above its own minimum return target of 11%.

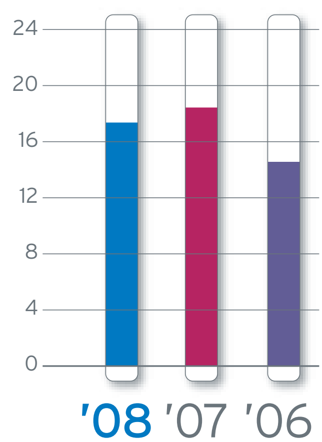
New life sales
(in EUR million)



Value new business
(in EUR million)



Internal rate of return
(in %)



Capital position

At the end of 2008, AEGON had core capital of EUR 9.1 billion. This consisted of EUR 6.1 billion in shareholders' equity and an additional EUR 3 billion from Vereniging AEGON, funded by the Dutch State. Core capital includes unrealized losses on available-for-sale assets of EUR 7.2 billion. Excluding these unrealized losses, AEGON's core capital totaled EUR 16.2 billion, 78% of the capital base and well above AEGON's minimum target of 70%.

In 2008, shareholders' equity on an IFRS basis declined by EUR 9.1 billion. AEGON's revaluation reserve declined by EUR 6.7 billion. Net loss for the year (EUR 1.1 billion) and the payment of dividends and coupons (EUR 970 million) were the other main contributors to the decline.

Unrealized losses – held in the company's revaluation reserve – were due primarily to an unprecedented widening in credit spreads on corporate bonds during the year. This widening more than offset the effect of declines in government bond yields. It should be noted that unrealized losses will only affect earnings if AEGON:

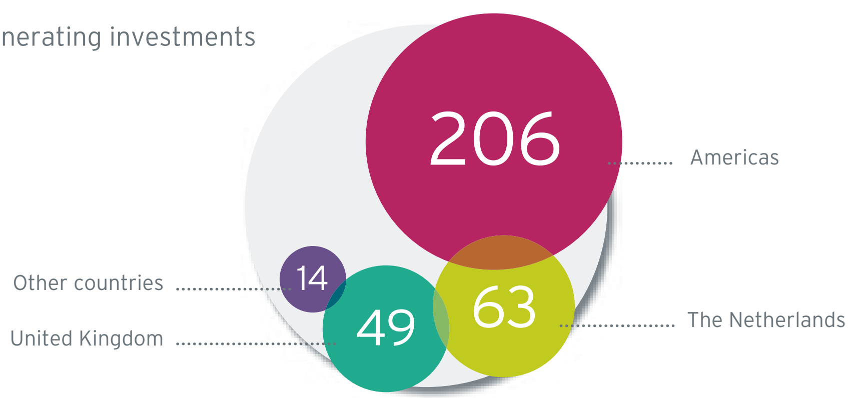
- Is forced to sell investments at a loss; or
- Impairs certain investments because the company does not expect to receive the full interest and-or principal.

AEGON's long-term business model, in combination with its disciplined approach to liquidity and asset and liability management, ensures that it is unlikely that the company will be forced to sell assets at distressed prices in order to generate cash. Therefore, AEGON's negative revaluation reserve is not a good indication of future losses. AEGON expects impairments will be at elevated levels in 2009, due to the economic situation.

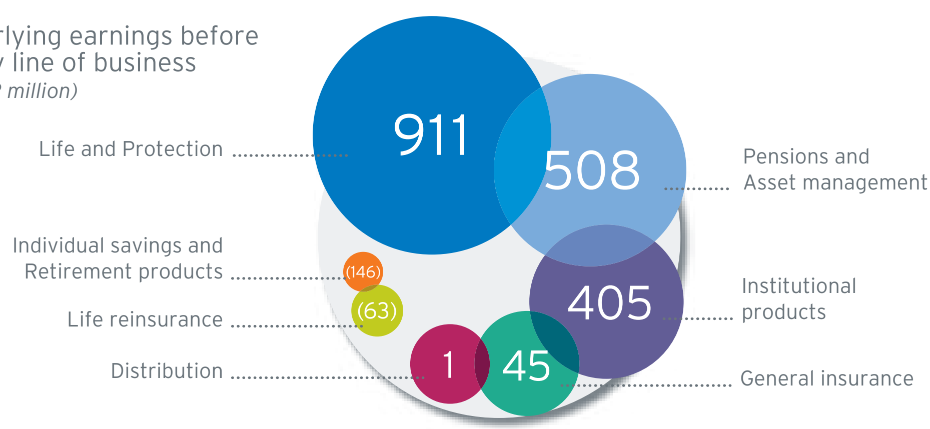
Revenue-generating investments

At the end of December 2008, AEGON's revenue-generating investments amounted to EUR 331.8 billion, down from EUR 370.5 billion the year before. The decline was due to lower financial markets during the year.

Revenue-generating investments
(in EUR billion)



Underlying earnings before tax by line of business
(in EUR million)



Earnings overview AEGON Group Amounts in EUR million	2008	2007
Underlying earnings before tax		
Life and Protection	911	1,295
Individual savings and Retirement products	(146)	496
Pensions and Asset management	508	498
Institutional products	405	332
Life reinsurance	(63)	114
Distribution	1	6
General insurance	45	47
Interest charges and other	(112)	(185)
Share in net results of associates	24	36
Underlying earnings before tax	**1,573**	**2,639**
Over/(under) performance fair value items	(1,619)	(272)
Operating earnings before tax	**(46)**	**2,367**
Gains/(losses) on investments	35	746
Impairment charges	(1,038)	(76)
Other income/(charges)	(12)	40
Income before tax	**(1,061)**	**3,077**
Income tax	(21)	(526)
NET INCOME	**(1,082)**	**2,551**

AEGON AROUND THE WORLD | BY LINE OF BUSINESS

Life and Protection

AEGON is one of the world's leading providers of life insurance and financial protection products, serving millions of customers across the globe. AEGON offers a broad range of traditional, term, universal, permanent life insurance, as well as individual and group financial protection, including accident and health cover.

The company has leading life insurance businesses in the Americas (United States, Canada, Mexico), the Netherlands, the United Kingdom and Spain, as well as a growing presence in emerging markets in Asia and Central & Eastern Europe. AEGON companies include some of the best-known brands in the insurance sector, among them Transamerica in the United States, AEGON Scottish Equitable in the United Kingdom and AEGON itself in the Netherlands.

Individual savings and Retirement products

AEGON helps individuals and families around the world save for their retirements, increasingly important as people in many countries live longer, healthier lives. AEGON provides a wide variety of savings and retirement products, including retail mutual funds and fixed sand variable annuities. AEGON provides individual savings and retirement products, mainly in the United States and the Netherlands.

The company's variable annuities, savings and mutual fund business is growing rapidly in other countries, too. A combination of economic growth and rising levels of personal wealth in recent years has supported an expansion of AEGON's businesses in Asia, Mexico and Central & Eastern Europe.

Pensions and Asset management

With people living longer lives, and governments increasingly shifting responsibility for retirement provisioning to the private sector, AEGON believes demand for pensions will continue to grow in the years ahead. AEGON has a strong and expanding pension business in the United States, the Netherlands and United Kingdom.

Demand is growing in other regions, opening up new opportunities for the company. Pensions are an important part of AEGON's businesses, not only in our established markets, but also in new, emerging markets like the countries of Central & Eastern Europe.

* Underlying earnings before tax in EUR million.

Institutional products

AEGON's businesses cater to the needs not only of individuals, but also of institutional customers, such as banks, pension funds, municipalities and private companies. AEGON companies provide institutional guaranteed products, such as guaranteed investment contracts and funding agreements, as well as management, administration and risk services for off-balance sheet items and bank-owned and corporate-owned life insurance. AEGON USA markets a range of institutional products to pension and retirement funds, money market funds and US municipalities as well as investors outside the United States. These products include bank-owned and corporate-owned life insurance.

Life reinsurance

AEGON provides a range of life and annuity reinsurance products. The company's core product – mortality risk transfer – is offered primarily through coinsurance, but is also available under yearly renewable term arrangements. AEGON offers life reinsurance services not only in the United States, but also in Asia and Latin America, through its Transamerica Reinsurance business unit. Transamerica Reinsurance has operations in Bermuda, Brazil, Chile, France, Spain, Hong Kong, Ireland, Japan, Mexico, South Korea, Taiwan and the United States.

General insurance

Generally, AEGON offers non-life insurance cover only when it serves the company's distribution objectives to do so. The company offers some limited general insurance in the Netherlands and in Hungary – primarily car, liability, household and fire insurance.

Distribution

AEGON has distribution businesses in both the Netherlands, through its Unirobe-Meeùs subsidiary, and in the United Kingdom through Positive Solutions and Origen. In both countries AEGON companies sell and distribute a wide range of insurance products and other financial services.

* Underlying earnings before tax in EUR million.

Americas

Lines of business

- Life and Protection
- Individual savings and Retirement products
- Pensions and Asset management
- Institutional products
- Life reinsurance

Leading companies

- Transamerica Life
- Transamerica Financial Life
- Merill Lynch Life
- Merill Lynch Life Insurance Company of New York
- Monumental Life
- Stonebridge Life
- Stonebridge Casualty
- Western Reserve Life
- Transamerica Life Canada
- AEGON Capital Management
- AEGON Fund Management

Joint ventures

- Seguros Argos (49%)
- Afore Argos (49%)

Employees

15,157

Revenue-generating investments

Amounts in USD

billion 286

Underlying earnings before tax

Amounts in USD

million 1,573

Distribution channels

AEGON USA's main distribution channels include independent and career agents, financial planners and other registered representatives, independent marketing organizations, banks, broker-dealers, consultants, wirehouses, affinity groups and other institutional partners. AEGON USA also provides a range of products and services online and uses direct and worksite marketing. In addition, AEGON Canada also uses agencies owned by Transamerica Life Canada and operates through the World Financial Group, part of AEGON Americas.

Patrick S. Baird
CEO AEGON USA

"Clearly, the global financial crisis had a serious effect on our earnings in 2008 as it did on the entire US life industry. However, AEGON Americas' underlying businesses remained resilient. For a long time, our focus has been on cost control, risk, capital and liquidity management, as well as profitability. It's this focus that is helping us withstand the current crisis."

Overview

During the second half of the year, business conditions in the Americas – particularly in the United States – worsened significantly. Equity markets fell sharply, default risk increased, leading to spreads on corporate bonds widening to unprecedented levels. Meanwhile, yields on government bonds dropped and the broader economy began to show signs of considerable contraction. Earnings from AEGON Americas were significantly affected by the crisis. The company reported a net loss for 2008 of USD 2.0 billion – a reflection of sharply lower financial markets and an increase in impairments. Underlying earnings before tax, meanwhile, declined 42% to USD 1.6 billion. Worsening economic conditions also had a negative impact on new life sales, though gross deposits for the year decreased by just 3%, due mainly to growing demand for fixed annuities. The value of new business rose 4% to USD 604 million.

Underlying earnings before tax

AEGON Americas' underlying earnings before tax declined 42% to USD 1.6 billion – a reflection primarily of reserve strengthening and an acceleration in deferred policy acquisition costs (DPAC), which were partly offset by increased spreads on institutional guaranteed products. Reserve strengthening affected earnings from both the Individual savings and Retirement products and the Life reinsurance lines of business.

Net income

AEGON Americas reported a net loss for 2008 of EUR 2.0 billion. This was the result primarily of:

- A significant underperformance in fair value items, including guarantees;
- An increase in impairments; and
- A lower-than-expected tax benefit because of charges related to inter-company reinsurance treaties between AEGON operations in the United States, Ireland and Bermuda. These tax losses are largely expected to reverse as the book matures and when credit spreads narrow.

The underperformance in fair value items reflected lower financial markets during the year as well the decline in interest rates, wider credit spreads and a considerable increase in market volatility. As expected, given the deterioration in economic conditions, impairments showed a significant rise compared with 2007. Impairments were concentrated in three main areas: US financial institutions (particulary Lehman Brothers and Washington Mutual), housing-related structured assets, including subprime, and high-yield corporate bonds. AEGON Americas booked an income tax benefit of USD 74 million in 2008. Much of the tax benefit arising from impairments and financial losses during the year, however, was offset by charges of USD 718 million relating to inter-company reinsurance treaties.

Commissions and expenses

Commissions and expenses rose 9% in 2008 to USD 5.0 billion, largely the result of an acceleration in DPAC amortization following lower equity markets. Operating expenses increased by just 2% to USD 2.2 billion.

Sales and deposits

AEGON Americas' new life sales declined 26% in 2008 to USD 945 million – a reflection of the downturn in economic conditions. Sales of bank-owned and corporate-owned life insurance also slowed considerably because of the financial crisis. Total gross deposits, meanwhile, showed significant resistance, declining only 3% to USD 52.4 billion. Sales of fixed annuities tripled, offsetting declines in deposits of institutional products, saving products and asset management.

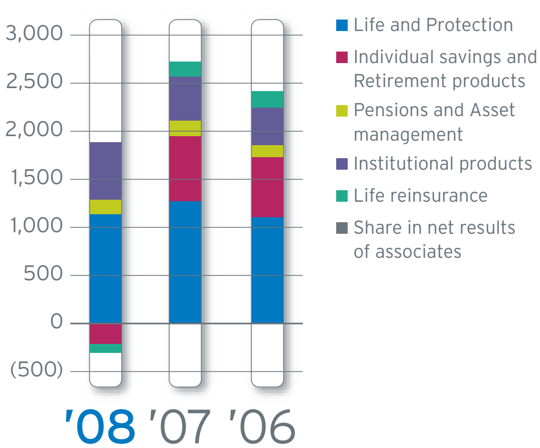
Value of new business

Despite extremely difficult market conditions, AEGON's value of new business in the Americas increased by 4% in 2008 to USD 604 million. This was a reflection primarily of a rise in sales of fixed annuity products. The company's internal rate of return for the year amounted to 12.4%, down from 13.0% in 2007 and well above AEGON's minimum 'hurdle rate' of 11%.

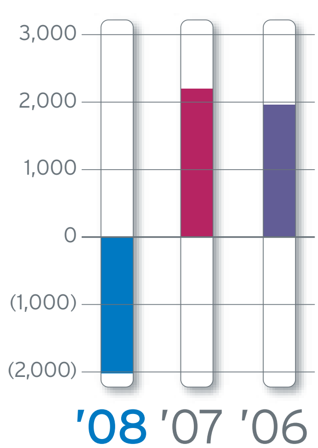
Revenue-generating investments

At the end of 2008, revenue-generating investments totaled USD 286.2 billion, down from USD 326.0 billion a year earlier. This decline was due to lower equity and bond markets.

Underlying earnings before tax
(in USD million)

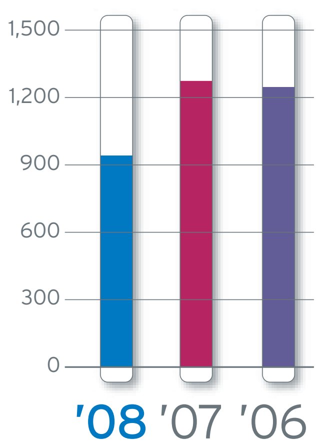


Net income/(loss)
(in USD million)

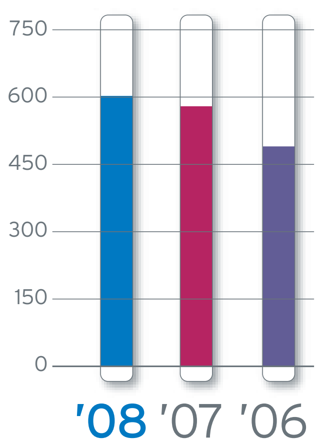


Earnings overview AEGON Americas Amounts in USD million	**2008**	2007
Underlying earnings before tax		
Life and Protection	1,132	1,275
Individual savings and Retirement products	(211)	675
Pensions and Asset management	150	166
Institutional products	594	455
Life reinsurance	(93)	156
Share in net results of associates	1	–
Underlying earnings before tax	**1,573**	**2,727**
Over/(under) performance fair value items	(2,434)	149
Operating earnings before tax	**(861)**	**2,876**
Gains/(losses) on investments	(103)	376
Impairment charges	(1,138)	(65)
Other income/(charges)	6	–
Income before tax	**(2,096)**	**3,187**
Income tax	74	(1,003)
NET INCOME	**(2,022)**	**2,184**

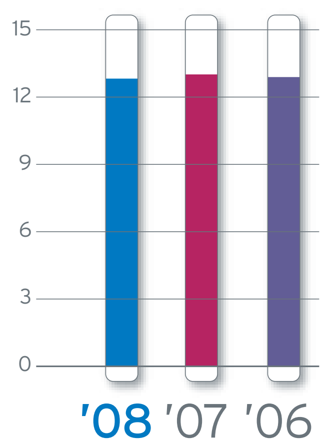
New life sales
(in USD million)



Value new business
(in USD million)



Internal rate of return
(in %)



The Netherlands

Lines of business

- Life and Protection
- Individual savings and Retirement products
- Distribution
- Pensions and Asset management
- General insurance

Leading companies

- AEGON Levensverzekering
- AEGON Schadeverzekering
- AEGON Bank
- TKP Pensioen
- Unirobe Meeùs
- OPTAS

Employees

6,171

Revenue-generating investments
Amounts in EUR

63 billion

Underlying earnings before tax
Amounts in EUR

378 million

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

Marco B.A. Keim
CEO AEGON The Netherlands

"This wasn't an easy year by any means. But we have taken the first, important steps toward improving AEGON The Netherlands' profitability, and toward ensuring that, by placing the customer at the center of everything we do, we are focused on the right priorities in 2009 and beyond."

Overview

During 2008, AEGON The Netherlands was also affected by the distressed market conditions. This led to a decline in both net income and underlying earnings before tax. Sales also decreased, mainly due to a slowdown in the Dutch group pension market. Underlying earnings before tax declined 10% to EUR 378 million, while net income decreased to EUR 94 million, largely because of the impact of lower gains on investments and a rise in impairments. Total gross deposits fell by 11%, due primarily to lower savings, pensions and asset management deposits. Value of new business was 16% down at EUR 43 million.

In November 2008, Marco Keim, the new CEO of AEGON The Netherlands, set out a new strategy for the company's Dutch businesses. The strategy is based on three priorities:

- To improve profitability through a series of measures, including selective price increases, cost reductions and a focus on less capital intensive products;
- To extend AEGON The Netherlands' distribution network; and
- To bring about a change in culture by improving customer service and introducing clearer objectives and priorities.

As part of the plan, AEGON The Netherlands aims to improve its return on capital by at least 100 basis points by 2012.

In September 2008, AEGON The Netherlands took further steps to reduce charges associated with unit-linked insurance policies sold in the Netherlands in line with industry-wide recommendations from the country's Ombudsman for Financial Services, following complaints from customers. In recent years, AEGON The Netherlands has made substantial improvements to these products. In 2005 and 2006, AEGON The Netherlands revised its entire portfolio of unit-linked policies, reducing charges to customers retrospectively and reinvesting the difference. More than three quarters of AEGON's unit-linked insurance customers had already benefited from these improvements. In all, AEGON The Netherlands estimates the total cost of these reductions and improvements at approximately EUR 520 million.

Underlying earnings before tax

AEGON The Netherlands' underlying earnings before tax declined 10% to EUR 378 million. An exceptional dividend of EUR 75 million from an investment fund and improved technical results from AEGON The Netherlands' pension business were offset by a decrease in investment income, higher claims in the company's Accident and Health business and a series of one-off charges that included higher system and project expenses and restructuring charges. Earnings from Individual savings and Retirement products also declined because of lower margins and volumes. The company's General insurance business, meanwhile, was adversely affected by a slowdown in the Dutch real estate market, though it remained level with 2007.

Net income

Net income for 2008 was sharply lower, down 84% at EUR 94 million. This was essentially due to declining financial markets, the underperformance of private equity investments and investments held at fair value through profit or loss, and a rise in impairments. These factors were partly offset by the positive net impact of fair value movements in guarantees and related hedges (EUR 214 million). The valuation of the fair value of liability guarantees includes sharply increased interest rates and equity volatilities, as well as discount rates, including a credit spread, a reflection of extremely dislocated and very illiquid markets. Impairments rose to EUR 138 million, primarily linked to investments in equities and high-yield bonds.

Commissions and expenses

Commissions and expenses rose 7% during the year to EUR 1.3 billion. Operating expenses, meanwhile, were 11% higher at EUR 934 million. This increase was due to a number of one-off factors, including a rise in project expenses, systems-related spending and a restructuring of AEGON The Netherlands' Distribution business.

Sales and deposits

AEGON's new life sales in the Netherlands declined by 16% in 2008 to EUR 219 million. Retail life insurance sales held up well, despite a worsening economic climate. The Dutch group pensions market, however, declined significantly, due mainly to increased uncertainty among clients. Sales of Accident and Health policies declined from EUR 18 million to EUR 15 million (down 17%). Total gross deposits, meanwhile, were 11% lower at EUR 2.70 billion. Savings deposits, meanwhile, decreased by 7% during the year to EUR 2.5 billion, a result of worsening economic conditions.

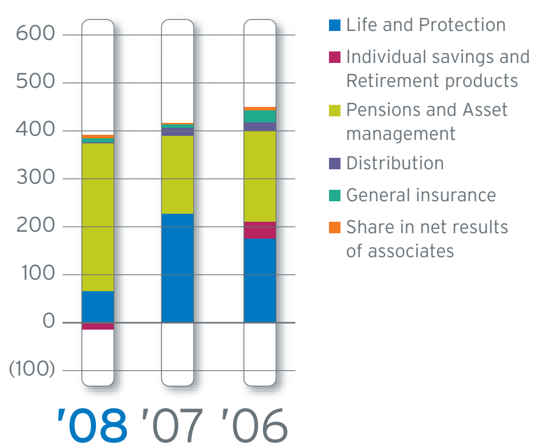
Value of new business

AEGON's value of new business from its Dutch operations declined 16% to EUR 43 million in 2008. The internal rate of return rose slightly to 10.8%, up from 10.7% in 2007.

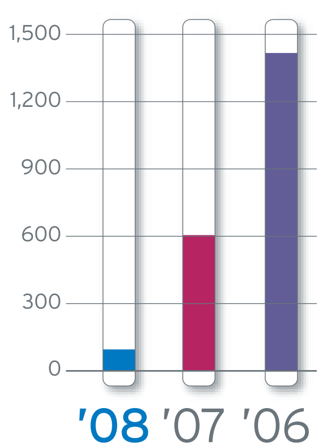
Revenue-generating investments

At the end of 2008, AEGON's revenue-generating investments in the Netherlands stood at EUR 63.1 billion, down from EUR 65.6 billion the year before. This decline was due to lower equity and bond markets.

Underlying earnings before tax
(in EUR million)

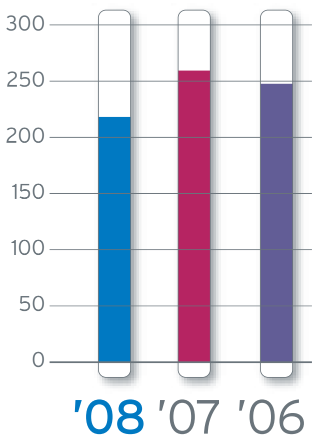


Net income
(in EUR million)

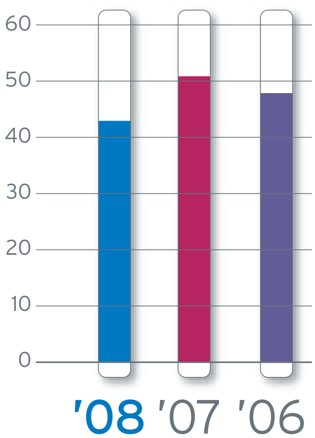


Earnings overview AEGON The Netherlands Amounts in EUR million	2008	2007
Underlying earnings before tax		
Life and Protection	66	228
Individual savings and Retirement products	(14)	–
Pensions and Asset management	308	163
Distribution	3	16
General insurance	8	8
Share in net results of associates	7	3
Underlying earning before tax	**378**	**418**
Over/underperformance fair value items	(165)	(381)
Operating earnings before tax	**213**	**37**
Gains/(losses) on investments	20	465
Impairment charges	(138)	(24)
Other income (charges)	–	30
Income before tax	**95**	**508**
Income tax	(1)	98
NET INCOME	**94**	**606**

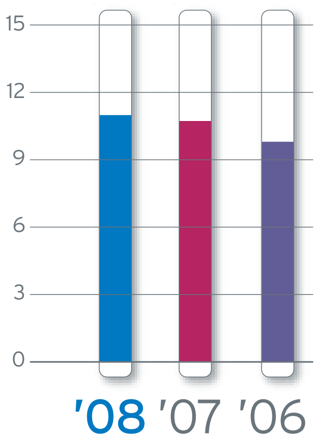
New life sales
(in EUR million)



Value new business
(in EUR million)



Internal rate of return
(in %)



United Kingdom

Lines of business
- Life and Protection
- Pensions and Asset management
- Distribution

Leading companies
- AEGON Scottish Equitable
- AEGON Asset Management
- Positive Solutions
- Origen Financial Services
- HS Administrative Services
- Guardian Assurance

Employees

Revenue-generating investments
Amounts in GBP

Underlying earnings before tax
Amounts in GBP

Distribution channels
AEGON UK's principal means of distribution is through the intermediated financial advice channel, which is the main sales route for long-term savings and retirement products in the United Kingdom. In all, there are an estimated 35,000 registered financial advisors in the United Kingdom. AEGON UK also explores new distribution opportunities, including agreements with banks and affinity partnerships with other potential distributors.

Otto Thoresen
CEO AEGON UK

"AEGON UK's businesses stood up well to what was a very difficult economic and financial environment in 2008. Naturally, the decline in bond and equity markets had an impact on our earnings. But strong sales, particularly of group pensions, annuities and protection plans, demonstrate the underlying strength and diversity of our businesses."

Overview

Underlying earnings before tax decreased 39% to GBP 113 million, while net income was down 65% at GBP 64 million. Much of the decline in earnings was due to lower fund-related charges in AEGON UK's pension business. However, sales held up well, with new life sales up 3% and a strong performance in particular from group pensions, annuities and the financial protection business. Higher margins led to a further increase in the United Kingdom's value of new business, which was up 18% to GBP 186 million.

Underlying earnings before tax

AEGON UK reported underlying earnings before tax in 2008 of GBP 113 million, down from GBP 186 million the year before. Most of the decline may be attributed to the impact of lower corporate bond and equity markets on fund-related charges in AEGON's unit-linked pension business. Earnings from Life and Protection decreased GBP 8 million to GBP 46 million as strong underlying growth was masked by a one-off benefit in 2007. Pensions and Asset management declined, however, due to lower market levels and in particular because of lower fund-related charges. Earnings from AEGON's Distribution business in the United Kingdom saw an improvement, as a result of cost containment and a release of incentive payment reserves.

Net income

Lower underlying earnings, underperformance of fair value items, losses on investments and higher impairment charges are the main drivers of the reduction in net income from GBP 183 million to GBP 64 million. The fair value increases of guarantees embedded in '5-for-Live' variable annuity products resulted, net of hedging, in an underperformance in fair value items of GBP 15 million. Net income in 2008 also included impairment charges on bond holdings of GBP 18 million.

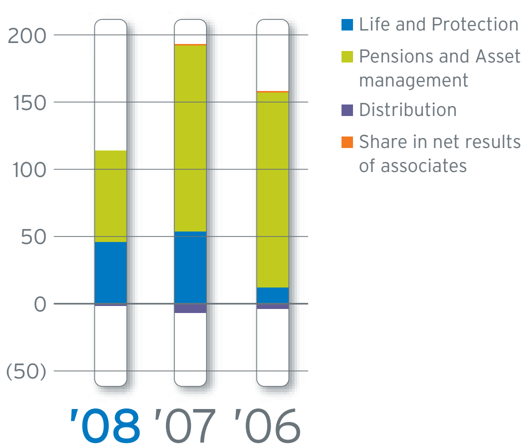
Commissions and expenses
Commissions and expenses rose 2% in 2008 to GBP 662 million. Operating expenses were 6% higher at GBP 414 million. The increase in operating expenses was due mainly to continued investments in AEGON UK's businesses and restructuring costs.

Sales and deposits
Despite a difficult market environment, AEGON UK increased new life sales in 2008 by 3% to GBP 1.22 billion. Life annualized premium production increased 20% to GBP 251 million due to continued strong sales of annuities and protection products, reflecting AEGON UK's continued focus on its diversification strategy. Sales of pensions were flat at GBP 971 million. Group pensions continued to be strong, though this was offset by lower individual pension sales. Total gross deposits, however, were sharply lower – down 40% at GBP 542 million – a reflection of unprecedented turmoil in world financial markets, which resulted in lower sales of mutual funds and third party managed assets.

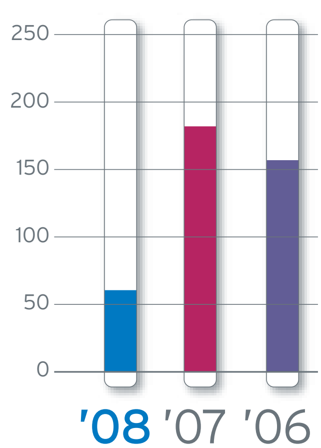
Value of new business
AEGON UK's value of new business rose 18% in 2008 to GBP 186 million, as margins showed further improvement during 2008. AEGON's strategy in the United Kingdom is to move more of its business to higher-margin areas, such as annuities and protection products. As a result, the internal rate of return on new business in the United Kingdom rose to 13.5% up from 13.0% in 2007.

Revenue-generating investments
At the end of 2008, revenue-generating investments stood at GBP 47.1 billion, down from GBP 53.1 billion. This decline reflects primarily the effect of weak equity markets during the year.

Underlying earnings before tax
(in GBP million)

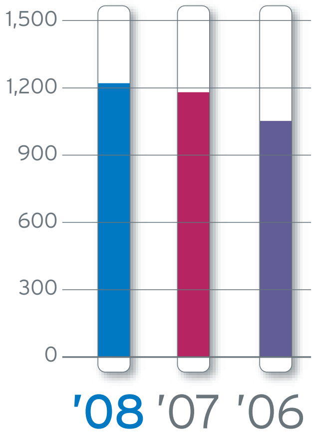


Net income
(in GBP million)

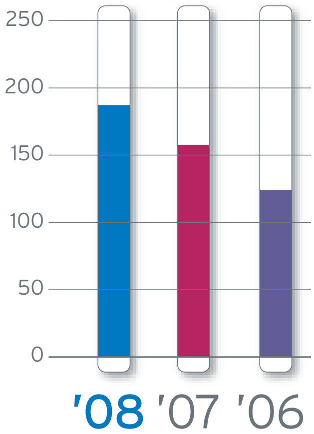


Earnings overview AEGON United Kingdom Amounts in GBP million	**2008**	2007
Underlying earnings before tax		
Life and Protection	46	54
Individual savings and Retirement products	68	138
Distribution	(1)	(7)
Share in net results of associates	–	1
Underlying earning before tax	**113**	**186**
Over/underperformance fair value items	(15)	–
Operating earnings before tax	**98**	**186**
Gains/(losses) on investments	(17)	(5)
Impairment charges	(18)	(3)
Other income (charges)	(14)	5
Income before tax	**49**	**183**
Income tax attributable to policyholder return	14	(5)
Income before income tax on shareholders' return	**63**	**178**
Income tax on shareholders' return	1	5
NET INCOME	**64**	**183**

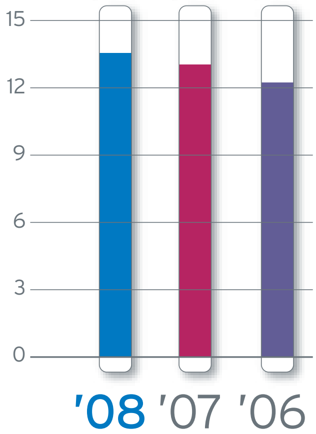
New life sales
(in GBP million)



Value new business
(in GBP million)



Internal rate of return
(in %)



Other countries

Lines of business

Central & Eastern Europe
- Life and Protection
- Individual savings and Retirement
- Pensions and Asset management
- General insurance

Other European countries
- Life and Protection
- Pensions and Asset management

Asia
- Life and Protection
- Pensions and Asset management

Leading companies

Central & Eastern Europe
- AEGON Czech Republic
- AEGON Hungary
- AEGON Poland
- AEGON Slovakia
- BT AEGON Romania
- AEGON Turkey

Other European countries
- AEGON Seguros de Vida
- AEGON Seguros Salud

Joint ventures
- CAM AEGON Holding Financiero (49.99%)
- Caja Badajoz Vida y Pensiones (50%)
- CAN Vida y Pensiones (50%)
- Caja Cantabria Vida y Pensiones (50%)
- Caixa Terrassa Vida y Pensiones (50%)
- La Mondiale Participations (35%)

Asia
- AEGON Life Insurance (Taiwan)

Joint ventures
- AEGON-CNOOC (China - 50%)
- AEGON Religare (India - 26%)
- AEGON Industrial Fund Management (49%)

Employees

4,739

Revenue-generating investments

Amounts in EUR

billion 14

Underlying earnings before tax

Amounts in EUR

million 93

Distribution channels

Central & Eastern Europe

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

Other European countries

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

Asia

AEGON operates through a number of different sales channels in Asia. In Taiwan, the company works through a network of professional agents, independent brokers and banks, as well as through worksite and direct marketing. Similarly, in China, AEGON sells its products through agents, independent brokers, banks and direct marketing. In China, agents and brokers distribute mainly life insurance. In recent years, AEGON has taken steps to extend its bank distribution network in the region. In India, AEGON is working closely with its partner Religare to expand its distribution network.

Overview

Earnings from Other countries declined in 2008 – largely the result of a significant decrease in earnings from AEGON's Life and Protection business in Taiwan. The company's operations in Spain and Central & Eastern Europe, however, proved resilient, despite a clear downturn in economic conditions and the impact of the global financial crisis. Underlying earnings before tax declined 35% to EUR 93 million, while AEGON's Other countries reported a net loss for the year of EUR 9 million. Value of new business decreased to EUR 148 million – a reflection of lower equity markets, which led to a decrease in unit-linked sales in Central & Eastern Europe and Asia.

Underlying earnings before tax

Underlying earnings before tax from AEGON's Other countries declined 35% to EUR 93 million in 2008. Earnings were adversely affected by accelerated DPAC amortization in Taiwan, which offset a resilient performance from the company's operations in Spain and Central & Eastern Europe. Both AEGON's pension business in Central & Eastern Europe and its asset management business in China showed signs of further growth during the year. Higher contributions from the joint venture with Caja de Ahorros del Mediterráneo (CAM), AEGON's largest bank partner in Spain, were offset by additional start-up costs at the company's joint venture in India and lower income from La Mondiale, AEGON's French associate.

Net income

AEGON's Other countries reported a net loss for 2008 of EUR 9 million, compared with a profit the previous year of EUR 73 million. Net income was affected by losses on investments totaling EUR 10 million, a tax charge of EUR 25 million and EUR 68 million in impairments related primarily to equity investments. These factors offset a positive contribution from AEGON's businesses in Spain and Central & Eastern Europe.

Commissions and expenses

Commissions and expenses in Other countries showed a sharp increase in 2008, up 33% to EUR 494 million, due primarily to an acceleration in DPAC amortization in Taiwan and higher operating expenses, up to 19% at EUR 211 million. The rise in operating expenses was due to continued growth in AEGON's pension business in Central & Eastern Europe and further investment in the company's bank distribution network in Spain.

Sales and deposits

New life sales declined 34% to EUR 233 million – a reflection of continued extreme market volatility. In Central & Eastern Europe, sales of unit-linked products were adversely affected by the persistent weakness of equity markets. Spain posted a steep increase in sales, helped by recent changes to national pension legislation, as well as the expansion of AEGON's bank distribution network in the country.

"AEGON's pension business in Central & Eastern Europe continued to grow in 2008 – despite the global financial crisis and a worsening economic environment. With the inclusion of Turkey, we're now active in six markets across the region."

Gábor Kepecs
CEO AEGON
Central & Eastern Europe

Sales in Taiwan, on the other hand, declined significantly, offset only in part by continued growth in China. Total gross deposits for AEGON's Other countries rose sharply in 2008 to EUR 1.64 billion, due mainly to the company's strong asset management business in China and further growth in its pension operations in Central & Eastern Europe.

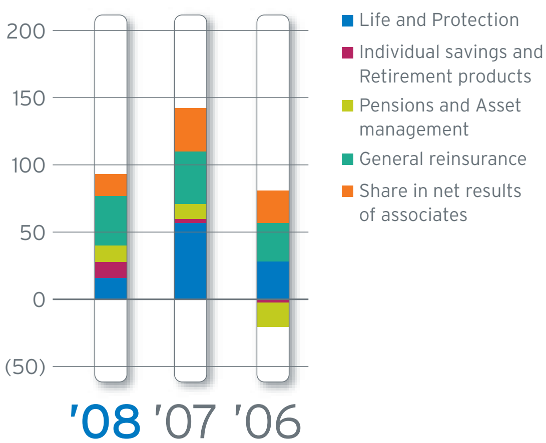
Value of new business

Value of new business decreased to EUR 148 million in 2008 – primarily the result of a decline in sales in Taiwan, though France and Spain also reported a lower value of new business. Value of new business in Central & Eastern Europe showed a modest gain in 2008. The internal rate of return in Asia rose to 18.5% as a result of a change in the product mix. In Central & Eastern Europe, the internal rate of return declined to 44.8%, due to a relatively low return from AEGON's new operations in Romania. In Spain, AEGON's bank distribution partnerships continued to deliver high rates of return, but France declined to 8.9%.

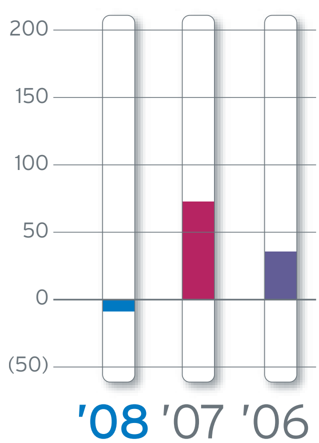
Revenue-generating investments

At the end of 2008, revenue-generating investments in Other countries stood at EUR 13.6 billion, up from EUR 10.9 billion a year earlier. The increase was due mainly to further growth in AEGON's asset management business in China and its pension operations in Central & Eastern Europe, as well as to expansion in Spain.

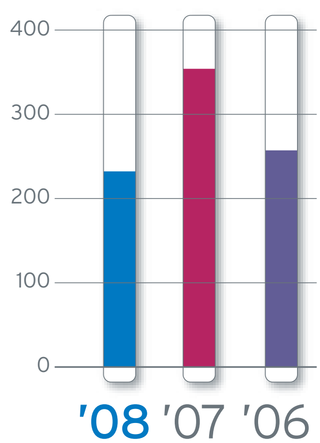
Underlying earnings before tax
(in EUR million)



Net income/(loss)
(in EUR million)

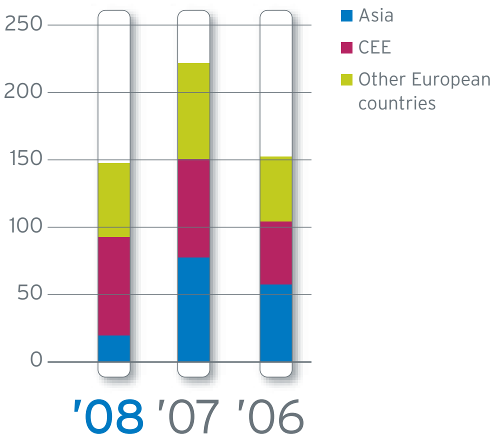


New life sales
(in EUR million)

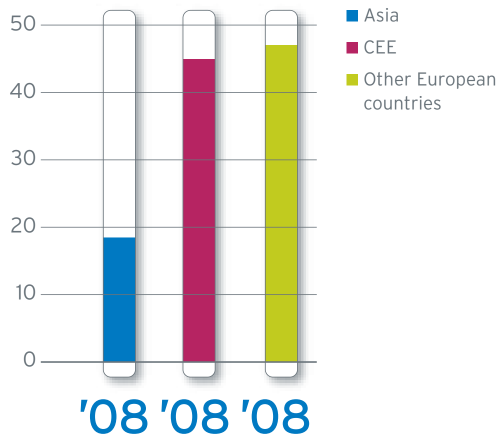


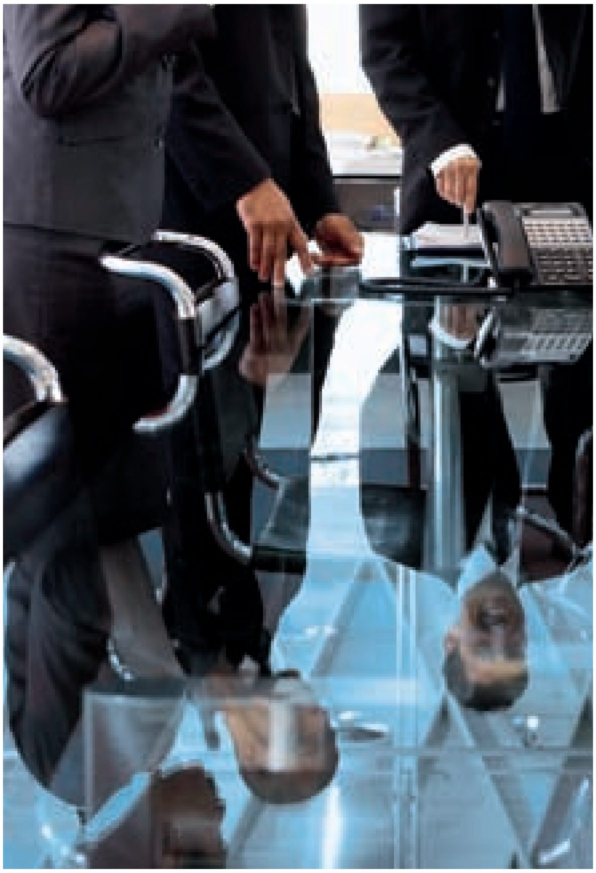
Earnings overview AEGON Other countries Amounts in EUR million	**2008**	2007
Underlying earnings before tax		
Life and Protection	16	57
Individual savings and Retirement products	12	3
Pensions and Asset management	12	11
General insurance	37	39
Share in net results of associates	16	32
Underlying earning before tax	**93**	**142**
Over/underperformance fair value items	–	–
Operating earnings before tax	**93**	**142**
Gains/(losses) on investments	(10)	14
Impairment charges	(68)	–
Other income (charges)	1	–
Income before tax	**16**	**156**
Income tax	(25)	(83)
NET INCOME	**(9)**	**73**

Value new business
(in EUR million)



Internal rate of return
(in %)





As an insurance company, AEGON manages risk on behalf of its customers and other stakeholders. As a result, the company is exposed to a variety of operational and financial risks. AEGON's risk management and control systems are designed to ensure that these risks are managed as effectively and efficiently as possible.

For AEGON, risk management involves:

- Understanding which risks the company is able to underwrite;
- Assessing the risk-return trade-off associated with these risks;
- Establishing limits for the level of exposure to a particular risk or combination of risks; and
- Measuring and monitoring risk exposures and actively managing the company's overall risk and solvency positions.

By operating within certain pre-defined tolerances and adhering to policies that limit the overall risk the company is exposed to, AEGON is able to accept risk with the full knowledge of potential returns and losses both for the company and for its shareholders.

AEGON must, at all times, maintain a solvency position such that no plausible scenario would cause the company to default on its obligations to policyholders.

To accomplish this, AEGON has established two basic objectives for its risk management strategy:

- AA capital adequacy requirements: AEGON maintains its companies' capital adequacy levels at whichever is the higher of local regulatory requirements, the relevant local Standard & Poor's requirements for very strong capitalization and any additional self-imposed economic requirements;
- Maintain solvency even under extreme event scenarios: AEGON must remain solvent in the case of plausible extreme events.

Types of risk

As an international provider of life insurance, pensions and other long-term investment and savings products, AEGON faces a number of risks, both operational and financial. Some of these risks may arise from internal factors, such as inadequate compliance systems. Others, such as movements in interest rates or unexpected changes in longevity trends, are external in nature. AEGON's most significant risk is to changes in financial markets, related particularly to movements in interest rates or equity and credit markets. Clearly, these risks, whether internal or external, may affect the company's operations, its earnings, its share price, the value of its investments or the sale of certain products and services.

Risk management in 2008 [1]

Like other insurance and financial services companies, AEGON experienced the impact of unprecedented deterioration in capital markets in 2008. The global financial crisis brought about sharp declines in equity markets, a worsening in general economic conditions, lower interest rates, extreme market volatility, an unprecedented widening in credit spreads and a sharp increase in bond defaults. These factors had serious implications not only for AEGON's sales and earnings, but also for the company's capital and liquidity position. AEGON regularly carries out sensitivity analyses to determine the impact of different scenarios (including extreme event scenarios), particularly on the company's earnings and capital position [1].

During the year, AEGON took a series of measures designed to counter the effects of the marketcrisis and, where required, limit the company's exposure to major financial risks.

Overview	
Credit risk	2008 saw an unprecedented widening in credit spreads, particularly in AEGON's US corporate bonds. This had significant implications for the value of AEGON's fixed income investments. AEGON's strong liquidity management, however, ensured that the company would not be a forced seller of such assets. Because AEGON invests for the long-term, the company is able to retain investments until they mature or recover their value.
Equity market and other investment risks	Equity markets around the world fell sharply in 2008. AEGON had already sold most of its direct equity market exposure in the Netherlands and the United States before financial markets began to decline. In addition, AEGON has also increased the hedging of its product guarantees to protect itself against a further deterioration in equity markets. Since 2003, for example, AEGON has hedged almost all new variable annuity business.
Interest rate risk	Interest rates declined in 2008. This had important consequences, particularly for investment income and for the margins on financial guarantees included in certain policies. On some products, AEGON took steps to reduce such guarantees. In addition, AEGON implemented an interest rate hedge in the Netherlands, reducing the company's exposure to interest rate volatility and the risk to earnings. AEGON also increased its forward-starting swap programs in the United States to achieve similar objectives.
Currency exchange rate risk	As an international company, AEGON is exposed to movements in currency rates. However, AEGON does not consider this exposure to be material. The company holds its capital base in various currencies in amounts that correspond to the book value of individual country units, thus mitigating currency risk. On occasions, AEGON does hedge cash flows from operating subsidiaries as part of its broader capital and liquidity management.
Liquidity risk	AEGON has a strong liquidity management strategy in place. The company's current approach to liquidity management dates back to the early 1990s. As part of this approach, AEGON regularly considers the most extreme liquidity stress scenarios, including the possibility of prolonged 'frozen' capital markets, an immediate and permanent rise in interest rates, and policyholders withdrawing liabilities at the earliest conceivable date. In addition, the company has highly developed liquidity stress planning in place. In 2008, AEGON put its specially-designated Liquidity Stress Management Team into action to deal with the sharp deterioration in business and market conditions. AEGON's liquidity management strategy ensures the company is not a forced seller of assets even in a severe stress scenario. Current tests show that available liquidity would more than match the company's requirements for at least the next two years, even if the current poor market conditions detoriate further.

Continuation ›

[1] Please note that the information here is intended as an overview only. A more detailed explanation of credit risk, equity and other investment risk, interest rate risk, currency exchange rate risk, liquidity risk, underwriting risk and operational risk, as well as other group-wide risk management policies may be found on pages 116 to 140 of the Financial statements Annual Report 2008. Further information on sensitivity analyses may also be found on these pages.

> Continued Overview

Underwriting risk	AEGON's earnings depend, to a significant degree, on the extent to which claims experience is consistent with assumptions used by the company to price products and establish technical liabilities. Changes in, among other things, morbidity, mortality, longevity trends and policyholder behavior could have a considerable impact on AEGON's income. AEGON believes it has the capacity to take on more underwriting risk (providing of course it is correctly priced) in line with the company's broader strategy to capitalize on growth opportunities in its main life insurance and pension markets.
Operational risk	Like other companies, AEGON faces risk resulting from operational failures or external events, such as changes in regulations and natural or man-made disasters. AEGON's systems and processes are designed to support complex products and transactions and to avoid such issues as system failures, financial crime and breaches of security. AEGON is constantly working on analyses studying such operational risks and regularly develops contingency plans to deal with them. These plans also cover extreme event scenarios, such as the possibility of mortality pandemics in one or more of the company's main markets.

AEGON's risk governance framework

AEGON has a strong culture of risk management, based on a clear, well-defined governance framework. The goals of this framework are as follows:

- To minimize ambiguity by clearly defining responsibilities and escalation procedures for decision makers;
- To institute a proper system of checks and balances by ensuring that senior management are aware at all times of material risk exposure;
- To manage concentration by avoiding the threat of insolvency from an over-concentration of risk in particular areas;
- To facilitate diversification by enabling management to identify diversification benefits from apparent risk-return trade-offs;
- To reassure external constituencies that AEGON has appropriate risk management structures and controls in place.

Governance structure

AEGON's risk management framework is represented across all levels of the organization. This ensures a coherent and integrated approach to risk management throughout the company. Similarly, AEGON has put in place a number of company-wide risk policies, which detail specific operating guidelines and limits. These policies are designed to keep overall risk-specific exposures to a manageable level. Any breach of policy limits or warning levels trigger immediate remedial action or heightened monitoring. Further risk policies may be developed at a local level to cover situations specific to particular country or business units.

AEGON's risk management governance structure has four basic layers:

- The Supervisory Board (and the Supervisory Board Risk Committee);
- The Executive Board;
- AEGON's Group Risk and Capital Committee (GRCC);
- And, individual Risk and Capital Committees (RCCs) present in AEGON's operating units.

Roles and responsibilities

AEGON's Executive Board has overall responsibility for risk management. The Board adopts the risk governance framework and determines the company's overall risk tolerance and risk appetite. The Executive Board reports to the Risk Committee of AEGON's Supervisory Board, which is responsible for overseeing AEGON's enterprise risk management framework, including governance and measures taken to ensure risk management is integrated properly into the company's broader strategy. In addition, the Risk Committee also reviews overall risk exposure in light of management's risk appetite, the company's own risk exposure limits and AEGON's overall solvency position. The Committee reports to the full Supervisory Board on a quarterly basis or more frequently, if required. Details of members of the Supervisory Board's Risk Committee may be found on pages 56 to 58. It is the responsibility of the Executive Board to update the Supervisory Board, should any risks directly threaten the solvency or operations of the company.

The Executive Board also supervises the work of AEGON's Group Risk and Capital Committee (GRCC). The GRCC is responsible for overseeing AEGON's solvency position, ensuring that risk-taking is within overall tolerance levels and that the company's capital position is adequate to support AA capital adequacy requirements. As such, the GRCC also works closely with the company's Group Treasury and Group Risk departments.

It is the responsibility of the GRCC to update the Executive Board should any risk threaten the company's economic solvency, statutory solvency or its operations. In line with AEGON's integrated approach to risk management, the company's Chief Financial Officer sits as both a member of the Executive Board and as Chairman of the GRCC. AEGON's Chief Risk Officer (CRO), its Group Treasurer and CFOs from the company's three main country units – the United States, the Netherlands and the United Kingdom – are also members of the GRCC.

The GRCC is also responsible for ensuring best risk management practices are adhered to, as well as for promoting strong risk management as an important part of AEGON's overall corporate culture.

The GRCC also provides oversight for individual country unit Risk and Capital Committees (RCCs). As such, the GRCC receives regular reports from RCCs, reviews major decisions and oversees compliance with Group-level risk policies.

RCCs have been established at each of AEGON's country units and, within the United States, at each business unit. The responsibilities and prerogatives of the RCCs are set out in their respective charters and are similar in content to those of the GRCC, but applicable to local circumstances. AEGON's regional Chief Risk Officers (or designated staff) are members of every operating unit RCC for which they have oversight responsibility.

Group Risk

The role of Group Risk is to act, effectively, as the working arm of the GRCC. As such, Group Risk is responsible for developing and executing risk policies and frameworks. This involves identifying risk, particularly operating and emerging risk, as well as reviewing risk assessments carried out by operating units. Group Risk also identifies best risk management practices and helps ensure there is consistency in methodology and application of these practices across the Company. In addition, Group Risk performs risk analyses, either at its own initiative or at the request of management, including the analysis of extreme events and related management capabilities.

AEGON's risk management staff structure is also integrated. Regional CROs for the Americas, Europe and Asia report directly to the company's Chief Risk Officer. CROs of individual operating units report to their respective regional CROs.

AEGON'S RESPONSE TO THE GLOBAL FINANCIAL CRISIS

In the second half of 2008, there was a significant deterioration in the risk environment both for AEGON and the insurance industry as a whole. The global financial crisis led to a period of extreme volatility in world financial markets.

The crisis resulted in:
- Significantly lower equity markets;
- Lower interest rates;
- An unprecedented widening in credit spreads;
- Extreme equity market volatility; and
- A downturn in the world's leading economies.

Before the second half of 2008, AEGON's own risk management scenarios had recognized the possibility of such extreme market conditions, but company management, in common with most other economic commentators, did not recognize the imminent threat nor the degree of severity that unfolded.

AEGON had, however, taken a number of steps designed to position itself for a possible downturn in the global economy. These steps included:
- Reducing the company's exposure to equity markets;
- Structuring its credit portfolio more defensively, primarily by moving toward higher quality investments;
- Extending its hedging programs on interest rates;
- Transfering risk through reinsurance;
- Lowering financial guarantees on certain products;
- Adopting a more integrated, international approach to risk management and devoting more resources to this area.

These steps helped strengthen AEGON's capital and liquidity position in the years immediately prior to the financial crisis. The crisis itself, however, proved more severe than anticipated, and to counter its effects the company was obliged to take further action in the second half of 2008. These short-term measures were aimed at:
- Lowering risk and preserving capital within existing businesses; and
- Reducing operating expenses.

During the second half of 2008, AEGON made considerable progress toward these aims:
- A total of EUR 1.7 billion in additional capital was released from the company's existing businesses, primarily by lowering investment risk and optimizing asset and liability management, as well as through reinsurance and securitization transactions. Further capital preservation efforts are already underway for 2009.
- AEGON initiated a cost reduction program, aimed at reducing operating expenses in 2009 by EUR 150 million. These savings will be achieved mainly by restructuring businesses in the United States, the Netherlands and the United Kingdom.
- On December 1, 2008, AEGON secured an additional EUR 3 billion in core capital from Vereniging AEGON, funded by the Dutch State – part of a broader program to support healthy and viable banks and insurance companies in the Netherlands during the financial crisis.

Taken together, these measures ensured AEGON entered 2009 with a significant capital buffer as a safeguard against a further deterioration in world financial markets. At the end of 2008, AEGON had an excess capital of EUR 2.9 billion over and above AA capital adequacy requirements – one of the key objectives of the company's risk management strategy. AEGON's solvency ratio, under the European Insurance Group Directive, stood at 183%, down only marginally from 190% at the end of 2007.

AEGON expects difficult market conditions to continue in 2009. As a result, measures designed to reduce risk, free up additional capital and lower operating expenses will remain a significant priority for the company.

The main goals of AEGON's capital and liquidity management are to ensure strong capital adequacy, manage and allocate capital efficiently across the company in order to maximize sustainable returns, and facilitate access to money markets and capital markets on competitive terms such that the cost of capital is minimized.

Along with the mentioned goals, the funding and capital management process aims to ensure that high standards of liquidity are maintained even during periods of severely impaired financial markets. These goals reinforce AEGON's capacity to withstand losses from severely adverse business and market conditions and help maximize the interests of all its stakeholders.

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

Capital adequacy

AEGON manages capital adequacy at the level of its country units and their operating companies. The goal is to ensure that AEGON companies maintain their strong financial strength, now and into the future, even after sustaining losses from severely adverse business and market conditions. AEGON maintains its companies' capital adequacy levels at whichever is the higher of local regulatory requirements, the relevant local Standard & Poor's requirements for very strong capitalization, and any additionally self-imposed economic requirements. During 2008, the capital adequacy of AEGON's operating units continued to be very strong. At the end of the year, the AEGON Group had excess capital over these self-imposed requirements of EUR 2.9 billion, partially held by AEGON N.V.

The AEGON Group does not manage its capital based on the EU Insurance Group Directive. However, for comparison purposes, AEGON reports its IGD ratio. At the end of 2008, the Group's IGD ratio was 183% compared with 190% at the end of 2007. This ratio takes into account Solvency 1 capital requirements based on IFRS for entities within the EU, as well as local regulatory solvency measurements for non-EU entities.

Specifically, required capital for the life insurance companies in the United States is calculated as two times the upper end of the Company Action Level range (200%), as applied by the National Association of Insurance Commissioners (NAIC) in the United States.

Capital base and leverage tolerances

AEGON applies leverage tolerances to its capital base. The capital base reflects the capital employed across the group and consists of core capital (which consists of shareholders' equity, excluding revaluation reserve, as well as convertible core capital securities), perpetual capital securities (including currency revaluations), dated subordinated debt, and senior debt. AEGON targets its capital base to comprise at least 70% core capital, and targets 25% perpetual capital securities and 5% dated subordinated debt and senior debt. At December 31, 2008, AEGON's capital base consisted of 77.5% core capital, and 21.2% perpetual capital securities. Senior and dated subordinated debt accounted for the remaining 1.3%.

Excess capital is the capital in excess of the most stringent capital adequacy requirement adhered to by AEGON. Leverage capacity is the maximum capacity to issue debt under the defined leverage tolerance. AEGON defines financial flexibility as the sum of excess capital in its companies and leverage capacity. Financial flexibility is a self-imposed managerial limitation for assuming debt and gives an indication of the capacity of the Group to assume debt. The current dislocation of the credit and funding markets may hamper the use of leverage capacity. Financial flexibility may be further restricted under certain financial covenants. Under the most stringent covenant applicable, AEGON still has substantial capacity to issue debt. At December 31, 2008, AEGON's leverage capacity was EUR 1.3 billion. Current liquidity needs are covered by excess cash held within the Group.

Core capital and Group equity

Core capital, which consists of shareholders' equity and the convertible core capital securities which were issued in 2008 (see below), was EUR 9,055 million at December 31, 2008 compared with EUR 15,151 million at December 31, 2007. The main drivers of the decrease were a net loss of EUR 1,082 million, a decrease in the revaluation reserve of EUR 6,651 million, a decrease in the foreign currency translation reserve of EUR 170 million (largely as a result of the higher US dollar and lower British pound), dividend payments, repurchased shares and coupon payments on perpetual capital securities.

Group equity consists of the aforementioned core capital plus other equity securities, such as the Junior perpetual Capital Securities and the Perpetual Cumulative Capital Securities[1], as well as other equity reserves. The other equity securities accounted for EUR 4,645 million at the end of 2008. AEGON has full discretion to defer the coupons on the Junior perpetual Capital Securities. Group equity was EUR 13,760 million at December 31, 2008 (including currency revaluations on other equity securities), compared with EUR 19,962 million at December 31, 2007.

In the context of the unprecedented market conditions that materialized in 2008, AEGON secured, on December 1, 2008, an additional EUR 3 billion in core capital from Vereniging AEGON, funded by the Dutch State - part of a broader program to support healthy and viable banks and insurance companies in the Netherlands during the financial crisis. For more details on this transaction, please refer to page 77-78.

Debt funding

AEGON's funding strategy continues to be based on ensuring excellent access to international capital markets, while minimizing the cost of capital. AEGON's focus on a well established fixed income investor base is supported by an active investor relations program designed to keep investors informed about AEGON's strategy and results.

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

Liquidity is managed at both Group and country unit levels. AEGON's liquidity position remained strong throughout the year.

Most of AEGON's debt is issued by the parent company, AEGON N.V. In addition, a limited number of other AEGON companies, whose securities are guaranteed by AEGON N.V., have issued debt securities.
AEGON N.V. has regular access to the capital markets under its USD 6 billion Euro Medium Term Notes Program. Access to the US markets is facilitated by a separate US shelf registration. AEGON N.V.'s and AEGON Funding Company LLC's (guaranteed by AEGON N.V.) combined USD 4.5 billion Euro and US Commercial Paper Programs provide access to domestic and international money markets. At December 31, 2008, AEGON N.V. had EUR 0.4 billion outstanding under its commercial paper programs.

AEGON has a short-term debt rating of P2/A1/F1 by, respectively, Moody's, S&P and Fitch. The fact that AEGON has a lower prime rating from one of these rating agencies could reduce access to short-term Euro and US Commercial Paper markets. AEGON has access to the US Federal Reserve Commercial Paper Funding Facility (CPFF), which is restricted to a minimum of two prime short-term ratings.

AEGON maintains back-up credit facilities to support outstanding amounts under its commercial paper programs. The principal arrangement is a USD 5 billion syndicated facility including a USD 3 billion back-up facility maturing in 2012. This arrangement also includes a USD 2 billion multicurrency revolving letter of credit facility maturing in 2015, extendable until 2017. In addition, AEGON maintains USD 525 million of shorter dated bilateral back-up facilities. AEGON N.V. has not drawn any amounts under any liquidity back-up facilities.

Internal sources of liquidity include distributions from operating subsidiaries. Internal distributions may be subject to (local) regulatory requirements. Excess liquidity is invested in highly liquid, short-term assets in accordance with internal risk management policies.
The duration profile of AEGON's capital leverage is managed in line with the duration of surplus assets related to investments in its subsidiaries, subject to liquidity needs, capital and other requirements. AEGON considers its working capital, backed by the external funding programs and facilities, to be amply sufficient for the Group's present requirements.

[1] Reference is made to the Financial statements of the Annual Report, note 17.

Operational leverage is not part of the capital base. At December 31, 2008, operational leverage was EUR 2.1 billion (December 31, 2007: EUR 3.6 billion). Operational debt primarily relates to mortgage warehousing and the funding of US regulation XXX and Guideline AXXX redundant reserves. In June 2008, AEGON completed a Value in-Force (VIF) securitization, which enabled the Group to monetize the value of a portion of future profits from a book of unit-linked business within its UK operations. The transaction added around EUR 315 million (GBP 250 million) of core capital, enhancing the financial flexibility of the Group. AEGON will continue to explore further opportunities for insurance-linked securitizations and other innovative capital market transactions as part of the Group's ongoing commitment to manage capital and reserve needs both efficiently and actively.

Ratings

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

In addition, a rating downgrade may adversely affect relationships with broker-dealers, banks, agents, wholesalers and other distributors of AEGON's products and services. This may negatively impact new sales and adversely affect the Group's ability to compete. This would have a materially adverse effect on AEGON's business, results of operations and financial condition.

The current Fitch, Moody's and Standard & Poor's (S&P) insurance financial strength ratings and ratings outlook of the Group's primary life insurance companies in AEGON's major country units are shown in the following table:

Ratings As of March 2009	AEGON USA	AEGON The Netherlands	AEGON Scottish Equitable
S&P rating	AA	AA	AA
S&P outlook	CWN[1]	CWN	CWN
Moody's rating	A1	NR[2]	NR
Moody's outlook	Negative	NR	NR
Fitch rating	AA	NR	NR
Fitch outlook	Negative	NR	NR

1 CWN: Credit Watch Negative.
2 NR: Not Rated.

During 2008, the credit ratings for AEGON remained unchanged, however, the outlook for all three credit ratings was changed to negative. In early 2009, Moody's lowered its senior debt rating for AEGON N.V. to A3 with a negative outlook, Fitch lowered its senior debt rating to A with a negative outlook, while Standard & Poor's put its senior debt rating of A+ on credit watch negative, with as likely outcome an affirmation or a one-notch downgrade to A.

At the same time, Moody's and Fitch also lowered the Insurance financial strength ratings of AEGON USA by one notch, to A1 and AA respectively.

Risk and capital management | OTHER RISKS

In addition to the financial risks detailed on pages 45 - 46, AEGON also faces a number of other risks, which could have a materially adverse effect on AEGON's results of operations, corporate reputation and financial condition.

Products
AEGON may face claims from customers and adverse negative publicity if its products result in losses or fail to result in expected gains, regardless of the suitability of products for customers or the adequacy of the disclosure provided to customers by AEGON or its intermediaries.

Tax changes
Insurance products enjoy certain tax advantages, particularly in the United States and the Netherlands, which permit the tax-deferred accumulation of earnings on the premiums paid by the holders of annuities and life insurance products under certain conditions and within certain limits. Changes in tax law could have an effect on AEGON's business.

Information technology
While systems and processes are designed to support complex transactions and to avoid systems failure, fraud, information security failures, processing errors and breaches of regulation, any failure could affect AEGON's results of operations and corporate reputation. In addition, AEGON must commit significant resources to maintaining and enhancing the Group's existing systems in order to keep pace with industry standards and customer preferences.

Catastrophic events
AEGON's operating results and financial position may be adversely affected by volatile natural and man-made disasters such as hurricanes, windstorms, earthquakes, terrorism, riots, fires and explosions. Over the past several years, changing weather patterns and climatic conditions have added to the unpredictability and frequency of natural disasters in certain parts of the world and created additional uncertainty as to future trends and exposure. Generally, AEGON seeks to reduce its exposure to these events through individual risk selection, monitoring risk accumulation and purchasing reinsurance. However, such events could lead to considerable financial loss to AEGON's business. Furthermore, natural disasters, terrorism and fires could disrupt AEGON's operations and result in significant loss of property, key personnel and information.

Government regulations
AEGON is subject to comprehensive regulation and supervision in all countries in which the Group operates. The primary purpose of such regulation is to protect policyholders. Changes in existing insurance laws and regulations may affect the way in which AEGON conducts business, the products it offers, as well as AEGON's ability to sell new policies or claims exposure on existing policies.

Litigation
AEGON faces significant risks of litigation and regulatory investigations and actions in connection with activities as an insurer, securities issuer, employer, investment advisor, investor and taxpayer. In recent years, the insurance industry has increasingly been the subject of litigation, investigation and regulatory activity by various governmental and enforcement authorities. Lawsuits, including class actions and regulatory actions, may be difficult to assess or quantify and may seek recovery of very large and/or indeterminate amounts, including punitive and treble damages.

Default of a major market participant
The failure of a major market participant could disrupt securities markets or clearance and settlement systems in AEGON's markets, which could, in turn, cause market declines or volatility. Such a failure could lead to a chain of defaults that could adversely affect the Group.

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

In control statement

Internal risk management and control systems

The Executive Board is responsible for designing, implementing and maintaining internal controls, including proper accounting records and other management information suitable for running the business.

AEGON's internal audit function assists the Executive Board in maintaining effective controls by independently and objectively evaluating the adequacy and effectiveness of the organization's internal control and risk management systems. Criteria established under 'Internal Control – Integrated Framework', the Treadway Commission's Committee of Sponsoring Organizations (COSO), are used by AEGON's Internal Audit to analyze and make recommendations to the Executive Board concerning the effectiveness of internal controls over AEGON's financial reporting process and the company's internal control framework. Based on risk assessments performed, the Executive Board, under supervision of the Supervisory Board and its Audit Committee, is responsible for determining the overall internal audit work and for monitoring the integrity of the financial statements of AEGON N.V.

In addition, the Executive Board is responsible for AEGON's enterprise risk management framework under supervision of the Supervisory Board Risk Committee. AEGON's risk management function monitors and controls AEGON's solvency position and ensures that risk taking is within AEGON's risk tolerance levels. The Executive Board is informed of any risks that threaten the economic/statutory solvency or operations of the Group.

The risk management function develops and executes risk policies and risk frameworks. This also involves the facilitation of risk identification (especially for operational and emerging risks) and reviewing risk assessments performed by operating units. The risk management function is responsible for identifying best risk management practices and working with management to ensure that AEGON adheres to these practices.

Corporate Governance and Remuneration

The Remuneration Policy and report may be found on pages 67 to 71. For detailed information about AEGON's corporate governance and compliance with the Dutch Corporate Governance Code, please refer to pages 72 to 76.

Finally, the compliance function plays a key role in monitoring the company's adherence to external rules and regulations and internal policies.

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

- AEGON's risk management and control systems provide reasonable assurance that the Group's financial reporting does not contain any material inaccuracies;
- AEGON's risk management and controls systems functioned properly in 2008;
- There are no indications to suggest that AEGON's risk management and control systems will not continue to function properly in 2009.

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

Responsibilities in respect of the financial statements and the Annual Report

The Executive Board is responsible for preparing the financial statements and the Annual Report in accordance with Dutch law and those International Financial Reporting Standards (IFRS) as adopted by the European Union (EU).

As required by section 5:25c of the Dutch Financial Supervision Act (Wet op het Financieel Toezicht), the Executive Board confirms that to the best of its knowledge, the financial statements prepared in accordance with applicable accounting standards give a true and fair view of the assets, liabilities, financial condition and profit or loss of the company and the undertakings included in the consolidation as a whole and that the report of the Executive Board includes a fair view of the development and performance of the business during the financial year and the position at balance sheet date of the company and the undertakings included in the consolidation as a whole, together with a description of the principal risks and uncertainties the company faces.

The Hague, March 11, 2009

The Executive Board

Our Governance

Safeguarding the interests of all AEGON's stakeholders

Report of the Supervisory Board | OVERSIGHT AND ADVICE

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

Global financial crisis

This past year has been an extraordinary one for AEGON. In April 2008, Alex Wynaendts took over as Chief Executive Officer when his predecessor Don Shepard retired. In June, he announced a new set of strategic priorities for the company, designed to increase earnings, improve returns from the company's businesses and make better use of its international resources. However, the global financial crisis prompted AEGON to concentrate on measures aimed at preserving and releasing capital, lowering risk and reducing operating costs. As a further precaution, AEGON secured an additional EUR 3 billion in core capital from the Dutch State. These measures enabled the company to enter 2009 with a significant capital buffer, an important safeguard against further declines in world financial markets. During the year, the Supervisory Board met frequently with AEGON's Executive Board to discuss the financial crisis and the company's response to it. The Supervisory Board gave its full support to measures taken by the Executive Board to help AEGON withstand the effects of the global financial crisis.

In performing their duties, members of the Supervisory Board are guided by the interests of AEGON and its businesses, and take into account the interests of the company's stakeholders. The Supervisory Board is a separate corporate body, independent of the Executive Board. The Supervisory Board currently consists of twelve members (further details on the composition of AEGON's Supervisory Board may be found on pages 62-64). From December 1, 2008, Arthur Docters van Leeuwen has been acting as an observer to the Supervisory Board.

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

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

- Business strategy;
- Quarterly financial results;
- Embedded value;
- Accounting principles;
- Dividend policy;
- Capital position;
- Budget;
- Internal control procedures;
- Risk management;
- Compensation and succession planning.

Corporate governance

Details of AEGON's corporate governance structure as well as a summary of the company's compliance with the Dutch Corporate Governance Code may be found on pages 72 to 76 of the Annual Report. In 2008, the capital agreement with the Dutch State prompted certain changes to AEGON's corporate governance structure. The details of these changes are set out on pages 77 to 78. The full report on AEGON's compliance with the Dutch Corporate Governance Code is available on www.aegon.com.

Supervisory Board meetings and activities

Attendance

In 2008, the Supervisory Board held a total of six regular meetings and several additional conference call meetings. No member of the Supervisory Board was frequently absent from these meetings.

In accordance with AEGON's Supervisory Board Rules, all regular meetings in 2008 were preceded by preparatory meetings, attended by the Chairman and Vice-Chairman of the Supervisory Board, as well as the Chief Executive Officer and Chief Financial Officer from the company's Executive Board.

Meetings of the Supervisory Board's Comittees were usually held before the meetings of the full Supervisory Board. Members of AEGON's Executive and Management Boards attended all Supervisory Board meetings held in 2008. AEGON's Director for Group Finance & Information also attended meetings during which the Supervisory Board discussed the annual results for 2007, interim and final shareholder dividends, all quarterly results and value of new business (VNB) figures published in 2008, as well as press releases relating to these matters.

Representatives from Ernst & Young, AEGON's independent auditor, also attended the discussion on the company's 2007 annual results.

In 2008, discussions within AEGON's Supervisory Board focused on the following issues:

- Strategy (particularly in view of the developing crisis on the financial markets);
- Finance and accounting;
- Risk management;
- Budget and capital;
- Global financial crisis;
- Partnerships and acquisitions;
- Appointments to both the Executive and Supervisory Boards;
- Legal and compliance.

In addition, at its December meeting, the Supervisory Board reviewed and discussed its own composition and performance. The Board assessed the performance of both individual members and its committees, following advisory work carried out by an external consultant. The Board also discussed the performance of the Executive Board and its individual members. Members of the Executive Board were not present during these discussions.

Strategy

In May 2008, the Supervisory Board held its annual strategy meeting in London. At the meeting, the Board discussed, among other things, the company's strategic review, which was used as the basis for AEGON's new strategy and the underlying earnings and return on equity targets announced in June 2008. The Board also discussed ways in which AEGON's merger and acquisition strategy should be used to support the company's overall strategic goals.

At the meeting in December, the Board discussed AEGON's Group Plan 2009, which set out the company's near-term priorities to counter the effects of the global financial crisis. These priorities included measures to release and preserve capital, lower risk and reduce costs. The Board also discussed a number of key questions with regard to the broader financial crisis and its implications for the company.

Finance and accounting

In March 2008, the Supervisory Board discussed AEGON's annual results for 2007, including the company's VNB figures. The Board also reviewed and approved the company's annual accounts for 2007 and a proposal to the General Meeting of Shareholders for a final dividend to shareholders.

At meetings in May, August and November, the Supervisory Board reviewed AEGON's first, second and third quarter results as well as disclosures on VNB. At the August meeting, the company's interim dividend was approved.

At several meetings held in the second half of 2008, the Supervisory Board as well as the Audit and Risk Committees were informed of the impact of fair value movements on the valuation of guarantees. The development of AEGON's investment portfolio, in view of the deterioration in world financial markets was also addressed.

Budget and capital

During the year, the Supervisory Board and its Risk Committee were kept fully apprised of developments in AEGON's capital position. At several meetings in October 2008, the Board discussed the company's capital position and the proposed transaction with the Dutch State. The Board approved the terms and conditions of the transaction on October 24, 2008, including changes to the company's corporate governance arrangements (please see pages 77 – 78).

At its December meeting, the Supervisory Board's Audit Committee reviewed and discussed AEGON's Group Plan 2009, including the 2009 budget and the 2009 Capital Plan. The full Board also received a separate report on these issues from AEGON's Audit Committee. Following a recommendation from the Audit Committee, the Board approved the 2009 budget and the 2009 Capital Plan and authorized the Executive Board to provide for AEGON's funding needs as budgeted. In addition, the Board also endorsed the Executive Board's decision, in view of the global financial crisis, not to issue a long-term incentive plan for AEGON management and staff worldwide for 2009.

Partnerships and acquisitions

During its meetings in 2008, the Supervisory Board discussed a number of proposed new partnerships and acquisitions. Those announced during the year include the following:

- The life insurance, pension and health joint venture agreement with Spanish savings bank Caixa Terrassa;
- The acquisition of a 50% interest in Brazilian life insurer Mongeral SA Seguros e Previdência.

Appointments to the Supervisory and Executive Boards

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

- A new four-year term for Irving W. Bailey, II, as a member of the Supervisory Board;
- The appointment of Cecelia Kempler, Robert J. Routs, Dirk P.M. Verbeek and Ben van der Veer (the latter from October 1, 2008) for appointment to the Supervisory Board.

All proposals above were accepted by shareholders at their General Meeting in April 2008.

In March, the Supervisory Board decided to propose that shareholders, at the 2009 General Meeting of Shareholders, reappoint Mr. Eustace for a term of one year. This decision was announced at the General Meeting of Shareholders in April 2008. At its meeting on December 17, 2008, the Supervisory Board decided to nominate Jan J. Nooitgedagt to the Executive Board as successor to Joseph B.M. Streppel, the company's Chief Financial Officer, from April 22, 2009. On the same date Mr. Streppel will retire from the Executive Board.

Legal and compliance

During 2008, the Supervisory Board again discussed issues of compliance, particularly with regard to equity-linked insurance policies in the Netherlands as well as to other regulatory and legal issues in Europe, the United States and Asia. The Board was also apprised of developments regarding OPTAS N.V., an acquisition made in 2007.

Board review and education

In December, the Supervisory Board reviewed and discussed its own composition and performance, as well as that of the Executive Board (without Executive Board members being present). The Board was assisted by an external consultant. This consultant conducted an extensive assessment, including questionnaires and interviews with members of both the Supervisory and Executive Boards.

The annual educational session for members of the Supervisory Board was held in December. During this session, the Board received an update on the US variable annuities market, as well as the various types of annuity products sold by AEGON in the United States. The Supervisory Board considered the presentation and the discussion that followed to be very useful and informative. During the year, the Supervisory Board was informed on developments regarding risk management and economic capital.

Supervisory Board Committees

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

The Audit Committee

The Audit Committee held seven meetings in 2008, which also were attended by AEGON's Chief Financial Officer as well as other members of the Executive Board, the Director of Group Finance & Information and representatives from Ernst & Young, AEGON's independent auditor. AEGON's Group Internal Auditor, the Group Risk Officer and the Group Actuarial Officer also periodically attended Audit Committee meetings. Discussions focused on the following topics:

- Quarterly results, annual accounts and the audit process;
- Actuarial analyses;
- Accounting principles as defined by IFRS;
- Financial reports filed with the Securities and Exchange Commission;
- AEGON's Capital Plan;
- Internal control systems;
- External auditor's engagement letter for 2008;
- Integrated audit plan.

The Audit Committee also discussed the publication of AEGON's 2007 Embedded Value Report and the Group's annual VNB figures.

External auditor

The Audit Committee recommended that Ernst & Young be reappointed for the 2008 financial year. In addition, the Committee confirmed that Shemaya Levy qualifies as a financial expert within the terms and conditions of both the Dutch Corporate Governance Code and the Sarbanes Oxley legislation in the United States. In accordance with legal requirements, the Audit Committee recommended that the Supervisory Board amend the pre-approval policy for the company's external auditor.

Internal auditor

During 2008, the Audit Committee received an update each quarter on the activities of the company's Internal Auditor, AEGON's compliance with US SOX 404 legislation and an overview of fraud and general compliance issues. During these meetings, the Audit Committee held separate sessions with the company's Internal Auditor as well as with external auditors, to discuss their findings. Members of the Executive Board were not present at these sessions.

SEC filings

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

- 2007 Annual Report (Form 20-F);
- Results for the first six months of 2008 (Form 6-K).

Capital and budget

During its meeting in December, the Audit Committee conducted a review of the AEGON's 2009 budget, as well as the company's Capital Plan. The Committee conveyed its findings and recommendations to the Supervisory Board. The Audit Committee also recommended that the Board authorize AEGON's Executive Board members to provide for the company's funding requirements, as set out in the 2009 Capital Plan.

The Risk Committee

In 2007, AEGON's Supervisory Board decided to form a Risk Committee. At the same time, the Board's Strategy Committee was dissolved. The Risk Committee held five meetings in 2008, which were also attended by the members of AEGON's Executive Board, the company's Chief Risk Officer and occasionally the Group Treasurer and AEGON USA's Chief Investment Officer. The Risk Committee helps the Supervisory Board and Audit Committee to oversee the activities of AEGON's Enterprise Risk Management framework. The Committee also advises the Executive Board with respect to the company's risk management strategy and policies. Consequently, the Committee regularly reviews the company's Enterprise Risk Management framework, its risk exposure and compliance with company risk policies.

During its meetings in 2008, the Risk Committee prepared and agreed its Risk Committee Charter, and discussed the risk governance structure, risk tolerance and risk level policies and compliance, as well as operational risk management. Furthermore, the Committee discussed the quarterly risk reports and risk overview. Other recurring subjects were the US credit portfolio and the capital preservation measures taken during 2008.

The Nominating Committee

AEGON's Nominating Committee held four meetings in 2008. The Chairman of the Executive Board attended all meetings. During the year, the Nominating Committee discussed the composition of the Supervisory Board and its Committees, as well as existing and forthcoming vacancies. It also advised the Supervisory Board on nominations for four appointments and one reappointment. In addition, the Nominating Committee reviewed the composition of the Executive Board and discussed Mr. Streppel's succession. After a lengthy and thorough selection process, the Nominating Committee recommended the Supervisory Board, on December 17, 2008, nominate Jan J. Nooitgedagt as Mr. Streppel's successor on the Executive Board and as AEGON's Chief Financial Officer, with effect from April 22, 2009.

The Compensation Committee

The Compensation Committee held four meetings in 2008, also attended at times by either the Chief Executive Officer or the Chief Financial Officer. During the year, the Compensation Committee discussed the Executive Board members' 2005 Long-Term Incentive (LTI) Plan, which matured in 2008 and noted that the 2006 LTI Plan would mature in 2009. The Committee discussed and assessed the 2007 Plan under the Executive Board Remuneration Policy and advised the Supervisory Board on the payments under this 2007 Plan in 2008. In its assessment, the Committee made use of the advice of Towers Perrin, external independent advisors. Details of the payments under the Executive Board 2005 LTI Plan and the 2007 Plan under the Executive Board Remuneration Policy are set out in the Remuneration Report on page 70-71.

The main items of discussion during the Committee's meetings were the Remuneration Policy for the Executive Board and remuneration for members of the Management Board. Possible amendments to variable compensation under the Executive Board Remuneration Policy were discussed, but no final decisions were made in 2008. The Committee noted that material amendments to the Remuneration Policy are subject to approval by shareholders.

In November, the Committee reviewed the Supervisory Board's remuneration, comparing AEGON's arrangements with other two tier companies in Europe and decided that despite the fact its remuneration was well below the median, it would address this issue again in 2009, to prepare for a possible discussion during the General Meeting of Shareholders in 2010.

The Committee finally discussed the draft Report of the Monitoring Committee of the Dutch Corporate Governance Code and decided that, if the final version of that Report necessitates amendments to AEGON's Corporate Governance, these would be made in 2009.

Composition of the Supervisory Board

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

In April 2008, shareholders appointed Cecelia Kempler, Robert J. Routs, Dirk P.M. Verbeek and Ben van der Veer (the latter from October 1, 2008) to the Supervisory Board. In addition, Irving W. Bailey, II, was reappointed for another four-year term of office after his previous mandate expired in 2008.

In 2009, the mandates of both Dudley G. Eustace and Willem F.C. Stevens will expire. Mr. Stevens is not eligible for reappointment. Mr. Eustace will be nominated for an additional one-year term at the annual General Meeting of Shareholders, scheduled for April 22, 2009. He will be succeeded as Chairman of the Supervisory Board by Mr. Routs in April 2010. Members of the Supervisory Board wish to thank Mr. Stevens for his long and distinguished service to AEGON.

Also in 2009, Shemaya Levy's four-year term as a member of the Supervisory Board will expire. The Board will propose that shareholders reappoint Mr. Levy for another term of four years at the 2009 General Meeting of Shareholders.

As part of AEGON's agreement with the Dutch State, the Supervisory Board, on advice from the company's Nominating Committee, has decided to nominate Mr. Docters van Leeuwen to the Board for a term of four years. His biography will be provided together with the agenda for the 2009 General Meeting of Shareholders. Taking into account the changes detailed above, the number of Supervisory Board members will remain at twelve.

Executive Board

On advice from the Nominating Committee, AEGON's Supervisory Board decided to nominate Mr. Nooitgedagt to the Executive Board for a four-year term. His appointment will be proposed to shareholders at the 2009 General Meeting of Shareholders. If appointed, Mr. Nooitgedagt will succeed Mr. Streppel as Chief Financial Officer of AEGON. Mr. Nooitgedagt's biography will be provided together with the agenda for the 2009 General Meeting of Shareholders.

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

Annual accounts

This Annual Report includes the annual accounts for 2008, prepared by the Executive Board, discussed by both the Audit Committee and the Supervisory Board, and submitted to shareholders for adoption. The Supervisory Board recommends that shareholders adopt these annual accounts.

Acknowledgement

The Supervisory Board would like to thank the Executive Board and employees of the company for the measures they have taken over the past year to help strengthen AEGON's financial position. Members of the Supervisory Board would also like to express their appreciation for the dedication and commitment they have shown in what has been an exeptionally difficult market environment.

The Hague, March 11, 2009

Dudley G. Eustace,
Chairman of the Supervisory Board

Retirement of Jos Streppel

In January 2009, AEGON announced that Mr. Streppel would be retiring after more than ten years as AEGON's Chief Financial Officer. His retirement takes effect at AEGON's 2009 General Meeting of Shareholders. Mr. Streppel has been with AEGON for the past 35 years. During that time, he has served the company with great distinction. As Chief Financial Officer, he has helped lead AEGON through periods both of growth and economic difficulty. In recent months, he has been instrumental in helping frame the company's response to the global financial crisis. The Supervisory Board would like to express its gratitude to Mr. Streppel for his years of outstanding service to the company and his undoubted contribution to the development of AEGON's businesess around the world.

After a thorough selection process, the Board identified Jan J. Nooitgedagt, Chairman of the Belgian and Dutch operations of Ernst & Young, as Mr. Streppel's successor. Mr. Nooitgedagt will bring considerable experience to the position, having spent his entire professional life in international finance. The Supervisory Board is delighted to have a person of Mr. Nooitgedagt's integrity and professional caliber at the company. The Board would like to wish Mr. Nooitgedagt every success in the years to come.

Members of the Supervisory Board

Dudley G. Eustace (1936, Nationality: joint British and Canadian)
Chairman of the Supervisory Board
Chairman of the Nominating Committee and member of the Compensation Committee

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

Irving W. Bailey, II (1941, Nationality: US citizen)
Chairman of the Risk Committee and member of the Audit Committee

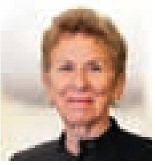
Irving W. Bailey II is a senior advisor to Chrysalis Ventures. He is a retired Chairman and CEO of Providian Corp., a former managing director of Chrysalis Ventures, and a former Chairman of the Board of Directors of AEGON USA Inc. He was appointed to AEGON's Supervisory Board in 2004 and his current term will end in 2012. He is also a member of the Board of Directors of Computer Sciences Corp. and Hospira Inc.

Robert J. Routs (1946, Nationality: Dutch)
Member of the Nominating and Risk Committees

Robert J. Routs is a former Executive Director for Downstream at Royal Dutch Shell. Mr. Routs was appointed to AEGON N.V.'s Supervisory Board in 2008. His current term will end in 2012. He sits on the Board of Directors of Canadian Utilities and the business school INSEAD. Mr. Routs is also a member of The Economic Development Board of the Singapore International Advisory Council.

Antony Burgmans (1947, Nationality: Dutch)
Member of the Audit Committee

Antony Burgmans is a retired Chairman of Unilever N.V. and Unilever plc. He was appointed to AEGON's Supervisory Board in 2007 and his current term will end in 2011. He is also a member of the Supervisory Boards of Akzo Nobel N.V. and SHV Holdings N.V., as well as a member of the Board of Directors of BP plc.



Cecelia Kempler (1940, Nationality: US citizen)
Member of the Nominating and Risk Committees

Cecelia (Sue) Kempler is an independent consultant on insurance industry matters and director of the Kaye School of Finance, Insurance and Economics at Florida Atlantic University. She is a former partner of law firm Le Boeuf, Lamb, Greene & MacRae. Ms. Kempler was appointed to AEGON N.V.'s Supervisory Board in 2008. Her current term will end in 2012. She is a member of the American Bar Association, the Association of Life Insurance Counsel, the ASA (Association of Reinsurance and Insurance Arbitration Society, ARIAS U.S.) and the International Association of Insurance Receivers. Ms. Kempler is certified by IMSA (Insurance Market Standard Association).

Shemaya Levy (1947, Nationality: French)
Chairman of the Audit Committee and member of the Risk Committee

Shemaya Levy 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, Renault Finance, Renault Spain and the Safran Group, and a member of the Supervisory Boards of the Segula Technologies Group and TNT N.V.

Karla M.H. Peijs (1944, Nationality: Dutch)
Member of the Compensation and Nominating Committees

Karla M.H. Peijs is Queen's Commissioner for the Province of Zeeland in the Netherlands. She was appointed to AEGON's Supervisory Board in 2007 and her current term will end in 2011. She was formerly a member of the Provinciale Staten of the Province of Utrecht from 1982 until 1998, a member of the European Parliament from 1989 to 2003 and Minister of Transport, Public Works and Water Management in the Dutch government from 2003 to 2007.

Willem F.C. Stevens (1938, Nationality: Dutch)
Member of the Audit and Compensation Committees

Willem F.C. Stevens is a retired partner/senior counsel 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.

Kornelis J. Storm (1942, Nationality: Dutch)
Member of the Risk Committee

Kornelis (Kees) J. Storm 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., Vice-Chairman of the Supervisory Board of Pon Holdings B.V. and a non-executive director of Unilever N.V. and Unilever plc. Mr. Storm also serves as a member of the Board of Directors of Anheuser-Busch InBev S.A. (Belgium) and Baxter International Inc. (USA).

Ben van der Veer (1951, Nationality: Dutch)
Member of the Audit Committee

Ben van der Veer is a former Chairman of the Board of Management of KPMG N.V. He was appointed to AEGON's Supervisory Board effective October 1, 2008 and his current term will end in 2012. He is also a member of the Supervisory Boards of TomTom N.V. and Siemens Nederland N.V.

Dirk P.M. Verbeek (1950, Nationality: Dutch)
Member of the Compensation Committee

Dirk P.M. Verbeek is Vice-President Emeritus of Aon Group and advisor to the President and CEO of Aon Corporation. Mr. Verbeek is retired Chairman and CEO of Aon International Executive Committee and a retired member of the Executive Board of AON Group Inc. Mr. Verbeek was appointed to AEGON N.V.'s Supervisory Board in 2008. His current term will end in 2012. He is also a Chairman of the Supervisory Board of Robeco Group N.V. and a member of the Supervisory Board of some of its subsidiaries, as well as a member of the Supervisory Board of Aon Jauch & Hübener Holdings GmbH, Chairman of the Benelux Advisory Board of Leonardo & Co. B.V., and Chairman of the INSEAD Dutch Council.

Leo M. van Wijk (1946, Nationality: Dutch)
Chairman of the Compensation Committee

Leo M. van Wijk is Vice-Chairman of Air France-KLM S.A. and former President and CEO of KLM Royal Dutch Airlines N.V. He was appointed to AEGON's Supervisory Board in 2003 and his current term will end in 2011. He is also a member of the Supervisory Board of Randstad Holding N.V. and a former member of the Supervisory Boards of Martinair and TUI Nederland N.V. and of the Board of Directors of Northwest Airlines (USA).

Remuneration | SUPERVISORY BOARD

AEGON's Compensation Committee is responsible for designing, developing, implementing and reviewing the company's Remuneration Policy.

AEGON's Remuneration Policy outlines:
- Terms and conditions for employment of Executive Board members;
- Remuneration for members of the company's Supervisory Board.

AEGON's Compensation Committee comprises five members:
- Leo M. van Wijk (Chairman)
- Dudley G. Eustace
- Karla M.H. Peijs
- Willem F.C. Stevens
- Dirk P.M. Verbeek

Each year, AEGON's Compensation Committee reviews the Remuneration Policy, partly based on information provided by the company's external advisors Towers Perrin.

The Committee may recommend changes in the policy to the Supervisory Board. Any material changes must be referred to the General Meeting of Shareholders for adoption. AEGON's current Remuneration Policy was adopted by the company's shareholders at the annual General Meeting of Shareholders on April 25, 2007. The Remuneration Policy will be reviewed annually to ensure it remains fully in line with international standards.

Supervisory Board Remuneration

Members of AEGON's Supervisory Board are entitled to:
- A base fee for membership of the Supervisory Board itself;
- A fee for membership on each of the Supervisory Board's committees;
- An attendance fee for each committee meeting Supervisory Board members attend in person.

Each of these fees is a fixed amount. Members of AEGON's Supervisory Board do not receive any performance or equity-related compensation and do not accrue pension rights with the company. These measures are designed to guarantee the independence of Supervisory Board members and strengthen the overall effectiveness of AEGON's corporate governance[1].

In 2008, AEGON conducted a review of pay for Supervisory Board members. This review concluded that fees for members of the Supervisory Board were generally below those paid at AEGON's European peer companies. However, given the current market environment, Supervisory Board members have agreed to forego any immediate increases. AEGON's pay structure for Supervisory Board members will be reviewed again at the end of 2009.

The current structure of Supervisory Board fees is as follows:

Base fee

For membership of the Supervisory Board

Amounts in EUR per annum

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

Committee fee

For membership of a Supervisory Board Committee *

Amounts in EUR per annum

Chairman of the Audit Committee	10,000
Member of the Audit Committee	8,000
Chairman of other Committees	7,000
Member of other Committees	5,000

* AEGON has four committees in total: Audit, Compensation, Nominating and Risk.

Attendance fee

For committee meetings attended in person

Amounts in EUR per annum

Audit Committee	3,000
Other committees *	1,250

* In the case of intercontinental travel, this fee is EUR 2,500.

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

Information on the members of AEGON's Supervisory Board may be found on pages 62-64.

[1] Please note that Arthur Docters van Leeuwen has been attending meetings as an observer since his nomination to the Supervisory Board last December, and has been paid accordingly. Mr. Docters van Leeuwen's appointment to the Board is subject to approval by the General Meeting of Shareholders, scheduled for April 22, 2009. Mr. Docters van Leeuwen is one of two representatives nominated by the Dutch government as part of its capital support agreement with AEGON. The second representative, Karla M.H. Peijs, was already a serving member of the company's Supervisory Board before her nomination by the government.

Remuneration Policy | EXECUTIVE BOARD

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

AEGON's current Remuneration Policy took effect January 1, 2007. It was adopted by the General Meeting of Shareholders on April 25, 2007.

The policy is reviewed each year by the company's Compensation Committee. If necessary, the Committee will recommend amendments to AEGON's Supervisory Board. Material changes, if any, will then be submitted by the Supervisory Board to the General Meeting of Shareholders for adoption.

The policy applies to all members of AEGON's Executive Board. In addition, the policy is used as a guide for determining remuneration for members of the company's Management Board and other senior managers throughout the organization.

Ensuring competitive levels of remuneration

AEGON regularly compares the Group's levels of executive remuneration with those at other comparable companies. For this purpose, two separate peer groups have been established, one for US-based Executive Board members and a second for European-based members.

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

AEGON's Supervisory Board periodically reviews the composition of these two groups to ensure they continue to provide a reliable basis for comparison. The Supervisory Board will again review the composition of the peer groups in 2009.

For 2008, the two peer groups were:

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

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

Ensuring transparency

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

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

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

The table below gives a target breakdown for each of these three components. Over the long term, AEGON's aim is to ensure that compensation for new members of the company's Executive Board matches these targets as closely as possible. Current members of the Executive Board, however, have employment contracts that pre-date AEGON's existing Remuneration Policy. As a result, the compensation breakdown for current members of the Executive Board may differ from the numbers below:

	Target % of fixed compensation	Target % of variable compensation	
		Short-term	Long-term
Executive Board position			
CEO	25%	25%	50%
CFO	40%	20%	40%

Fixed compensation

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

Variable compensation

AEGON believes that variable compensation is an effective way of strengthening the commitment of individual Executive Board members to the company's short-term and long-term objectives. Variable compensation is granted only once AEGON's annual accounts have been formally adopted by shareholders during the company's General Meeting of Shareholders.

Variable compensation comprises two separate elements:

- Short-term incentive compensation;
- Long-term incentive compensation.

Short-term incentive compensation is paid in cash. Long-term incentive compensation, on the other hand, is paid in the form of conditionally granted shares. The value of these shares is calculated using the fair market value of a single share at the start of the financial year.

Fifty percent of shares granted under AEGON's long-term incentive compensation plan vest four years after the grant date. The remaining 50% vest after a period of eight years. During this vesting period, dividend payments on these shares are deposited in an interest-bearing escrow account on behalf of the Executive Board members. These amounts are transferred to individual Board members once their shares are fully vested. If the shares do not vest, then the amounts revert to AEGON.

Vesting occurs automatically unless the Supervisory Board makes use of its discretionary right to annul the grant. Grants may be annulled if:

- Employment is terminated before the vesting date for reasons other than death or disability;
- A participant in the plan has acted in a way that the Supervisory Board considers exceptionally detrimental to the company.

If an Executive Board member retires, vesting shall occur two years after his/her retirement date.

Variable compensation is only granted if AEGON's performance in any given year matches a series of pre-determined performance indicators.

These indicators are:

- Growth in net underlying earnings;
- Growth in the value of new business;
- Total shareholder return.

Together, these indicators provide an accurate and reliable reflection of AEGON's overall performance during the year in question.

At the beginning of the financial year, a target is set for each of the three indicators. A comparison is then made at the end of the year between these targets and actual company performance. Entitlements to variable compensation are calculated accordingly[1]:

- Members of the Executive Board are entitled to 100% of their variable compensation if AEGON matches the pre-set performance targets;
- If AEGON's performance exceeds the targets, however, Executive Board members may receive up to a maximum of 150% of their entitlement.

[1] For this calculation, the 'additive method' is used, i.e. targets are set and performance assessed for each separate indicator, independently of the targets and performances of other indicators.

AEGON's Supervisory Board may also make discretionary adjustments to Executive Board members' variable compensation, but must adhere to the following procedure:

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

Pensions and other benefits

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

Terms of appointment and termination

In accordance with the Dutch Corporate Governance Code, Executive Board members are appointed for an initial term of four years and may be reappointed for successive mandates, also of four years. New members of the Executive Board must give three months' notice if they wish to leave the company. For its part, AEGON must give six months' notice if it wishes to terminate the employment of any Executive Board member. Severance arrangements conform to the Dutch Corporate Governance Code. Existing rights of current Executive members will be respected. For further information, please refer to the agreements published on AEGON's corporate website.

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

Agreement with the Dutch State

In December 2008, AEGON finalized an agreement for additional core capital from the Dutch State. This agreement contains a number of provisions with regard to executive remuneration:

- Members of the company's Executive Board shall not be entitled to any performance-related remuneration for the year 2008, whether in cash, options or shares;
- Severance payments for Executive Board members shall be limited to a maximum of one year's fixed salary, in line with the Dutch Corporate Governance Code;
- AEGON shall develop a sustainable Remuneration Policy for members of its Executive Board and senior management aligned to new international standards.

Composition of the Executive Board

At the end of December 2008, AEGON's Executive Board had two members:

- Alexander R. Wynaendts, Chief Executive Officer, Chairman of the Executive Board;
- Joseph B. M. Streppel, Chief Financial Officer, member of the Executive Board.

Mr. Wynaendts succeeded Donald J. Shepard as Chief Executive Officer and Chairman of the Executive Board on April 23, 2008.

Mr. Streppel will step down as Chief Financial Officer and member of the Executive Board at the annual General Meeting of Shareholders scheduled for April 22, 2009[1]. Jan J. Nooitgedagt has been nominated as Mr. Streppel's successor. Mr. Nooitgedagt's appointment to the Executive Board is subject to approval by shareholders during the annual General Meeting of Shareholders on April 22, 2009.

Total compensation

Each year, AEGON sets a so-called 'Target Total Compensation' for each member of the Executive Board. This comprises both fixed and variable compensation[2].

Fixed compensation

Fixed compensation provides Executive Board members with a base salary. The amount is paid each year. See table 1 for the base salaries for AEGON's Executive Board members in 2008.

- Mr. Wynaendts' base salary increase reflects his appointment as Chief Executive Officer and Chairman of the Executive Board in April 2008;
- Mr. Streppel's base salary was increased to ensure it remained in line with international developments.

Variable compensation

Variable compensation is based on the company's financial performance. Amounts paid vary from year to year. Variable compensation comprises two different elements:

- Short-term incentive (STI) compensation, paid in cash;
- Long-term incentive (LTI) compensation, paid in the form of conditionally granted shares.

1. Short-term incentives

1.1 STI Plan 2007, matured in 2008

The short-term incentive (STI) compensation for the Executive Board members, paid in 2008 and based on AEGON's financial performance in 2007 is shown in table 2 on page 71.

1.2 STI Plan 2008, matured in 2009

The STI Plan 2008 matured in 2009. Under the terms of AEGON's Remuneration Policy, the Executive Board members were not entitled to short-term incentive payments under this Plan. This is also in line with the provisions of AEGON's agreement with the Dutch State.

Table 1 - Fixed compensation

Executive Board member Amounts in EUR		2008	2007	% change
Alexander R. Wynaendts	Chief Executive Officer	864,583	676,313	27.8%
Joseph B.M. Streppel	Chief Financial Officer	763,200	721,313	5.8%
Donald J. Shepard [3]	Former Chief Executive Officer	243,992	730,834	–

[1] Please note that, in line with his employment contract, Mr. Streppel does not qualify for pension payments until his official retirement date of October 1, 2011. Until then, he is exempt from activities, but will continue to receive his base salary.
[2] For details of AEGON's Remuneration Policy with regard to members of the Executive Board, please refer to pages 67-69.
[3] Mr. Shepard retired as Chief Executive Officer and Chairman of AEGON's Executive Board in April 2008. The salary shown here therefore covers the first four months of the year.

2. Long-term incentives

In 2008, the following four long-term incentive (LTI) Plans were in operation:

- 2.1 The LTI Plan 2005;
- 2.2 The LTI Plan 2006;
- 2.3 The LTI Plan 2007;
- 2.4 The LTI Plan 2008.

2.1 LTI Plan 2005, matured in 2008

The LTI Plan 2005 was formulated under the previous Remuneration Policy[1] and was based on a three-year period (2005, 2006 and 2007). The Plan matured in 2008. All share and option rights under this Plan vested as targeted. Please refer to page 96 of the Annual Report 2007 and page 216 of the Annual Report 2008.

2.2 LTI Plan 2006, matured in 2009

The LTI Plan 2006 was also formulated under the previous Remuneration Policy[1] and was based on a three-year period. This Plan matured in 2009 and the shares and option rights vested for 75%. See table 3 for the grants due in 2009 as part of the LTI Plan 2006.

2.3 LTI Plan 2007, matured in 2008

The LTI Plan 2007, formulated under the current Remuneration Policy, matured in 2008. Based on AEGON's financial performance in 2007, grants made under this Plan in 2008, were as shown in table 4.

2.4 LTI Plan 2008, matured in 2009

The LTI Plan 2008 matured in 2009. Under the terms of the Remuneration Policy, members of the Executive Board were not entitled to long-term incentive payments under this Plan. This is also in line with the provisions of AEGON's agreement with the Dutch State.

Pension arrangements

The pension benefits for both Mr. Wynaendts and Mr. Streppel are based on 70% of their final base salary, providing they have completed 37 years of service. Mr. Shepard's pension is based on 55% of his 'final average earnings' – equivalent to his five highest complete and consecutive calendar years of pensionable earnings.

The Hague, March 11, 2009

Dudley G. Eustace
Chairman of the Supervisory Board

Table 2 - Short-term incentive Plan 2007, matured in 2008

Executive Board member	Paid in 2008 over 2007 *	Paid in 2007 over 2006 *	% change
Alexander R. Wynaendts (CEO)	EUR 301,000	EUR 717,216	(58.0%)
Joseph B.M. Streppel (CFO)	EUR 237,500	EUR 542,477	(56.2%)
Donald J. Shepard (former CEO) *	EUR 609,516	EUR 1,502,467	(59.4%)

* Mr. Shepard retired as Chief Executive Officer and Chairman of AEGON's Executive Board in April 2008. He also received a bonus linked to AEGON's net income for 2007. This amounted to EUR 2,551,000, a decrease of 9% compared with the previous financial year. This decrease was due to a decline in AEGON's overall net income.

Table 3 - Long-term incentive Plan 2006, matured in 2009

Executive Board member	Number of shares vested	Number of options vested *
Alexander R. Wynaendts (CEO)	8,827	50,842
Joseph B.M. Streppel (CFO)	10,432	60,086
Donald J. Shepard (former CEO) **	19,660	113,242

* Exercise price of EUR 14.55.
** Retired in April 2008.

Table 4 - Long-term incentive Plan 2007, matured in 2008

Executive Board member	Number of shares granted conditionally
Alexander R. Wynaendts (CEO)	18,506
Joseph B.M. Streppel (CFO)	16,278
Donald J. Shepard (former CEO)	50,092

[1] AEGON's current Remuneration Policy for Executive Board members was approved by shareholders in April 2007 and it amended AEGON's previous policy in three important aspects: all long-term incentive payments now take the form of AEGON shares, rather than shares and stock options as had been the case previously; for variable compensation, the performance period is now one year, rather than three and 50% of shares granted under the company's long-term incentive plans now vest four years after the grant date. The remaining 50% vest after eight years.

Corporate Governance | TRANSPARENCY AND ASSURANCE

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

General Meeting of Shareholders

A General Meeting of Shareholders is held at least once a year. Its main function is to decide matters such as the adoption of annual accounts, the approval of dividend payments and appointments to AEGON's Supervisory and Executive Boards.

Meetings are convened by public notice. When deemed necessary, the Supervisory or Executive Board has the authority to convene an extraordinary General Meeting of Shareholders.

Agenda

Only those shareholders who alone, or jointly, represent at least 0.1% of AEGON's issued capital or a block of shares worth at least EUR 50 million may request items be added to the agenda of these meetings. In accordance with AEGON's Articles of Incorporation, such requests will be granted, providing they are received in writing at least 60 days before the meeting and unless important interests of the company dictate otherwise.

Attendance and voting

Every shareholder is entitled to attend the General Meeting, to speak and vote, either in person or by proxy granted in writing (this includes electronically submitted proxies). Any shareholder wishing to take part must, however, provide proof of his or her identity and shareholding, and must notify the company ahead of time of his or her intention to attend the meeting.

When convening a meeting, the Executive Board may set a date ('the record date'), which is then used to determine shareholders' entitlements with regard to their participation and voting rights.

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

AEGON is a member of the Stichting Communicatie-kanaal Aandeelhouders, a Dutch foundation dedicated to improving communications between listed companies in the Netherlands and their shareholders and to encouraging greater shareholder participation at general meetings. Participating shareholders may vote by proxy using the services of this foundation. AEGON also solicits proxies from New York Registry shareholders in line with common practice in the United States.

At the General Meeting, each share carries one vote. However, in certain circumstances (see the Financial statements of the Annual Report, page 226, for further details), the holder of preferred shares, Vereniging AEGON, may cast 25/12 votes per preferred share. Resolutions are adopted by an absolute majority of valid votes cast, unless the law or AEGON's Articles of Incorporation stipulate otherwise.

Executive Board

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

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

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

Supervisory Board

AEGON's Supervisory Board oversees the management of the Executive Board, as well as the overall course of the company's business and corporate strategy. In its deliberations, the Supervisory Board must take into account the interests of all AEGON stakeholders. The Supervisory Board operates according to the principles of collective responsibility and accountability.

Members are appointed by the General Meeting of Shareholders following nomination by the Supervisory Board. At present, AEGON's Supervisory Board consists of twelve non-executive members, one of whom is a former member of AEGON's Executive Board.

The Supervisory Board also oversees the activities of several committees. These committees are composed exclusively of Supervisory Board members and deal with specific issues linked to AEGON's financial accounts, risk management strategy, executive remuneration and appointments.

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

Dutch Corporate Governance Code

As a company based in the Netherlands, AEGON adheres to the Dutch Corporate Governance Code. AEGON endorses this Code and strongly supports its principles for sound and responsible corporate governance. AEGON regards the Code as an effective means of ensuring that the interests of all stakeholders are duly represented and taken into account. The Code also promotes transparency in decision-making and helps strengthen the principles of good governance.

Recently, the Dutch Corporate Governance Code was amended to take into account changes put forward by the Monitoring Committee, which oversees the Code. The new, amended Code came into effect on January 1, 2009. This chapter refers exclusively to the Dutch Corporate Governance Code in force until December 31, 2008.

Overseeing AEGON's overall corporate governance structure is the responsibility of both the Supervisory Board and the Executive Board. Any significant change to this structure is submitted for debate to the General Meeting of Shareholders.

Generally, AEGON applies the best practice provisions set out in the Code. For an extensive review of AEGON's compliance with the Code, please refer to AEGON's corporate website. A detailed explanation is given below for those instances where AEGON does not fully apply the best practice provisions of the Code. In these instances, AEGON adheres, as far as possible, to the spirit of the Code.

Code II.2.7: For members of the Executive Board, the Dutch Corporate Governance Code recommends a maximum compensation in the event of dismissal of one year's salary, or two years' for cases where one year would be manifestly unreasonable for a member dismissed during his or her first term of office.

AEGON's position

AEGON is committed to applying this best practice provision to all future Executive Board appointments. However, the existing employment contracts with current members of the Board are not in line with this provision particularly with regard to severance payment arrangements. The employment contracts of Executive Board members may be found on AEGON's corporate website, www.aegon.com. On December 1, 2008[1], AEGON and the Dutch State agreed, however, that these more favorable severance payment arrangements would be waived. As a result, AEGON is currently in compliance with this Code provision.

Code II.3.3: The Code recommends that a member of the Executive Board should not take part in discussions or decision-making related to a subject or transaction in which he or she has a conflict of interest.

AEGON's position

AEGON's CEO and CFO are members of the Executive Committee of AEGON's largest shareholder, Vereniging AEGON. This may be construed as a conflict of interest. However, under the Articles of Association of Vereniging AEGON, AEGON's CEO and CFO are specifically excluded from voting on issues directly related to AEGON or their position within it. AEGON's Supervisory Board holds the view that, given the historic relationship between AEGON and Vereniging AEGON, it would not be in the company's best interests to prevent their participating in discussions and decision-making related to Vereniging AEGON. For this reason, a protocol has been drawn up authorizing the CEO and CFO to continue their existing practice with respect to their dealings with the Vereniging. The text of this protocol is available on AEGON's website.

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

AEGON's position

AEGON's Articles of Incorporation provide for a two thirds majority and a higher quorum than those advocated by the Code. Taking into account that the company has no specific anti-takeover measures, the current system is deemed appropriate within the context of the 1983 Merger Agreement, under which AEGON was formed. However, to mitigate any possible negative effects from this, the Supervisory Board has decided that, in the absence of any unfriendly actions, it will only make nominations to the Executive and Supervisory Boards that are non-binding in nature.

Exercise of control

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

Capital structure

AEGON has authorized capital of EUR 610 million, divided into three billion common shares, each with a par value of EUR 0.12, and one billion class A and class B preferred shares, with a par value of EUR 0.25. As of December 31, 2008, a total of 1,578,227,139 common shares and 246,850,000 preferred shares had been issued, representing respectively 75.4% and 24.6% of AEGON's total issued and fully paid-up capital.

[1] Please see page 77-78 for further details.

The capital contribution made by class A preferred shares is a reflection of the market value of AEGON's common shares at the time this contribution was made.

Preferred shares carry the right to a preferred dividend on the paid-in amount. No other dividend is paid on the preferred shares. In the event AEGON is liquidated, the paid-in amount on preferred shares will be reimbursed before any payments on common shares are made.

Each share carries one vote. However, in line with the higher par value of the preferred shares, the holder of preferred shares, Vereniging AEGON, may, in certain circumstances, cast 25/12 (approximately 2.08) votes per share (see below for further explanation).

Transfer of shares

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

Significant shareholdings

Vereniging AEGON, AEGON's largest shareholder, holds:

- 171,974,055 common shares;
- 211,680,000 class A preferred shares;
- 35,170,000 class B preferred shares.

Together, this represents 33.77% of AEGON's voting capital, given that preferred shares carry multiple voting rights (see above).

The 1983 Merger Agreement (as amended) provides that Vereniging AEGON has option rights to acquire additional class B preferred shares in order to prevent its voting power being diluted by issues of common shares by AEGON N.V., unless, by exercising these rights, Vereniging AEGON would increase its voting power to more than 33%.

Special control rights

AEGON's major shareholder, Vereniging AEGON, has voluntarily waived its rights to cast 25/12 votes per preferred share, except in the event of a 'special cause', as defined in greater detail in the Preferred Shares Voting Rights Agreement, published on AEGON's website.

These causes include:

- The acquisition by a third party of an interest in AEGON N.V. amounting to 15% or more;
- A tender offer for AEGON N.V. shares;
- A proposed business combination by any person or group of persons, whether individually or as a group, other than in a transaction approved by the Executive Board and the Supervisory Board.

If, at its sole discretion, Vereniging AEGON determines that a 'special cause' has occurred, it shall notify the General Meeting of Shareholders. In this event, Vereniging AEGON retains its full voting rights on the preferred shares for a period limited to six months. Based on its current shareholdings, Vereniging AEGON would for that limited period command 33.77% of the votes at a General Meeting of Shareholders. As a result of this and of the existence of certain qualified majority voting requirements specified in AEGON's Articles of Incorporation, Vereniging AEGON may effectively be in a position to block unfriendly actions by either a hostile bidder or others for a period of six months.

In the absence of a 'special cause', Vereniging AEGON's share of AEGON's voting capital represents 23.73%.

For more information on Vereniging AEGON, please refer to the Financial Statements of the Annual Report, page 226, or the website of Vereniging AEGON.

Exercise of option rights

Senior executives at AEGON companies and other employees have been granted share appreciation rights and share options. For further details, please refer to the Financial Statements of the Annual Report, page 193. Under the terms of existing share option plans, AEGON cannot influence the exercise of granted rights.

Restrictions on voting rights

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

Shareholder agreements

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

Amendment of the Articles of Incorporation

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

Board appointments

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

The General Meeting of Shareholders may bring forward a resolution to appoint a person not nominated by the Supervisory Board. But such a resolution also requires a two-thirds majority of the votes cast, representing at least one-half of AEGON's issued capital.

Members of AEGON's Executive and Supervisory Boards may only be suspended or dismissed by the General Meeting of Shareholders with the same qualified majority, unless the suspension or dismissal is proposed by the Supervisory Board. A member of the Executive Board may also be suspended by the Supervisory Board, though the General Meeting of Shareholders has the power to discontinue that suspension.

The provisions on appointing Board members were included as part of a broader review of AEGON's corporate governance and adopted at an Extraordinary General Meeting of Shareholders held on May 9, 2003. The qualified majority requirements were included to give AEGON temporary protection against unfriendly actions from, for example, a hostile bidder.

In effect, AEGON's major shareholder Vereniging AEGON may block any hostile attempts to replace the company's Supervisory or Executive Boards for period of up to six months.

Issue and repurchase of shares

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

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

Significant agreements and change of control

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

Severance payments in employment agreements

The employment contracts with current members of the Executive Board, as disclosed on AEGON's website, contains provisions entitling to severance payments, should their employment be terminated as the result of a merger or takeover. As part of the capital support transaction concluded with the Dutch State on December 1, 2008[1], however, these more favorable severance payment arrangements have been waived to the extend that, in the case of dismissal, compensation will be limited to a maximum of one year's fixed salary.

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[1] Please see page 77-78 for further details.

Convertible core capital securities

AEGON has secured EUR 3 billion of core capital from Vereniging AEGON, funded by the Dutch State, in view of the ongoing uncertainty on the financial markets.

On December 1, 2008, AEGON secured EUR 3 billion of additional core capital from Vereniging AEGON, funded by the Dutch State. The capital contribution was part of the Dutch government's EUR 20 billion support program for banks and insurance companies in connection with the worldwide financial crisis.

The EUR 3 billion of core capital significantly strengthened AEGON's financial position and ensured the company entered 2009 with a sound capital buffer against possible further declines in world credit and equity markets.

Financial details

The transaction was structured in such a way that it would not affect AEGON's ownership. The new core capital was made available through a loan to the company's major shareholder, Vereniging AEGON, which enabled the Vereniging to purchase core capital securities from the company at a corresponding amount and on terms and conditions similar to the loan. AEGON issued 750 million convertible core capital securities at EUR 4.00 per security to Vereniging AEGON. These securities rank equal to common shares (pari passu), but carry no voting rights.

Payment of interest on the securities as well as on the state loan provided to Vereniging AEGON is conditional on the payment of dividends (cash or stock) on AEGON's common shares. For the first year the coupon is fixed at 8.5% (EUR 0.34 per security). For consecutive years the coupon will be the higher of either 8.5% or an amount linked to the cash dividend paid on the common shares in the preceding year: in the second year 110% of the dividend paid per share, rising to 120% in the third year, and to 125% in the fourth and subsequent years. The coupon is not deductible for corporate income tax.

In relation to repurchase of the securities and subsequent repayment of the loan the following arrangements have been made: until December 1, 2009, AEGON may repurchase up to 250 million of the securities at nominal value plus accrued interest and a repurchase compensation dependent on the repurchase date and AEGON's actual share price, but maximized at EUR 130 million. This, in effect, gives AEGON the right to repay EUR 1 billion of the loan in the first year should financial market conditions improve sufficiently. After the first year the securities may be repurchased at any time at 150% of their issue value (EUR 6.00 per security) plus accrued interest. Alternatively, after three years, AEGON may choose to convert all or some of the securities into common shares on a one-for-one basis, subject to adjustment of the conversion price under certain circumstances. In the event of AEGON exercising its conversion right, Vereniging AEGON and the Dutch State may opt to receive repayment in cash at the original issue price of EUR 4.00 per security plus accrued interest.

Governance

The additional core capital may be used for general corporate purposes in the ordinary course of business; investments chargeable to the additional capital in excess of EUR 300 million outside the European Union require prior approval from the Dutch Central Bank.

The transaction does not affect AEGON's ownership structure. Vereniging AEGON continues to be AEGON's major shareholder with the same voting rights as prior to the transaction (for further details on Vereniging AEGON please refer to the Financial statements of the Annual Report, page 226). The Dutch State has no voting rights at the General Meeting of Shareholders as a result of the transaction. AEGON has retained full discretion over its dividend payment policy. Interest on the securities will only be payable if a dividend is paid to the holders of common shares.

As part of the transaction, the Supervisory Board committed to nominate two representatives, as proposed by the Dutch State, to the General Meeting of Shareholders for appointment to AEGON's Supervisory Board and its Committees as long as less than three quarters of the loan facility has been redeemed. To this end, Karla Peijs, who already is a member of the Supervisory Board, was proposed by the Dutch State as State representative and Arthur Docters van Leeuwen has been nominated as State representative for appointment by the General Meeting of Shareholders on April 22, 2009.

Ms. Peijs is a member of the Compensation and Nominating Committees and Mr. Docters van Leeuwen, formerly head of the Dutch financial markets regulator AFM, will be a member of AEGON's Audit Committee. Pending his appointment by the General Meeting of Shareholders, Mr. Docters van Leeuwen already attends Supervisory Board and committee meetings as an observer. Approval from the State representatives will be required for certain decisions, including the issuance and repurchase of shares and debentures, changes to AEGON's executive Remuneration Policy and any acquisitions or divestments with a value of 25% or more of AEGON's issued capital and reserves.

It was further agreed that AEGON will review its Remuneration Policy for the Executive Board and senior management to ensure that it is aligned to new international standards. AEGON's Executive Board members shall not be entitled to any performance related remuneration for the year 2008 and exit-arrangements have been limited to a maximum of one year's fixed salary. Copies of the transaction agreement are available on www.aegon.com.

Corporate Responsibility | INVESTING FOR THE FUTURE

AEGON believes that business success is not incompatible with respect for the environment, human rights and the broader communities in which it operates.

Indeed, the company recognizes that creating a sustainable business means taking into account the interests of all its stakeholders, including customers, employees, business partners and investors. AEGON also believes that it can make a valuable contribution to the communities in which it operates, not only as a provider of long-term financial products and services, but also as a responsible employer and investor. The insurance industry plays an important role in the global economy, protecting living standards and helping ensure the long-term viability of pension systems around the world.

AEGON's approach to corporate responsibility

In its approach to sustainability and corporate responsibility, AEGON places great importance on local knowledge and local decision-making. Country and business units are encouraged to focus on issues specific to their local situations. AEGON does, however, set out a number of basic principles, which apply to all country and business units. This approach ensures that these common principles become an integral part of AEGON's business activities, wherever those activities are located.

These principles are contained in AEGON's Code of Conduct, which applies to the company's approximately 31,500 employees around the world.

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

Governance

Each of AEGON's country and business units has its own Corporate Responsibility (CR) executive, responsible for:

- Implementing all local corporate responsibility policies and initiatives;
- Ensuring compliance with AEGON's Code of Conduct;
- Collating all relevant data on corporate responsibility issues;
- Developing local corporate responsibility policies and monitoring local activities;
- Reporting all progress to AEGON's CR team, based at head office in The Hague.

The Corporate Responsibility team reports to Marco Keim, the member of AEGON's Management Board directly responsible for corporate responsibility and sustainability issues. All issues of CR strategy and policy are subject to approval by the company's Executive Board.

Group policies

Alongside to local initiatives, AEGON has a number of 'Group' policies which apply to all its operations around the world. These include:

- A Group-wide environmental policy, which stresses the importance of respecting the environment, conserving energy and eliminating waste;
- A Global Voting Policy, which sets out common voting practices and principles for shares owned by AEGON asset management companies around the world;
- A company-wide Human Rights policy, which sets out AEGON's commitment to helping defend and promote a respect for human rights at the company's businesses.

AEGON's Code of Conduct contains rules, regulations and guidelines for employees. The Code covers a number of areas, including:

- Preventing discrimination in the workplace;
- Protecting free and open competition;
- Ensuring the confidentiality of personal information;
- Combating corruption, insider trading and money laundering.

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

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

Progress in 2008

AEGON made important progress with its objectives for 2008. Projects during the year included:

- Updating the company's Code of Conduct to bring it into line with recent regulatory reforms;
- Supporting programs aimed at improving levels of financial literacy, particularly in AEGON's main markets, the United States, the Netherlands and the United Kingdom;
- Expansion of microinsurance in Mexico alongside partner Seguros Argos;
- Introduction of a new 'e-learning' course for employees on insider dealing;
- Launch of a 'Stakeholder Panel' to assess the content and relevance of AEGON's Corporate Responsibility Report;
- Launch of a 'Green Team' to coordinate efforts to reduce the company's consumption of electricity, water and other precious raw materials.

For more information about AEGON's corporate responsibility strategy and initiatives, please refer to the company's annual Corporate Responsibility Report, available online at www.aegon.com.

Financial Information **2008**

Providing clear, accurate, timely and transparent information

AEGON strives to provide clear, accurate, timely and transparent information to investors and its other stakeholders around the world.

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Consolidated balance sheet of AEGON Group as at December 31

Amounts in EUR million	Note	2008	2007 Adjusted [1]
ASSETS			
Intangible assets	6	5,425	4,894
Investments	7	130,481	132,861
Investments for account of policyholders	8	105,400	142,384
Derivatives	9	8,057	1,616
Investments in associates	10	595	472
Reinsurance assets	11	5,013	4,311
Defined benefit assets	26	448	387
Deferred tax assets	28	1,447	2
Deferred expenses and rebates	12	12,794	11,488
Other assets and receivables	13	7,376	7,274
Cash and cash equivalents	14	10,223	8,431
TOTAL ASSETS		**287,259**	**314,120**
EQUITY AND LIABILITIES			
Shareholders' equity	15	6,055	15,151
Convertible core capital securities	16	3,000	–
Other equity instruments	17	4,699	4,795
Issued capital and reserves attributable to equity holders of AEGON N.V.		**13,754**	**19,946**
Minority interest		6	16
GROUP EQUITY		**13,760**	**19,962**
Trust pass-through securities	18	161	143
Subordinated borrowings	19	41	34
Insurance contracts	20	97,377	88,496
Insurance contracts for account of policyholders	21	60,808	78,394
Investment contracts	22	36,231	36,089
Investment contracts for account of policyholders	23	45,614	63,756
Derivatives	9	6,089	2,226
Borrowings	24	5,339	6,021
Provisions	25	495	293
Defined benefit liabilities	26	2,080	2,136
Deferred revenue liabilities	27	42	50
Deferred tax liabilities	28	424	1,605
Other liabilities	29	18,237	14,458
Accruals	30	561	457
TOTAL LIABILITIES		**273,499**	**294,158**
TOTAL EQUITY AND LIABILITIES		**287,259**	**314,120**

[1] In 2008, AEGON reclassified its real estate held for own use. Reference is made to note 2.2.1.

Consolidated income statement of AEGON Group for the year ended December 31

Amounts in EUR million (except per share data)	Note	2008	2007	2006
Income				
Premium income	31	22,409	26,900	24,570
Investment income	32	9,965	10,457	10,376
Fee and commission income	33	1,703	1,900	1,665
Other revenues	34	5	14	4
Total revenues		**34,082**	**39,271**	**36,615**
Income from reinsurance ceded	35	1,633	1,546	1,468
Results from financial transactions	36	(28,195)	4,545	9,397
Other income	37	6	214	11
TOTAL INCOME		**7,526**	**45,576**	**47,491**
Charges				
Premiums to reinsurers	31	1,571	1,606	1,671
Policyholder claims and benefits	38	(808)	34,135	35,267
Profit sharing and rebates	39	98	83	133
Commissions and expenses	40	6,109	5,939	6,085
Impairment charges / (reversals)	41	1,113	117	33
Interest charges and related fees	42	526	474	362
Other charges	43	2	181	1
TOTAL CHARGES		**8,611**	**42,535**	**43,552**
Income before share in profit / (loss) of associates and tax		**(1,085)**	**3,041**	**3,939**
Share in profit / (loss) of associates		24	36	32
Income / (loss) before tax		**(1,061)**	**3,077**	**3,971**
Income tax	44	(21)	(526)	(802)
Net income / (loss)		**(1,082)**	**2,551**	**3,169**
Attributable to minority interest		–	–	–
NET INCOME / (LOSS) ATTRIBUTABLE TO EQUITY HOLDERS OF AEGON N.V.		**(1,082)**	**2,551**	**3,169**
Earnings and dividends per share				
Basic earnings per share (EUR per share) [1]	45	(0.92)	1.47	1.87
Diluted earnings per share (EUR per share) [1]	45	(0.92)	1.47	1.86
Dividend per common share (EUR per share)	46	0.30	0.62	0.55

[1] After deduction of preferred dividends and coupons on perpetuals.

Consolidated cash flow statement of AEGON Group for the year ended December 31

Amounts in EUR million	Note	2008	2007 Adjusted [1]	2006 Adjusted [1]
Income before tax		**(1,061)**	**3,077**	**3,971**
Results from financial transactions		28,195	(4,545)	(9,397)
Amortization and depreciation		1,691	1,446	1,916
Impairment losses		1,113	73	33
Income from associates		(24)	(36)	(32)
Other		52	133	7
Adjustments of non-cash items		**31,027**	**(2,929)**	**(7,473)**
Insurance and investment liabilities		4,349	4,046	1,354
Insurance and investment liabilities for account of policyholders		(24,556)	7,809	12,086
Accrued expenses and other liabilities		3,689	(2,069)	2,729
Accrued income and prepayments		(1,792)	(629)	(3,119)
Release of cash flow hedging reserve		306	25	(130)
Changes in accruals		**(18,004)**	**9,182**	**12,920**
Purchase of investments (other than money market investments)		(56,394)	(70,156)	(63,980)
Purchase of derivatives		(843)	(701)	(1,009)
Disposal of investments (other than money market investments)		51,055	67,148	64,043
Disposal of derivatives		1,045	(324)	855
Net purchase of investments for account of policyholders		(2,563)	(4,866)	(5,361)
Net change in cash collateral		(22)	(577)	5,774
Net purchase of money market investments		(2,658)	(1,256)	(1,623)
Cash flow movements on operating items not reflected in income		**(10,380)**	**(10,732)**	**(1,301)**
Tax paid		(437)	(98)	(442)
Other		178	160	208
NET CASH FLOWS FROM OPERATING ACTIVITIES		**1,323**	**(1,340)**	**7,883**

[1] In 2008, AEGON reclassified its real estate held for own use. Reference is made to note 2.2.1.

CONTINUATION ›

Consolidated cash flow statement of AEGON Group for the year ended December 31 › CONTINUATION

Amounts in EUR million	Note	2008	2007 Adjusted [1]	2006 Adjusted [1]
Purchase of individual intangible assets (other than VOBA and future servicing rights)		(12)	(10)	(10)
Purchase of equipment and real estate for own use		(85)	(81)	(71)
Acquisition of subsidiaries and associates, net of cash		(461)	(2,625)	(143)
Disposal of equipment		150	33	22
Disposal of subsidiaries and associates, net of cash		–	9	11
Dividend received from associates		4	7	4
Other		6	(12)	(41)
NET CASH FLOWS FROM INVESTING ACTIVITIES		**(398)**	**(2,679)**	**(228)**
Issuance of share capital		–	1	2
Issuance of convertible core capital securities		3,000	–	–
Issuance of perpetuals		–	745	638
Issuance and (purchase) of treasury shares		(217)	(1,439)	(262)
Proceeds from TRUPS, subordinated loans and borrowings		4,876	4,872	1,554
Repayment of perpetuals		(114)	–	–
Repayment of TRUPS, subordinated loans and borrowings		(5,134)	(3,986)	(2,109)
Dividends paid		(660)	(668)	(471)
Coupon on perpetuals		(254)	(235)	(204)
Other		(36)	11	(22)
NET CASH FLOWS FROM FINANCING ACTIVITIES		**1,461**	**(699)**	**(874)**
NET INCREASE / (DECREASE) IN CASH AND CASH EQUIVALENTS [2]		**2,386**	**(4,718)**	**6,781**
Net cash and cash equivalents at the beginning of the year		7,385	12,391	6,068
Effects of changes in exchange rate		(265)	(288)	(458)
NET CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	14	**9,506**	**7,385**	**12,391**

[1] In 2008, AEGON reclassified its real estate held for own use. Reference is made to note 2.2.1.

[2] Included in net increase / (decrease) in cash and cash equivalents are interest received (2008: EUR 8,614 million; 2007: EUR 8,715 million and 2006: EUR 9,458 million) dividends received (2008: EUR 925 million; 2007: EUR 886 million and 2006: EUR 1,192 million) and interest paid (2008: EUR 356 million; 2007: EUR 422 million and 2006: EUR 411 million).

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

Consolidated statement of changes in equity of AEGON Group for the year ended December 31, 2008

Amounts in EUR million	Note	Share capital	Retained earnings	Revaluation reserves	Other reserves	Convertible core capital securities	Other equity instruments	Issued capital and reserves[1]	Minority interest	Total
At January 1, 2008		7,359	10,349	(516)	(2,041)	–	4,795	19,946	16	19,962
Revaluations		–	–	(10,534)	–	–	–	(10,534)	–	(10,534)
(Gains) / losses transferred to income statement on disposal and impairment		–	–	1,024	–	–	–	1,024	–	1,024
Equity movements of associates		–	–	–	(7)	–	–	(7)	–	(7)
Foreign currency translation differences		–	–	(98)	–	–	–	(98)	–	(98)
Movements in foreign currency translation and net foreign investment hedging reserves		–	–	–	(170)	–	–	(170)	–	(170)
Aggregate tax effect of items recognized directly in equity		–	–	2,964	–	–	–	2,964	–	2,964
Other		–	10	(7)	–	–	–	3	(10)	(7)
Net income / (loss) recognized directly in equity		**–**	**10**	**(6,651)**	**(177)**	**–**	**–**	**(6,818)**	**(10)**	**(6,828)**
Net income / (loss) recognized in the income statement		–	(1,082)	–	–	–	–	(1,082)	–	(1,082)
TOTAL COMPREHENSIVE INCOME / (LOSS) FOR 2008		**–**	**(1,072)**	**(6,651)**	**(177)**	**–**	**–**	**(7,900)**	**(10)**	**(7,910)**
Convertible core capital securities issued		–	–	–	–	3,000	–	3,000	–	3,000
Treasury shares		–	(217)	–	–	–	–	(217)	–	(217)
Treasury shares – withdrawn		(12)	12	–	–	–	–	–	–	–
Other equity instruments redeemed		–	–	–	–	–	(114)	(114)	–	(114)
Dividends paid on common shares		–	(548)	–	–	–	–	(548)	–	(548)
Preferred dividend		–	(112)	–	–	–	–	(112)	–	(112)
Coupons on perpetuals		–	(189)	–	–	–	–	(189)	–	(189)
Coupons on convertible core capital securities		–	(121)	–	–	–	–	(121)	–	(121)
Share options		–	–	–	–	–	18	18	–	18
Other		–	(9)	–	–	–	–	(9)	–	(9)
AT DECEMBER 31, 2008	**15, 16, 17**	**7,347**	**8,093**	**(7,167)**	**(2,218)**	**3,000**	**4,699**	**13,754**	**6**	**13,760**

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

Consolidated statement of changes in equity of AEGON Group for the year ended December 31, 2007

Amounts in EUR million	Note	Share capital	Retained earnings	Revaluation reserves	Other reserves	Other equity instruments	Issued capital and reserves [1]	Minority interest	Total
At January 1, 2007 [2]		7,359	10,136	1,648	(538)	4,032	22,637	16	22,653
Revaluations		–	–	(3,037)	–	–	(3,037)	–	(3,037)
Transfers between revaluation reserves and retained earnings		–	1	(1)	–	–	–	–	–
(Gains) / losses transferred to income statement on disposal and impairment		–	–	25	–	–	25	–	25
Equity movements of associates		–	–	–	(58)	–	(58)	–	(58)
Foreign currency translation differences		–	–	32	–	–	32	–	32
Movements in foreign currency translation and net foreign investment hedging reserves		–	–	–	(1,445)	–	(1,445)	–	(1,445)
Aggregate tax effect of items recognized directly in equity		–	–	787	–	–	787	–	787
Other		–	(32)	30	–	–	(2)	–	(2)
Net income recognized directly in equity		**–**	**(31)**	**(2,164)**	**(1,503)**	**–**	**(3,698)**	**–**	**(3,698)**
Net income recognized in the income statement		–	2,551	–	–	–	2,551	–	2,551
TOTAL COMPREHENSIVE INCOME FOR 2007		**–**	**2,520**	**(2,164)**	**(1,503)**	**–**	**(1,147)**	**–**	**(1,147)**
Shares issued		2	–	–	–	–	2	–	2
Treasury shares		–	(1,438)	–	–	–	(1,438)	–	(1,438)
Treasury shares – withdrawn		(2)	2	–	–	–	–	–	–
Other equity instruments issued		–	–	–	–	745	745	–	745
Dividends paid on common shares		–	(583)	–	–	–	(583)	–	(583)
Preferred dividend		–	(85)	–	–	–	(85)	–	(85)
Coupons on perpetuals		–	(175)	–	–	–	(175)	–	(175)
Share options		–	–	–	–	18	18	–	18
Other		–	(28)	–	–	–	(28)	–	(28)
AT DECEMBER 31, 2007	**15, 16, 17**	**7,359**	**10,349**	**(516)**	**(2,041)**	**4,795**	**19,946**	**16**	**19,962**

[1] Issued capital and reserves attributable to equity holders of AEGON N.V.
[2] As of January 1, 2008, AEGON included its treasury shares in the column retained earnings instead of in the column share capital. The change is retrospectively applied. Reference is made to note 2.2.1.

Consolidated statement of changes in equity of AEGON Group for the year ended December 31, 2006

Amounts in EUR million	Note	Share capital	Retained earnings	Revaluation reserves	Other reserves	Other equity instruments	Issued capital and reserves [1]	Minority interest	Total
At January 1, 2006		6,812	9,318	2,293	853	3,379	22,655	15	22,670
Impact change in accounting principle [2]		–	(912)	351	–	–	(561)	–	(561)
		6,812	**8,406**	**2,644**	**853**	**3,379**	**22,094**	**15**	**22,109**
Reclassification treasury shares [3]		545	(545)	–	–	–	–	–	–
		7,357	**7,861**	**2,644**	**853**	**3,379**	**22,094**	**15**	**22,109**
Revaluations		–	–	(1,158)	–	–	(1,158)	–	(1,158)
Transfers between revaluation reserves and retained earnings		–	–	–	–	–	–	–	–
(Gains) / losses transferred to income statement on disposal and impairment		–	–	(130)	–	–	(130)	–	(130)
Equity movements of associates		–	–	–	(66)	–	(66)	–	(66)
Foreign currency translation differences		–	–	(77)	–	–	(77)	–	(77)
Movements in foreign currency translation and net foreign investment hedging reserves		–	–	–	(1,325)	–	(1,325)	–	(1,325)
Aggregate tax effect of items recognized directly in equity		–	–	281	–	2	283	–	283
Other		–	(15)	88	–	–	73	1	74
Net income recognized directly in equity		**–**	**(15)**	**(996)**	**(1,391)**	**2**	**(2,400)**	**1**	**(2,399)**
Net income recognized in the income statement		–	3,169	–	–	–	3,169	–	3,169
TOTAL COMPREHENSIVE INCOME FOR 2006		**–**	**3,154**	**(996)**	**(1,391)**	**2**	**769**	**1**	**770**
Shares issued		2	–	–	–	–	2	–	2
Treasury shares		–	(262)	–	–	–	(262)	–	(262)
Other equity instruments issued		–	–	–	–	638	638	–	638
Dividends paid on common shares		–	(391)	–	–	–	(391)	–	(391)
Preferred dividend		–	(80)	–	–	–	(80)	–	(80)
Coupons on perpetuals		–	(143)	–	–	–	(143)	–	(143)
Share options		–	–	–	–	13	13	–	13
Other		–	(3)	–	–	–	(3)	–	(3)
AT DECEMBER 31, 2006	**15, 16, 17**	**7,359**	**10,136**	**1,648**	**(538)**	**4,032**	**22,637**	**16**	**22,653**

1 Issued capital and reserves attributable to equity holders of AEGON N.V.
2 In 2007, AEGON changed its accounting policy regarding the valuation of minimum guarantees applied by AEGON the Netherlands.
3 As of January 1, 2008, AEGON included its treasury shares in the column retained earnings instead of in the column share capital. The change is retrospectively applied. Reference is made to note 2.2.1.

Exchange rates

Exchange rates at December 31, 2008

		EUR	USD	GBP	CAD	PLN	CNY	RON	HUF	NTD	CZK	SKK
1	EUR	–	1.3917	0.9525	1.6998	4.1535	9.4956	4.0225	266.7000	45.6690	26.8750	30.1260
1	USD	0.719	–	0.684	1.221	2.984	6.823	2.890	191.636	32.815	19.311	21.647
1	GBP	1.050	1.461	–	1.785	4.361	9.969	4.223	280.000	47.946	28.215	31.628
1	CAD	0.588	0.819	0.560	–	2.444	5.586	2.366	156.901	26.867	15.811	17.723
1	PLN	0.241	0.335	0.229	0.409	–	2.286	0.968	64.211	10.995	6.470	7.253
1	CNY	0.105	0.147	0.100	0.179	0.437	–	0.424	28.087	4.809	2.830	3.173
1	RON	0.249	0.346	0.237	0.423	1.033	2.361	–	66.302	11.353	6.681	7.489
100	HUF	0.375	0.522	0.357	0.637	1.557	3.560	1.508	–	17.124	10.077	11.296
100	NTD	2.190	3.047	2.086	3.722	9.095	20.792	8.808	583.985	–	58.847	65.966
100	CZK	3.721	5.178	3.544	6.325	15.455	35.332	14.967	992.372	169.931	–	112.097
100	SKK	3.319	4.620	3.162	5.642	13.787	31.520	13.352	885.282	151.593	89.209	–

Exchange rates at December 31, 2007

		EUR	USD	GBP	CAD	PLN	CNY	RON	HUF	NTD	CZK	SKK
1	EUR	–	1.4721	0.7334	1.4449	3.5940	10.7524	3.6080	253.7300	47.7340	26.6280	33.5830
1	USD	0.679	–	0.498	0.982	2.441	7.304	2.451	172.359	32.426	18.088	22.813
1	GBP	1.364	2.007	–	1.970	4.900	14.661	4.920	345.964	65.086	36.308	45.791
1	CAD	0.692	1.019	0.508	–	2.487	7.442	2.497	175.604	33.036	18.429	23.242
1	PLN	0.278	0.410	0.204	0.402	–	2.992	1.004	70.598	13.282	7.409	9.344
1	CNY	0.093	0.137	0.068	0.134	0.334	–	0.336	23.598	4.439	2.476	3.123
1	RON	0.277	0.408	0.203	0.400	0.996	2.980	–	70.324	13.230	7.380	9.308
100	HUF	0.394	0.580	0.289	0.569	1.416	4.238	1.422	–	18.813	10.495	13.236
100	NTD	2.095	3.084	1.536	3.027	7.529	22.526	7.559	531.550	–	55.784	70.354
100	CZK	3.755	5.528	2.754	5.426	13.497	40.380	13.550	952.869	179.262	–	126.119
100	SKK	2.978	4.383	2.184	4.302	10.702	32.017	10.744	755.531	142.137	79.290	–

Weighted average exchange rates 2008

		EUR	USD	GBP	CAD	PLN	CNY	RON	HUF	NTD	CZK	SKK
1	EUR	–	1.4660	0.7961	1.5589	3.5206	10.2470	3.6829	251.2908	46.1694	24.8931	31.1990
1	USD	0.682	–	0.543	1.063	2.402	6.990	2.512	171.413	31.493	16.980	21.282
1	GBP	1.256	1.841	–	1.958	4.422	12.871	4.626	315.652	57.994	31.269	39.190
1	CAD	0.641	0.940	0.511	–	2.258	6.573	2.362	161.198	29.617	15.968	20.013
1	PLN	0.284	0.416	0.226	0.443	–	2.911	1.046	71.377	13.114	7.071	8.862
1	CNY	0.098	0.143	0.078	0.152	0.344	–	0.359	24.523	4.506	2.429	3.045
1	RON	0.272	0.398	0.216	0.423	0.956	2.782	–	68.232	12.536	6.759	8.471
100	HUF	0.398	0.583	0.317	0.620	1.401	4.078	1.466	–	18.373	9.906	12.415
100	NTD	2.166	3.175	1.724	3.376	7.625	22.194	7.977	544.280	–	53.917	67.575
100	CZK	4.017	5.889	3.198	6.262	14.143	41.164	14.795	1,009.480	185.471	–	125.332
100	SKK	3.205	4.699	2.552	4.997	11.284	32.844	11.805	805.445	147.984	79.788	–

Weighted average exchange rates 2007

		EUR	USD	GBP	CAD	PLN	CNY	RON	HUF	NTD	CZK	SKK
1	EUR	–	1.3683	0.6838	1.4681	3.7900	10.4610	3.3340	251.2310	45.4200	27.5710	33.6890
1	USD	0.731	–	0.500	1.073	2.770	7.645	2.437	183.608	33.194	20.150	24.621
1	GBP	1.462	2.001	–	2.147	5.543	15.298	4.876	367.404	66.423	40.320	49.267
1	CAD	0.681	0.932	0.466	–	2.582	7.126	2.271	171.127	30.938	18.780	22.947
1	PLN	0.264	0.361	0.180	0.387	–	2.760	0.880	66.288	11.984	7.275	8.889
1	CNY	0.096	0.131	0.065	0.140	0.362	–	0.319	24.016	4.342	2.636	3.220
1	RON	0.300	0.410	0.205	0.440	1.137	3.138	–	75.354	13.623	8.270	10.105
100	HUF	0.398	0.545	0.272	0.584	1.509	4.164	1.327	–	18.079	10.974	13.410
100	NTD	2.202	3.013	1.506	3.232	8.344	23.032	7.340	553.129	–	60.702	74.172
100	CZK	3.627	4.963	2.480	5.325	13.746	37.942	12.092	911.215	164.738	–	122.190
100	SKK	2.968	4.062	2.030	4.358	11.250	31.052	9.896	745.736	134.821	81.840	–

Notes to the consolidated financial statements of AEGON Group

AMOUNTS IN EUR MILLION, UNLESS OTHERWISE STATED

Note 1 GENERAL INFORMATION

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

AEGON N.V., its subsidiaries and its proportionally consolidated joint ventures (AEGON or 'the Group') have life insurance and pensions operations in over twenty countries in Europe, the Americas and Asia and are also active in savings and investment operations, accident and health insurance, general insurance and limited banking operations in a number of these countries. Headquarters are located in The Hague, the Netherlands. The Group employs approximately 31,500 people worldwide.

Note 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Note 2.1 BASIS OF PRESENTATION

Note 2.1.1A INTRODUCTION

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS), as adopted by the European Union (EU), with IFRS as issued by the International Accounting Standards Board (IASB) and with Part 9 of Book 2 of the Netherlands Civil Code. The consolidated financial statements have been prepared in accordance with the historical cost convention as modified by the revaluation of investment properties and those financial instruments (including derivatives) and financial liabilities that have been measured at fair value. Information on the standards and interpretations that were adopted in 2008 is provided below in paragraph 2.1.1B. Certain amounts in prior years have been reclassified to conform to the current year presentation. These reclassifications had no effect on net income or shareholders' equity.

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

The preparation of financial statements in conformity with IFRS requires management to make estimates and assumptions affecting the reported amounts of assets and liabilities as of the date of the financial statements and the reported amounts of revenues and expenses for the reporting period. Those estimates are inherently subject to change and actual results could differ from those estimates. Included among the material (or potentially material) reported amounts and disclosures that require extensive use of estimates are: fair value of certain invested assets and derivatives, deferred acquisition costs, value of business acquired and other purchased intangible assets, goodwill, policyholder claims and benefits, insurance guarantees, pension plans, income taxes and the potential effects of resolving litigated matters.

The financial statements are put to the Annual General Meeting of Shareholders on April 22, 2009 for adoption. The shareholders' meeting can reject the financial statements but cannot amend them.

Note 2.1.1B ADOPTION OF NEW IFRS ACCOUNTING STANDARDS

New standards become effective on the date specified by IFRS, but may allow companies to opt for an earlier adoption date. In 2008, the following new standards issued by the IASB and Interpretations issued by the International Financial Reporting Interpretations Committee (IFRIC) became mandatory:

- IFRIC 12 Service concession arrangements [1];
- IFRIC 14 IAS 19 The limit on a defined benefit asset, minimum funding requirements and their interaction;
- Amendments to IAS 39 and IFRS 7 Reclassification of financial instruments.

IFRIC 12 *Service concession arrangements* is mandatory for accounting periods beginning on or after January 1, 2008, but is not relevant to the Group's operations.

Similarly, IFRIC 14 IAS 19 *The limit on a defined benefit asset, minimum funding requirements and their interaction* does not have an impact on the Group's financial statements.

The amendments to IAS 39 and IFRS 7 *Reclassification of financial instruments* permit entities to reclassify non-derivative financial assets out of the fair value through profit or loss category in particular circumstances. The amendment also permits an entity to transfer from the available-for-sale category to the loans and receivables category where certain requirements are met. The effect of the reclassification would be to value the asset following the reclassification at amortized cost instead of at fair value. The amendments to IFRS 7 required detailed disclosures of any reclassifications made and the potential impact on the financial statements. AEGON has not applied these amendments in 2008.

[1] Not yet endorsed by the European Union.

Note 2.1.2 FUTURE ADOPTION OF NEW IFRS ACCOUNTING STANDARDS

The following standards, amendments to existing standards and interpretations, published prior to January 1, 2009, were not early adopted by the Group and will be applied in future years:

- IAS 1 Presentation of financial statements;
- Amendments to IAS 23 Borrowing costs;
- Amendments to IFRS 2 Share-based payments - vesting conditions and cancellations;
- IFRS 3 Business combinations (Revised) and IAS 27 Consolidated and separate financial statements (Revised)[1];
- IFRS 8 Operating segments;
- IFRIC 16 Hedges of a net investment in a foreign operation[1];
- Amendments to IAS 39 Eligible hedged items[1];
- Improvements to IFRS (2008)[1].

The revision of IAS 1 is aimed at improving users' ability to analyze and compare the information given in financial statements. It introduces for example a statement of comprehensive income. The amendment has a required adoption date of January 1, 2009 and will not impact net income or equity.

The amendments to IAS 23 remove the option of immediately recognizing as an expense borrowing costs that relate to assets that take a substantial period of time to get ready for use or sale. The amendments have a required adoption date of January 1, 2009 and will not impact equity or net income as AEGON's accounting policy is to capitalize borrowing costs.

The amendments to IFRS 2 define the term vesting condition and give guidance on the accounting for non-vesting conditions. The amendments have a required adoption date of January 1, 2009 and are not expected to have a material impact on equity or net income.

The revised IFRS 3 continues to apply the acquisition method to business combinations, with some significant changes. For example, all payments to purchase a business are to be recorded at fair value at the acquisition date, with some contingent payments subsequently re-measured at fair value through profit or loss. All transaction costs will be expensed. This standard comes into effect for business combinations for which the acquisition date is on or after the beginning of the first annual period beginning on or after July 1, 2009. The requirements of this standard will be considered for future business combinations.

The revised IAS 27 requires the effects of all transactions with non-controlling interests to be recorded in equity if there is no change in control. The standard also specifies the accounting when control is lost. The amendment has a required adoption date of January 1, 2009 and AEGON is currently evaluating the potential impact on equity and income.

The IASB issued IFRS 8 as part of the convergence project with the US Financial Accounting Standards Board. This new standard replaces IAS 14 Segment reporting and adopts a management approach to segment reporting as required in Statement of Financial Accounting Standards (SFAS) 131 Disclosures about segments of an enterprise and related information. The adoption of IFRS 8 only impacts segment disclosure and therefore will not have an impact on equity or net income. The standard has a required adoption date of January 1, 2009.

IFRIC 16 clarifies the accounting treatment in respect of net investment hedging including the fact that net investment hedging relates to differences in functional currency, not presentation currency and hedging instruments may be held anywhere in the Group. The requirements of IAS 21 The effects of changes in foreign exchange rates further do not apply to the hedged item. This interpretation becomes effective for annual periods beginning on or after January 1, 2009. The interpretation is not expected to have a material impact on equity or net income.

The amendments to IAS 39 clarify how the principles that determine whether a hedged risk or portion of cash flows is eligible for designation should be applied in particular situations. The amendment has a required adoption date of July 1, 2009 and is not expected to have a material impact on equity or net income.

The IASB issued, in May 2008, a number of minor amendments to IFRS which resulted from the IASB's annual improvements project. These amendments result in accounting changes for presentation, recognition or measurement purposes as well as terminology or editorial amendments related to a variety of individual standards. Most of the amendments are effective for annual periods beginning on or after January 1, 2009, with earlier adoption permitted. AEGON is currently evaluating the potential impact of these amendments on equity and income.

[1] Not yet endorsed by the European Union.

In addition to the above, the following standards, amendments to standards and interpretations have been published and are mandatory for accounting periods beginning on or after January 1, 2009 or later periods but are not relevant for the Group's operations:

- Amendments to IAS 32 and IAS 1 Puttable financial instruments and obligations arising on liquidation;
- Amendments to IFRS 1 and IAS 27 Cost of an investment in a subsidiary;
- IFRIC 13 Customer loyalty programmes;
- IFRIC 15 Agreements for the construction of real estate [1];
- IFRIC 17 Distributions of non-cash assets to owners [1];
- IFRIC 18 Transfers of assets from customers [1];
- IFRS 1 (revised) First time adoption of IFRS [1].

Note 2.2 CHANGES IN REPORTING

Note 2.2.1 CHANGES IN PRESENTATION

As of January 1, 2008, AEGON reclassified, on the face of its balance sheet, real estate for own use from Investments general account and Investments for account of policyholders to Other assets and receivables. In addition AEGON reclassified cash flows from real estate held for own use from cash flows from operating activities to investing activities, to the extent that such cash flows relate to real estate that is occupied by AEGON's own employees. The comparative 2007 and 2006 information has been reclassified accordingly. This change reduced Investments general account by EUR 329 million and Investments for account of policyholders by EUR 141 million with an offsetting increase in Other assets and receivables of EUR 471 million in 2007. In the cash flow statement, net cash flows from operating activities increased by EUR 16 million in 2007 and EUR 29 million in 2006. The net cash flows from investing activities decreased by the same amounts.

As of January 1, 2008, AEGON's treasury shares are included in Retained earnings instead of Share capital. The comparative 2007 and 2006 information has been reclassified accordingly. This change increased Share capital with EUR 2,053 million and EUR 787 million at December 31, 2007 and December 31, 2006 respectively. The Retained earnings decreased by the same amounts.

Note 2.3 BASIS OF CONSOLIDATION

Business combinations that occurred before the adoption date of IFRS (January 1, 2004) have not been restated. No operations have been identified as assets held for sale or disposal groups.

A) SUBSIDIARIES

The consolidated financial statements include the financial statements of AEGON N.V. and its subsidiaries. Subsidiaries are entities over which AEGON has direct or indirect power to govern the financial and operating policies so as to obtain benefits from its activities ('control'). The assessment of control is based on the substance of the relationship between the Group and the entity and, among other things, considers existing and potential voting rights that are currently exercisable and convertible.

Special purpose entities are consolidated if, in substance, the activities of the entity are conducted on behalf of the Group, the Group has the decision-power to obtain control of the entity or has delegated these powers through an autopilot, the Group can obtain the majority of the entity's benefits or the Group retains the majority of the residual risks related to the entity or its assets.

The subsidiary's assets, liabilities and contingent liabilities are measured at fair value on the acquisition date and are subsequently accounted for in accordance with the Group's accounting principles. Intra-group transactions, including AEGON N.V. shares held by subsidiaries, which are recognized as treasury shares in equity, are eliminated. Intra-group losses are eliminated, except to the extent that the underlying asset is impaired. Minority interests are initially stated at their share in the fair value of the net assets on the acquisition date and subsequently adjusted for the minority's share in changes in the subsidiary's equity.

The excess of the cost of acquisition, comprising the consideration paid to acquire the interest and the directly related costs, over the Group's share in the net fair value of assets, liabilities and contingent liabilities acquired is recognized as goodwill. Negative goodwill is recognized directly in the income statement. If the fair value of the assets, liabilities and contingent liabilities acquired in the business combination has been determined provisionally, adjustments to these values resulting from the emergence of new evidence within twelve months after the acquisition date are made against goodwill. Also, goodwill is adjusted for changes in the estimated value of contingent considerations given in the business combination when they arise. Contingent consideration is discounted and the unwinding is recognized in the income statement as an interest expense.

When control is obtained in successive share purchases, each significant transaction is accounted for separately.

[1] Not yet endorsed by the European Union.

The identifiable assets, liabilities and contingent liabilities are stated at fair value when control is obtained.

Subsidiaries are deconsolidated when control ceases to exist. Any difference between the net proceeds and the carrying amount of the subsidiary is recognized in the income statement.

INVESTMENT FUNDS

Investment funds managed by the Group in which the Group holds an interest are consolidated in the financial statements if the Group can govern the financial and operating policies of the fund. In assessing control all interests held by the Group in the fund are considered, regardless of whether the financial risk related to the investment is borne by the Group or by the policyholders.

On consolidation of an investment fund, a liability is recognized to the extent that the Group is legally obliged to buy back participations held by third parties. The liability is presented in the consolidated financial statement as investment contracts for account of policyholders. Where this is not the case, other participations held by third parties are presented as minority interests in equity. The assets allocated to participations held by third parties or by the Group on behalf of policyholders are presented in the consolidated financial statements as investments for account of policyholders.

Equity instruments issued by the Group that are held by the investment funds are eliminated on consolidation. However, the elimination is reflected in equity and not in the measurement of the related financial liabilities towards policyholders or other third parties.

B) JOINTLY CONTROLLED ENTITIES

Joint ventures are contractual agreements whereby the Group undertakes with other parties an economic activity that is subject to joint control.

Interests in joint ventures are recognized using proportionate consolidation, combining items on a line by line basis from the date the jointly controlled interest commences. Gains and losses on transactions between the Group and the joint venture are recognized to the extent that they are attributable to the interests of other ventures, with the exception of losses that are evidence of impairment and that are recognized immediately. The use of proportionate consolidation is discontinued from the date on which the Group ceases to have joint control.

The acquisition of an interest in a joint venture may result in goodwill, which is accounted for consistently with the goodwill recognized on the purchase of a subsidiary.

Note 2.4 FOREIGN EXCHANGE TRANSLATION

A) TRANSLATION OF FOREIGN CURRENCY TRANSACTIONS

A group entity prepares its financial statements in the currency of the primary environment in which it operates. Transactions in foreign currencies are translated to the functional currency using the exchange rates prevailing at the date of the transaction.

At the balance sheet date monetary assets and monetary liabilities are translated at the closing rate. Non-monetary items carried at cost are translated using the exchange rate at the date of the transaction, whilst assets carried at fair value are translated at the exchange rate when the fair value was determined.

Exchange differences on monetary items are recognized in the income statement when they arise, except when they are deferred in equity as a result of a qualifying cash flow or net investment hedge. Exchange differences on non-monetary items are recognized in equity or the income statement, consistently with other gains and losses on these items.

B) TRANSLATION OF FOREIGN CURRENCY OPERATIONS

On consolidation, the financial statements of group entities with a foreign functional currency are translated to euro, the currency in which the consolidated financial statements are presented. Assets and liabilities are translated at the closing rates on the balance sheet date. Income, expenses and capital transactions (such as dividends) are translated at average exchange rates or at the prevailing rates on the transaction date, if more appropriate. Goodwill and fair value adjustments arising on the acquisition of a foreign entity are translated at the closing rates on the balance sheet date.

The resulting exchange differences are recognized in the 'foreign currency translation reserve', which is part of shareholders' equity. On disposal of a foreign entity the related cumulative exchange differences included in the reserve are recognized in the income statement.

On transition to IFRS on January 1, 2004, the foreign currency translation reserve was reset to nil.

Note 2.5 SEGMENT REPORTING

As the Group's risks and rates of return are predominantly affected by the fact that it operates in different countries, the primary basis for segment reporting is geographical segments. Geographical segments are defined based on the location of where the activities are managed. Secondary segment information is reported for groups of related products.

The Group uses operating earnings before tax in its segment reporting as an important indicator of its financial performance. Included in operating earnings are segment revenues and segment expenses. Segment revenues consist of premium income, investment income, fee and commission income, income from banking activities and other revenues. Segment expenses consist of premiums to reinsurers, policyholder claims and benefits (excluding the effect of charges to policyholders in respect of income tax), profit sharing and rebates and commissions and expenses. In addition to segment revenues, the following income items are also included in the calculation of operating earnings: reinsurance claims and benefits, fair value and foreign exchange gains including fair value movements on own debt, gains on investments for account of policyholders and share in net results of associates. Similarly, in addition to segment expenses, the following expense items are also included in the calculation of operating earnings: fair value and foreign exchange losses, losses on investments for account of policyholders and interest and related charges.

Operating earnings before tax excludes:

- Realized gains and losses on investments on general account financial assets, other than those classified as at fair value through profit or loss [1];
- Gains and losses on investments in real estate [1];
- Fair value changes in derivatives held for economic hedges for which no hedge accounting is applied and the economically hedged underlying assets or liabilities are not valued at fair value through profit or loss [1/2];
- The ineffective portion of hedge transactions for which hedge accounting is applied [1];
- Realized gains and losses on repurchased debt;
- Impairment charges and reversals for financial assets, excluding receivables; and
- Certain other income (charges) items.

Deferred policy acquisition costs (DPAC) and value of business acquired (VOBA) offsetting charges for realized gains and losses and impairments on investments are included in the respective line items mentioned above.

Transfer prices between segments are on normal commercial terms and determined in a manner similar to transactions with third parties.

Note 2.6 OFFSETTING OF ASSETS AND LIABILITIES

Financial assets and liabilities are offset in the balance sheet when the Group has a legally enforceable right to offset and has the intention to settle the asset and liability on a net basis or simultaneously.

Note 2.7 INTANGIBLE ASSETS

A) GOODWILL

Goodwill is recognized as an intangible asset for interests in subsidiaries and joint ventures acquired after January 1, 2004 and is measured as the positive difference between the acquisition cost and the Group's interest in the net fair value of the entity's identifiable assets, liabilities and contingent liabilities. Subsequently, goodwill is carried at cost less accumulated impairment charges. It is derecognized when the interest in the subsidiary or joint venture is disposed of.

B) VALUE OF BUSINESS ACQUIRED

When a portfolio of insurance contracts is acquired, whether directly from another insurance company or as part of a business combination, the difference between the fair value and the carrying amount of the insurance liabilities is recognized as value of business acquired (VOBA). The Group also recognizes VOBA when it acquires a portfolio of investment contracts with discretionary participation features.

VOBA is amortized over the useful life of the acquired contracts, based on either the expected future premiums or the expected gross profit margins. Amortization is based on expected gross profit margins, the amortization period and pattern are reviewed at each reporting date. Any change in estimates is recorded in the income statement. For all products, VOBA, in conjunction with DPAC where appropriate, is assessed for recoverability at least annually on a country-by-country basis and the portion determined not to be recoverable is charged to the income statement. VOBA is considered in the liability adequacy test for each reporting period.

When unrealized gains or losses arise on available-for-sale assets, VOBA is adjusted to equal the effect that the realization of the gains or losses would have had on VOBA. The adjustment is recognized directly in shareholders' equity. VOBA is derecognized when the related contracts are settled or disposed of.

C) FUTURE SERVICING RIGHTS

On the acquisition of a portfolio of investment contracts without discretionary participation features under which AEGON will render investment management services,

[1] For segment reporting disclosure purposes the above items are aggregated in the line Gains and losses on investments.
[2] Derivatives are considered economic hedges of certain exposures related to an existing asset or liability and are part of the Group's asset liability management.

the present value of future servicing rights is recognized as an intangible asset. Future servicing rights can also be recognized on the sale of a loan portfolio or the acquisition of insurance agency activities.

The present value of the future servicing rights is amortized over the servicing period as the fees from services emerge and is subject to impairment testing. It is derecognized when the related contracts are settled or disposed of.

D) SOFTWARE AND OTHER INTANGIBLE ASSETS

Software and other intangible assets are recognized to the extent that the assets can be identified, are controlled by the Group, are expected to provide future economic benefits and can be measured reliably. The Group does not recognize internally generated intangible assets arising from research or internally generated goodwill, brands, customer lists and similar items.

Software and other intangible assets are carried at cost less accumulated depreciation and impairment losses. Depreciation of the asset is over its useful life as the future economic benefits emerge and is recognized in the income statement as an expense. The depreciation period and pattern are reviewed at each reporting date, with any changes recognized in the income statement.

An intangible asset is derecognized when it is disposed of or when no future economic benefits are expected from its use or disposal.

Note 2.8 INVESTMENTS

Investments comprise financial assets, excluding derivatives, as well as investments in real estate.

A) FINANCIAL ASSETS, EXLUDING DERIVATIVES

Financial assets are recognized on the trade date when the Group becomes a party to the contractual provisions of the instrument and are classified for accounting purposes depending on the characteristics of the instruments and the purpose for which they were purchased.

CLASSIFICATION

The following financial assets are measured at fair value through profit or loss: financial assets held for trading, financial assets managed on a fair value basis in accordance with the Group's risk management and investment strategy and financial assets containing an embedded derivative that is not closely related and that cannot be reliably bifurcated. In addition, in certain instances the Group designates financial assets to this category when by doing so a potential accounting mismatch in the financial statements is eliminated or significantly reduced.

Financial assets with fixed or determinable payments that are not quoted in an active market and that the Group does not intend to sell in the near future or for which the holder may not recover substantially all of its initial investment, other than because of credit deterioration, are accounted for as loans. To the extent that the Group has the intention and ability to hold a quoted financial asset with fixed payments to the maturity date, it is classified as held-to-maturity.

All remaining non-derivative financial assets are classified as available-for-sale.

MEASUREMENT

Financial assets are initially recognized at fair value excluding interest accrued to date plus, in the case of a financial asset not at fair value through profit or loss, any directly attributable incremental transaction costs.

Loans and financial assets held-to-maturity are subsequently carried at amortized cost using the effective interest rate method. Financial assets at fair value through profit or loss are measured at fair value with all changes in fair value recognized in the income statement as incurred. Available-for-sale assets are recorded at fair value with unrealized changes in fair value recognized directly in shareholders' equity. Financial assets that are designated as hedged items are measured in accordance with the requirements for hedge accounting.

AMORTIZED COST

The amortized cost of a debt instrument is the amount at which it is measured at initial recognition minus principal repayments, plus or minus the cumulative amortization of any difference between the initial amount and the maturity amount, and minus any reduction for impairment. The effective interest rate method is a method of calculating the amortized cost and of allocating the interest income or expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the debt instrument or, when appropriate, a shorter period to the net carrying amount of the instrument. When calculating the effective interest rate, all contractual terms are considered. Possible future credit losses are not taken into account. Charges and interest paid or received between parties to the contract that are an integral part of the effective interest rate, transaction costs and all other premiums or discounts are included in the calculation.

FAIR VALUE

The consolidated financial statements provide information on the fair value of all financial assets, including those carried at amortized cost where the values are provided in the notes to the financial statements.

The fair value of an asset is the amount for which it could be exchanged between knowledgeable, willing parties in an arm's length transaction. For quoted financial assets for which there is an active market, the fair value is the bid price at the balance sheet date. In the absence of an active market, fair value is estimated by using present value based or other valuation techniques. Where discounting techniques are applied, the discount rate is based on current market rates applicable to financial instruments with similar characteristics. The valuation techniques that include non-market observable inputs can result in a different outcome than the actual transaction price at which the asset was acquired. Such differences are not recognized in the income statement immediately but are deferred. They are released over time to the income statement in line with the change in factors (including time) that market participants would consider in setting a price for the asset.

Interest accrued to date is not included in the fair value of the financial asset.

DERECOGNITION

A financial asset is derecognized when the contractual rights to the asset's cash flows expire, when the Group has transferred the asset and substantially all the risks and rewards of ownership, or when the Group has transferred the asset without transfer of substantially all the risks and rewards of ownership, provided the other party can sell or pledge the asset. Financial assets, in respect of which the Group has neither transferred nor retained all the risks and rewards, are recognized to the extent of the Group's continuing involvement. If significantly all risks are retained, the assets are not derecognized.

On derecognition, the difference between the disposal proceeds and the carrying amount is recognized in the income statement as a realized gain or loss. Any cumulative unrealized gain or loss previously recognized in the revaluation reserve in shareholders' equity is also recognized in the income statement.

SECURITY LENDING AND REPURCHASE AGREEMENTS

Financial assets that are lent to a third party or that are transferred subject to a repurchase agreement at a fixed price are not derecognized as the Group retains substantially all the risks and rewards of the asset. A liability is recognized for cash collateral received, on which interest is accrued.

A security that has been received under a borrowing or reverse repurchase agreement is not recognized as an asset. A receivable is recognized for any related cash collateral paid by AEGON. The difference between sale and repurchase price is treated as investment income. If the Group subsequently sells that security, a liability to repurchase the asset is recognized and initially measured at fair value.

COLLATERAL

With the exception of cash collateral, assets received as collateral are not separately recognized as an asset until the financial asset they secure is foreclosed. When cash collateral is recognized, a liability is recorded for the same amount.

B) REAL ESTATE

Investments in real estate includes property held to earn rentals or for capital appreciation, or both. Investments in real estate are presented as investments. Property that is occupied by the Group and that is not intended to be sold in the near future is classified as real estate held for own use and is presented in 'Other assets and receivables'.

All property is initially recognized at cost. Subsequently, investments in real estate are measured at fair value with the changes in fair value recognized in the income statement. Real estate held for own use is carried at its revalued amount, which is the fair value at the date of revaluation less subsequent accumulated depreciation and impairment losses. Depreciation is calculated on a straight line basis over the useful life of a building. Land is not depreciated. On revaluation the accumulated depreciation is eliminated against the gross carrying amount of the asset and the net amount is restated to the revalued amount. Increases in the net carrying amount are recognized in the related revaluation reserve in shareholders' equity and are released to retained earnings over the remaining useful life of the property.

Valuations of both investments in real estate and real estate held for own use are conducted with sufficient regularity to ensure the value correctly reflects the fair value at the balance sheet date. Valuations are mostly based on active market prices, adjusted for any difference in the nature, location or condition of the specific property. If such information is not available, other valuation methods are applied, considering the current cost of reproducing or replacing the property, the value that the property's net earning power will support and the value indicated by recent sales of comparable properties. For property held for own use, valuers may also consider the present value of the future rental income cash flows that could be achieved had the real estate been let out.

On disposal of an asset, the difference between the net proceeds received and the carrying amount is recognized in the income statement. Any remaining surplus attributable to real estate in own use in the revaluation reserve is transferred to retained earnings.

PROPERTY UNDER CONSTRUCTION

The Group develops property itself with the intention to hold it as investments in real estate. During the construction phase both the land and the building are presented as real estate held for own use, are held at cost, including directly attributable borrowing costs, and are not depreciated. When the construction phase is completed, the property is transferred to investments in real estate and revalued at fair value. Any resulting gain or loss is recognized in the income statement.

MAINTENANCE COSTS AND OTHER SUBSEQUENT EXPENDITURE

Expenditure incurred after initial recognition of the asset is capitalized to the extent that the level of future economic benefits of the asset is increased. Costs that restore or maintain the level of future economic benefits are recognized in the income statement as incurred.

Note 2.9 INVESTMENTS FOR ACCOUNT OF POLICYHOLDERS

Investments held for account of policyholders consist of investments in financial assets, excluding derivatives, as well as investments in real estate. Investment return on these assets is passed on to the policyholder. Also included are the assets held by consolidated investment funds that are backing liabilities towards third parties. The accounting principles are the same as those applicable to general account investments, as described in note 2.8.

Note 2.10 DERIVATIVES

A) DEFINITION

Derivatives are financial instruments, classified as held for trading financial assets of which the value changes in response to an underlying variable, that require little or no net initial investment and are settled at a future date.

Assets and liabilities may include derivative-like terms and conditions. With the exception of features embedded in contracts held at fair value through profit or loss, embedded derivatives that are not considered closely related to the host contract are bifurcated, carried at fair value and presented as derivatives. In assessing whether a derivative-like feature is closely related to the contract in which it is embedded, the Group considers the similarity of the characteristics of the embedded derivative and the host contract.

Embedded derivatives that transfer significant insurance risk are accounted for as insurance contracts.

Derivatives with positive values are reported as assets and derivatives with negative values are reported as liabilities. Derivatives for which the contractual obligation can only be settled by exchanging a fixed amount of cash for a fixed amount of AEGON N.V. equity instruments are accounted for in shareholders' equity and are therefore discussed in the notes on equity.

B) MEASUREMENT

All derivatives recognized on the balance sheet are carried at fair value.

The fair value is calculated net of the interest accrued to date and is based on market prices, when available. When market prices are not available, other valuation techniques, such as option pricing or stochastic modeling, are applied. The valuation techniques incorporate all factors that market participants would consider and are based on observable market data, when available.

C) HEDGE ACCOUNTING

As part of its asset liability management, the Group enters into economic hedges to limit its risk exposure. These transactions are assessed to determine whether hedge accounting can and should be applied.

To qualify for hedge accounting, the hedge relationship is designated and formally documented at inception, detailing the particular risk management objective and strategy for the hedge (which includes the item and risk that is being hedged), the derivative that is being used and how hedge effectiveness is being assessed. A derivative has to be effective in accomplishing the objective of offsetting either changes in fair value or cash flows for the risk being hedged. The effectiveness of the hedging relationship is evaluated on a prospective and retrospective basis using qualitative and quantitative measures of correlation. Qualitative methods may include comparison of critical terms of the derivative to the hedged item. Quantitative methods include a comparison of the changes in the fair value or discounted cash flow of the hedging instrument to the hedged item. A hedging relationship is considered effective if the results of the hedging instrument are within a ratio of 80% to 125% of the result of the hedged item.

For hedge accounting purposes, a distinction is made between fair value hedges, cash flow hedges and hedges of a net investment in a foreign operation.

Fair value hedges are hedges of a change in the fair value of an unrecognized firm commitment or an asset or liability that is not held at fair value through profit or loss. The hedged item is remeasured to fair value in respect of the hedged risk and the resulting adjustment is recorded in the income statement.

Cash flow hedges are hedges of the exposure to variability in cash flows that is attributable to a particular risk of a forecasted transaction or a recognized asset or liability and could affect profit or loss. To the extent that the hedge is effective, the change in the fair value of the derivative is recognized in the related revaluation reserve in shareholders' equity. Any ineffectiveness is recognized directly in the income statement. The amount recorded in shareholders' equity is released to the income statement to coincide with the hedged transaction, except when the hedged transaction is an acquisition of a non-financial asset or liability. In this case, the amount in shareholders' equity is included in the initial cost of the asset or liability.

Net investment hedges are hedges of currency exposures on a net investment in a foreign operation. To the extent that the hedge is effective, the change in the fair value of the hedging instrument is recognized in shareholders' equity. Any ineffectiveness is recognized in the income statement. The amount in shareholders' equity is released to the income statement when the foreign operation is disposed of.

Hedge accounting is discontinued prospectively for hedges that are no longer considered effective. When hedge accounting is discontinued for a fair value hedge, the derivative continues to be carried on the balance sheet with changes in its fair value recognized in the income statement. When hedge accounting is discontinued for a cash flow hedge because the cash flow is no longer expected to occur, the accumulated gain or loss in shareholders' equity is recognized immediately in the income statement. In other situations where hedge accounting is discontinued for a cash flow hedge, including those where the derivative is sold, terminated or exercised, accumulated gains or losses in shareholders' equity are amortized into the income statement when the income statement is impacted by the variability of the cash flow from the hedged item.

Note 2.11 INVESTMENTS IN ASSOCIATES

Entities over which the Group has significant influence through power to participate in financial and operating policy decisions, but which do not meet the definition of a subsidiary or joint venture, are accounted for using the equity method. Interests held by venture capital entities, mutual funds and investment funds that qualify as an associate are accounted for as an investment held at fair value through profit or loss.

Interests held by the Group in venture capital entities, mutual funds and investment funds that are managed on a fair value basis, are also accounted for as investments held at fair value through profit or loss.

Interests in associates are initially recognized at cost, which includes positive goodwill arising on acquisition. Negative goodwill is recognized in the income statement on the acquisition date. If associates are obtained in successive share purchases, each significant transaction is accounted for separately.

The carrying amount is subsequently adjusted to reflect the change in the Group's share in the net assets of the associate and is subject to impairment testing. The net assets are determined based on the Group's accounting policies. Any gains and losses recorded directly in shareholders' equity by the associate are reflected in other reserves in shareholders' equity, while the share in the associate's net income is recognized as a separate line item in the consolidated income statement. The Group's share in losses is recognized until the investment in the associate's equity and any other long-term interest that are part of the net investment are reduced to nil, unless guarantees exist.

Gains and losses on transactions between the Group and the associate are eliminated to the extent of the Group's interest in the entity, with the exception of losses that are evidence of impairment which are recognized immediately. Own equity instruments of AEGON N.V. that are held by the associate are not eliminated.

On disposal of an interest in an associate, the difference between the net proceeds and the carrying amount is recognized in the income statement and gains and losses previously recorded directly in shareholders' equity are reversed and recorded through the income statement.

Note 2.12 REINSURANCE ASSETS

Reinsurance contracts are contracts entered into by the Group in order to receive compensation for losses on contracts written by the Group (outgoing reinsurance). For contracts transferring sufficient insurance risk, a reinsurance asset is recognized for the expected future benefits, less expected future reinsurance premiums. Reinsurance contracts with insufficient insurance risk transfer are accounted for as investment or service contracts, depending on the nature of the agreement.

Reinsurance assets are measured consistently with the amounts associated with the underlying insurance contracts and in accordance with the terms of each reinsurance contract.

They are subject to impairment testing and are derecognized when the contractual rights are extinguished or expire or when the contract is transferred to another party.

Note 2.13 DEFERRED EXPENSES AND REBATES

A) DEFERRED POLICY ACQUISITION COSTS

DPAC relates to insurance contracts and investment contracts with discretionary participation features and represents the variable costs that are related to the acquisition or renewal of these contracts.

Acquisition costs are deferred to the extent that they are recoverable and are subsequently amortized based on either the expected future premiums or the expected gross profit margins. For products sold in the United States and Canada with amortization based on expected gross profit margins, the amortization period and pattern are reviewed at each reporting date and any change in estimates is recognized in the income statement.

Estimates include, but are not limited to: an economic perspective in terms of future returns on bond and equity instruments, mortality, disability and lapse assumptions, maintenance expenses and expected inflation rates. For all products, DPAC, in conjunction with VOBA where appropriate, is assessed for recoverability at least annually on a country-by-country basis and is considered in the liability adequacy test for each reporting period. If appropriate, the assumptions included in the determination of estimated gross profits are adjusted. The portion of DPAC that is determined not to be recoverable is charged to the income statement.

When unrealized gains or losses arise on available-for-sale assets, DPAC is adjusted to equal the effect that the realization of the gains or losses would have had on its measurement. This is recognized directly in the related revaluation reserve in shareholders' equity.

DPAC is derecognized when the related contracts are settled or disposed of.

B) DEFERRED TRANSACTION COSTS

Deferred transaction costs relate to investment contracts without discretionary participation features under which AEGON will render investment management services. Incremental costs that are directly attributable to securing these investment management contracts are recognized as an asset if they can be identified separately and measured reliably and if it is probable that they will be recovered.

For contracts involving both the origination of a financial liability and the provision of investment management services, only the transaction costs allocated to the servicing component are deferred. The other transaction costs are included in the carrying amount of the financial liability.

The deferred transaction costs are amortized in line with fee income, unless there is evidence that another method better represents the provision of services under the contract. Deferred transaction costs are subject to impairment testing at least annually.

C) DEFERRED INTEREST REBATES

An interest rebate is a form of profit sharing whereby the Group gives a discount on the premium payable (usually single premium) based on the expected surplus interest that will be earned on the contract. The expected surplus interest is calculated with reference to a portfolio of government bonds. The rebate can be subject to additional conditions concerning actual returns or the continuation of the policy for a specified number of years.

Interest rebates that are expected to be recovered in future periods are deferred and amortized as the surplus interest is realized. They are considered in the liability adequacy test for insurance liabilities.

Note 2.14 OTHER ASSETS AND RECEIVABLES

Other assets include trade and other receivables, prepaid expenses, real estate held for own use and equipment. Trade and other receivables are initially recognized at fair value and are subsequently measured at amortized cost. Equipment is initially carried at cost, depreciated on a straight line basis over its useful life to its residual value and is subject to impairment testing. The accounting for real estate held for own use is described in note 2.8.

Note 2.15 CASH AND CASH EQUIVALENTS

Cash comprises cash at banks and in-hand. Cash equivalents are short-term, highly liquid investments that are readily convertible to known cash amounts, are subject to insignificant risks of changes in value and are held for the purpose of meeting short-term cash requirements. Money market investments that are held for investment purposes (backing insurance liabilities, investment liabilities or equity based on asset liability management considerations) are not included in cash and cash equivalents but are presented as investment or investment for account of policyholders.

Note 2.16 IMPAIRMENT OF ASSETS

An asset is impaired if the carrying amount exceeds the amount that would be recovered through its use or sale. For tangible and intangible assets, financial assets and reinsurance assets, if not held at fair value through profit or loss, the recoverable amount of the asset is estimated when there are indications that the asset may be impaired. Irrespective of the indications, goodwill and other intangible assets with an indefinite useful life that are not amortized, are tested at least annually.

A) IMPAIRMENT OF NON-FINANCIAL ASSETS

Assets are tested individually for impairment when there are indications that the asset may be impaired. The impairment loss is calculated as the difference between the carrying and the recoverable amount of the asset, which is the higher of an asset's value in use and its net selling price. The value in use represents the discounted future net cash flows from the continuing use and ultimate disposal of the asset and reflects its known inherent risks and uncertainties.

Impairment losses are charged to shareholders' equity to the extent that they offset a previously recorded revaluation reserve relating to the same item. Any further losses are recognized directly in the income statement.

With the exception of goodwill, impairment losses are reversed when there is objective evidence that there has been a change in the estimates used to determine the asset's recoverable amount since the recognition of the last impairment loss. The reversal is recognized in the income statement to the extent that it reverses impairment losses previously recognized in the income statement. The carrying amount after reversal cannot exceed the amount that would have been recognized had no impairment taken place.

Non-financial assets that only generate cash flows in combination with other assets and liabilities are tested for impairment at the level of the cash-generating unit.

The goodwill acquired in a business combination, for the purpose of impairment testing, is allocated to cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the combination. The allocation is based on the level at which goodwill is monitored internally and cannot be larger than an operating segment. When impairing a cash-generating unit, any goodwill allocated to the unit is first written-off and recognized in the income statement. The remaining impairment loss is allocated on a pro rata basis among the other assets, on condition that the resulting carrying amounts do not fall below the individual assets' recoverable amounts.

B) IMPAIRMENT OF DEBT INSTRUMENTS

Debt instruments are impaired when it is considered probable that not all amounts due will be collected as scheduled. Individually significant loans and other receivables are first assessed separately. All non-impaired assets measured at amortized cost are then grouped by credit risk characteristics and collectively tested for impairment.

For debt instruments carried at amortized cost, the carrying amount of impaired financial assets is reduced through an allowance account. The impairment loss is calculated as the difference between the carrying and recoverable amount of the investment. The recoverable amount is determined by discounting the estimated probable future cash flows at the original effective interest rate of the asset. For variable interest debt instruments, the current effective interest rate under the contract is applied.

For debt instruments classified as available-for-sale, the asset is impaired to its fair value. Any unrealized gain or loss previously recognized in shareholders' equity is taken to the in the income statement in the impairment loss. After impairment the interest accretion on debt instruments that are classified as available-for-sale is based on the rate of return that would be required by the market for similar rated instruments at the date of impairment.

Impairment losses recognized for debt instruments can be reversed if in subsequent periods the amount of the impairment loss decreases and that decrease can be related objectively to a credit related event occurring after the impairment was recognized. For debt instruments carried at amortized cost, the carrying amount after reversal cannot exceed its amortized cost at the reversal date.

C) IMPAIRMENT OF EQUITY INSTRUMENTS

For equity instruments, a significant or prolonged decline in fair value below initial cost is considered objective evidence of impairment and always results in a loss being recognized in the income statement. Equity investments are impaired to the asset's fair value and any unrealized gain or loss previously recognized in shareholders' equity is taken to the income statement as an impairment loss. The amount exceeding the balance of previously recognized unrealized gains or losses is recognized in the income statement.

Impairment losses on equity instruments cannot be reversed.

D) IMPAIRMENT OF REINSURANCE ASSETS

Reinsurance assets are impaired if there is objective evidence, as a result of an event that occurred after initial recognition of the reinsurance asset, that not all amounts due under the terms of the contract will be received and the impact of the event on the amount to be received from the reinsurer can be reliably measured. Impairment losses are recognized in the income statement.

Note 2.17 EQUITY

Financial instruments that are issued by the Group are classified as equity if they represent a residual interest in the assets of the Group after deducting all of its liabilities and the Group has an unconditional right to avoid delivering cash or another financial asset to settle its contractual obligation. In addition to common shares and preferred shares, the Group has issued perpetual securities and convertible core capital securities. Perpetual securities have no final maturity date, repayment is at the discretion of AEGON and for junior perpetual capital securities AEGON has the option to defer coupon payments at its discretion. Convertible core capital securities can be converted into ordinary shares of AEGON or repaid at the discretion of AEGON and coupon payments are payable only if AEGON pays dividends on ordinary shares. Both the perpetual and convertible core capital securities are classified as equity rather than debt, are measured at par and those that are denominated in US dollars are translated using historical exchange rates.

Incremental external costs that are directly attributable to the issuing or buying back of own equity instruments are recognized in equity, net of tax.

Dividends and other distributions to holders of equity instruments are recognized directly in equity, net of tax. A liability for non-cumulative dividends payable is not recognized until the dividends have been declared and approved.

Treasury shares are own equity instruments reacquired by the Group. They are deducted from shareholders' equity, regardless of the objective of the transaction. No gain or loss is recognized in the income statement on the purchase, sale, issue or cancellation of the instruments. If sold, the difference between the carrying amount and the proceeds is reflected in retained earnings. The consideration paid or received is recognized directly in shareholders' equity. All treasury shares are eliminated in the calculation of earnings per share and dividend per common share.

Note 2.18 TRUST PASS-THROUGH SECURITIES, SUBORDINATED BORROWINGS AND OTHER BORROWINGS

A financial instrument issued by the Group is classified as a liability if the contractual obligation must be settled in cash or another financial asset or through the exchange of financial assets and liabilities at potentially unfavorable conditions for the Group.

Trust pass-through securities, subordinated loans and other borrowings are initially recognized at their fair value including directly attributable transaction costs and are subsequently carried at amortized cost using the effective interest rate method, with the exception of specific borrowings that are designated as at fair value through profit or loss to eliminate, or significantly reduce, an accounting mismatch, or specific borrowings which are carried as at fair value through the profit and loss as part of a fair value hedge relationship. The liability is derecognized when the Group's obligation under the contract expires, is discharged or is cancelled.

Note 2.19 INSURANCE CONTRACTS

Insurance contracts are contracts under which the Group accepts a significant risk – other than a financial risk – from a policyholder by agreeing to compensate the beneficiary on the occurrence of an uncertain future event by which he or she will be adversely affected. Contracts that do not meet this definition are accounted for as investment contracts. The Group reviews homogeneous books of contracts to assess whether the underlying contracts transfer significant insurance risk on an individual basis. This is considered the case when at least one scenario with commercial substance can be identified in which the Group has to pay significant additional benefits to the policyholder. Contracts that have been classified as insurance are not reclassified subsequently.

Insurance liabilities are recognized when the contract is entered into and the premiums are charged. The liability is derecognized when the contract expires, is discharged or is cancelled.

Insurance assets and liabilities are valued in accordance with the accounting principles that were applied by the Group prior to the transition to IFRS, as further described in the following paragraphs. In order to reflect the specific nature of the products written, subsidiaries are allowed to apply local accounting principles to the measurement of insurance contracts. All valuation methods used by the subsidiaries are based on the general principle that the carrying amount of the net liability must be sufficient to meet any reasonably foreseeable obligation resulting from the insurance contracts.

A) LIFE INSURANCE CONTRACTS

Life insurance contracts are insurance contracts with guaranteed life-contingent benefits. The measurement of the liability for life insurance contracts varies depending on the nature of the product.

Some products, such as traditional life insurance products in continental Europe and products in the United States, for which account terms are fixed and guaranteed, are measured using the net premium method.

The liability is determined as the sum of the discounted value of the expected benefits and future administration expenses directly related to the contract, less the discounted value of the expected theoretical premiums that would be required to meet the future cash outflows based on the valuation assumptions used. The liability is either based on current assumptions or calculated using the assumptions established at the time the contract was issued, in which case a margin for risk and adverse deviation is generally included. A separate reserve for longevity may be established and included in the measurement of the liability. Furthermore, the liability for life insurance comprises reserves for unearned premiums and unexpired risks as well as for claims outstanding, which includes an estimate of the incurred claims that have not yet been reported to the Group.

Other products with account terms that are not fixed or guaranteed are generally measured at the policyholder's account balance. Depending on local accounting principles, the liability may include amounts for future services on contracts where the policy administration charges are higher in the initial years than in subsequent years. In establishing the liability, guaranteed minimum benefits issued to the policyholder are measured as described in note 2.19C or, if bifurcated from the host contract, as described in note 2.10.

One insurance product in the United States is carried at fair value through profit or loss as it contains an embedded derivative that could not be reliably bifurcated. The fair value of the contract is measured using market consistent valuation techniques.

B) LIFE INSURANCE CONTRACTS FOR ACCOUNT OF POLICYHOLDERS

Life insurance contracts under which the policyholder bears the risks associated with the underlying investments are classified as insurance contracts for account of policyholders.

The liability for the insurance contracts for account of policyholders is measured at the policyholder account balance. Contracts with unit-denominated payments are measured at current unit values, which reflect the fair values of the assets of the fund. If applicable, the liability representing the nominal value of the policyholder unit account is amortized over the term of the contract so that interest on actuarial funding is at an expected rate of return.

C) EMBEDDED DERIVATIVES AND PARTICIPATION FEATURES

Life insurance contracts typically include derivative-like terms and conditions. With the exception of policyholder options to surrender the contract at a fixed amount, contractual features that are not closely related to the insurance contract and that do not themselves meet the definition of insurance contracts are accounted for as derivatives. If the embedded derivative cannot be reliably bifurcated, the entire insurance contract is carried at fair value through profit or loss.

Other terms and conditions, such as participation features and expected lapse rates are considered when establishing the insurance liabilities. Where the Group has discretion over the amount or timing of the bonuses distributed resulting from participation features, a liability is recognized equal to the amount that is available at the balance sheet date for future distribution to policyholders.

GUARANTEED MINIMUM BENEFITS

The Group issues life insurance contracts, which, as a rule, do not expose the Group to interest risk as the account terms are not fixed or guaranteed or because the return on the investments held is passed on to the policyholder. However, in some cases these contracts may contain guaranteed minimum benefits. An additional liability for life insurance is established for guaranteed minimum benefits that are not bifurcated. Bifurcated guaranteed minimum benefits are classified as derivatives.

In the United States, the additional liability for guaranteed minimum benefits that are not bifurcated is determined each period by estimating the expected value of benefits in excess of the projected account balance and recognizing the excess over the accumulation period based on total expected assessments. The estimates are reviewed regularly and any resulting adjustment to the additional liability is recognized in the income statement. The benefits used in calculating the liabilities are based on the average benefits payable over a range of stochastic scenarios. Where applicable, the calculation of the liability incorporates a percentage of the potential annuitizations that may be elected by the contract holder.

In the Netherlands, an additional liability is established for guaranteed minimum benefits that are not bifurcated on group pension plans and on traditional insurance contracts with profit sharing based on an external interest index. These guarantees are measured at fair value.

D) SHADOW ACCOUNTING

Shadow accounting ensures that all gains and losses on investments affect the measurement of the insurance assets and liabilities in the same way, regardless of whether they are realized or unrealized and regardless of whether the unrealized gains and losses are recognized in the income statement or directly in equity in the revaluation reserve. In some instances, realized gains or losses on investments have a direct effect on the measurement of the insurance assets and liabilities. For example, some insurance contracts include benefits that are contractually based on the investment returns realized by the insurer. In addition, realization of gains or losses on available-for-sale investments can lead to unlocking of VOBA or DPAC and can also affect the outcome of the liability adequacy test to the extent that it considers actual future investment returns. For similar changes in unrealized gains and losses, shadow accounting is applied. If an unrealized gain or loss triggers a shadow accounting adjustment to VOBA, DPAC or the insurance liabilities, the corresponding adjustment is recognized in shareholders' equity in the revaluation reserve, together with the unrealized gain or loss.

Some profit sharing schemes issued by the Group entitle the policyholder to a bonus which is based on the actual total return on specific assets held. To the extent that the bonus relates to gains or losses on available-for-sale investments for which the unrealized gains or losses are recognized in the revaluation reserve in equity, shadow accounting is applied. This means that the increase in the liability is also charged to equity to offset the unrealized gains rather than to the income statement.

E) LIABILITY ADEQUACY TESTING

At each reporting date the adequacy of the life insurance liabilities, net of VOBA and DPAC, is assessed using a liability adequacy test. Additional recoverability tests for policies written in the last year may also result in loss recognition.

Life insurance contracts for account of policyholders and any related VOBA and DPAC are considered in the liability adequacy test performed on insurance contracts. To the extent that the account balances are insufficient to meet future benefits and expenses, additional liabilities are established and included in the liability for life insurance.

All tests performed within the Group are based on current estimates of all contractual future cash flows, including related cash flows from policyholder options and guarantees. A number of valuation methods are applied, including discounted cash flow methods, option pricing models and stochastic modeling. Aggregation levels are set either on geographical jurisdiction or at the level of portfolio of contracts that are subject to broadly similar risks and managed together as a singe portfolio. To the extent that the tests involve discounting of future cash flows, the interest rate applied is based on market rates or is based on management's expectation of the future return on investments.

Any resulting deficiency is recognized in the income statement, initially by impairing the DPAC and VOBA and subsequently by establishing an insurance liability for the remaining loss, unless shadow loss recognition has taken place.

F) NON-LIFE INSURANCE CONTRACTS

Non-life insurance contracts are insurance contracts where the insured event is not life-contingent. For non-life products the insurance liability generally includes reserves for unearned premiums, unexpired risk, inadequate premium levels and outstanding claims and benefits. No catastrophe or equalization reserves are included in the measurement of the liability.

The reserve for unearned premiums includes premiums received for risks that have not yet expired. Generally the reserve is released over the term of the contract and is recognized as premium income.

The liability for outstanding claims and benefits is established for claims that have not been settled and any related cash flows, such as claims handling costs. It includes claims that have been incurred but have not been reported to the Group. The liability is calculated at the reporting date using statistical methods based on empirical data and current assumptions that may include a margin for adverse deviation. Liabilities for claims subject to periodic payment are calculated using actuarial methods consistent with those applied to life insurance contracts. Discounting is applied if allowed by the local accounting principles used to measure the insurance liabilities. Discounting of liabilities is generally applied when there is a high level of certainty concerning the amount and settlement term of the cash outflows.

The adequacy of the non-life insurance liability is tested at each reporting date. Changes in expected claims that have occurred, but that have not been settled, are reflected by adjusting the liability for claims and future benefits. The reserve for unexpired risk is increased to the extent that the future claims and expenses in respect of current insurance contracts exceed the future premiums plus the current unearned premium reserve.

Note 2.20 INVESTMENT CONTRACTS

Contracts issued by the Group that do not transfer significant insurance risk, but do transfer financial risk from the policyholder to the Group are accounted for as investment contracts. Depending on whether the Group or the policyholder runs the risks associated with the investments allocated to the contract, the liabilities are classified as investment contracts or as investment contracts for account of policyholders.

Investment contract liabilities are recognized when the contract is entered into and are derecognized when the contract expires, is discharged or is cancelled.

A) INVESTMENT CONTRACTS WITH DISCRETIONARY PARTICIPATION FEATURES

Some investment contracts have participation features whereby the policyholder has the right to receive potentially significant additional benefits which are based on the performance of a specified pool of investment contracts, specific investments held by the Group or on the issuer's net income. If the Group has discretion over the amount or timing of the distribution of the returns to policyholders, the investment contract liability is measured based on the accounting principles that apply to insurance contracts with similar features.

Some unitized investment contracts provide policyholders with the option to switch between funds with and without discretionary participation features. The entire contract is accounted for as an investment contract with discretionary participation features if there is evidence of actual switching resulting in discretionary participation benefits that are a significant part of the total contractual benefits.

B) INVESTMENT CONTRACTS WITHOUT DISCRETIONARY PARTICIPATION FEATURES

At inception investment contracts without discretionary features are designated as at fair value through profit or loss if by doing so a potential accounting mismatch is eliminated or significantly reduced or if the contract is managed on a fair value basis. Some investment contracts with embedded derivatives that have not been bifurcated are also carried at fair value through profit or loss. All other contracts are carried at amortized cost.

The contracts are initially recognized at transaction price less, in the case of investment contracts not carried at fair value through profit or loss, any transaction costs directly attributable to the issue of the contract. Fees and commissions incurred with the recognition of a contract held at fair value through profit or loss and that are not related to investment management services provided under the contract are recognized immediately in the income statement.

Subsequently, contracts designated as at fair value through profit or loss are measured at fair value, which generally equals the contractholder's account value. All changes in the fair value are recognized in the income statement as incurred. Other investment contracts without discretionary participation features are carried at amortized cost based on the expected cash flows and using the effective interest rate method. The expected future cash flows are re-estimated at each reporting date and the carrying amount of the financial liability is recalculated as the present value of estimated future cash flows using the financial liability's original effective interest rate. Any adjustment is immediately recognized in the income statement.

The consolidated financial statements provide information on the fair value of all financial liabilities, including those carried at amortized cost. As these contracts are not quoted in active markets, their value is determined by using valuation techniques, such as discounted cash flow methods and stochastic modeling. For investment contracts that can be cancelled by the policyholder, the fair value cannot be less than the surrender value.

C) INVESTMENT CONTRACTS FOR ACCOUNT OF POLICYHOLDERS

Investment contracts for account of policyholders are investment contracts for which the actual return on investments allocated to the contract is passed on to the policyholder. Also included are participations held by third parties in consolidated investment funds that meet the definition of a financial liability.

Investment contracts for account of policyholders are designated as at fair value through profit or loss. Contracts with unit-denominated payments are measured at current unit values, which reflect the fair values of the assets of the fund.

For unit-linked contracts without discretionary participation features and subject to actuarial funding, the Group recognizes a liability at the funded amount of the units. The difference between the gross value of the units and the funded value is treated as an initial fee paid by the policyholder for future asset management services and is deferred. It is subsequently amortized over the life of the contract or a shorter period, if appropriate.

Note 2.21 PROVISIONS

A provision is recognized for present legal or constructive obligations arising from past events, when it is probable that it will result in an outflow of economic benefits and the amount can be reliably estimated.

The amount recognized as a provision is the best estimate of the expenditure required to settle the present obligation at the balance sheet date, considering all its inherent risks and uncertainties, as well as the time value of money. The unwinding of the effect of discounting is recorded in the income statement as an interest expense.

ONEROUS CONTRACTS

With the exception of insurance contracts and investment contracts with discretionary participation features for which potential future losses are already considered in establishing the liability, a provision is recognized for onerous contracts in which the unavoidable costs of meeting the resulting obligations exceed the expected future economic benefits.

Note 2.22 ASSETS AND LIABILITIES RELATING TO EMPLOYEE BENEFITS

A) SHORT-TERM EMPLOYEE BENEFITS

A liability is recognized for the undiscounted amount of short-term employee absences benefits expected to be paid within one year after the end of the period in which the service was rendered. Accumulating short-term absences are recognized over the period in which the service is provided. Benefits that are not service-related are recognized when the event that gives rise to the obligation occurs.

B) POST-EMPLOYMENT BENEFITS

The Group has issued defined contribution plans and defined benefit plans. A plan is classified as a defined contribution plan when the Group has no further obligation than the payment of a fixed contribution. All other plans are classified as defined benefit plans.

DEFINED CONTRIBUTION PLANS

The contribution payable to a defined contribution plan for services provided is recognized as an expense in the income statement. An asset is recognized to the extent that the contribution paid exceeds the amount due for services provided.

DEFINED BENEFIT PLANS

The defined benefit obligation is based on the terms and conditions of the plan applicable on the balance sheet date. Plan improvements are charged directly to the income statement, unless they are conditional on the continuation of employment. In this case the related cost is deducted from the liability as past service cost and amortized over the vesting period. In measuring the defined benefit obligation the Group uses the projected unit credit method and actuarial assumptions that represent the best estimate of future variables. The benefits are discounted using an interest rate based on the market yields for high-quality corporate bonds on the balance sheet date.

Plan assets are qualifying insurance policies and assets held by long-term employee benefit funds that can only be used to pay the employee benefits under the plan and are not available to the Group's creditors. They are measured at fair value and are deducted in determining the amount recognized on the balance sheet.

The cost of the plans is determined at the beginning of the year, based on the prevalent actuarial assumptions, discount rate and expected return on plan assets. Changes in assumptions, discount rate and experience adjustments are not charged to the income statement in the period in which they occur, but are deferred.

The unrecognized actuarial gains and losses are amortized in a straight line over the average remaining working life of the employees covered by the plan, to the extent that the gains or losses exceed the corridor limits. The corridor is defined as ten percent of the greater of the defined benefit obligation or the plan assets. The amortization charge is reassessed at the beginning of each year. The corridor approach described above was not applied retrospectively to periods prior to the transition to IFRS (January 1, 2004).

C) SHARE-BASED PAYMENTS

The Group has issued share-based plans that entitle employees to receive equity instruments issued by the Group or cash payments based on the price of AEGON N.V. common shares. Some plans provide employees of the Group with the choice of settlement.

For share option plans that are equity-settled, the expense recognized is based on the fair value on the grant date of the share options, which does not reflect any performance conditions other than conditions linked to the price of the Group's shares. The cost is recognized in the income statement, together with a corresponding increase in shareholders' equity, as the services are rendered. During this period the cumulative expense recognized at the reporting date reflects management's best estimate of the number of shares expected to vest ultimately.

Share appreciation right plans are initially recognized at fair value at the grant date, taking into account the terms and conditions on which the instruments were granted. The fair value is expensed over the period until vesting, with recognition of a corresponding liability. The liability is remeasured at each reporting date and at the date of settlement, with any changes in fair value recognized in the income statement.

Share option plans that can be settled in either shares or cash at the discretion of the employee are accounted for as a compound financial instrument, which includes a debt component and an equity component.

Note 2.23 DEFERRED REVENUE LIABILITY

Initial fees and front-end loadings paid by policyholders and other clients for future investment management services related to investment contracts without discretionary participation features are deferred and recognized as revenue when the related services are rendered.

Note 2.24 TAX ASSETS AND LIABILITIES

A) CURRENT TAX ASSETS AND LIABILITIES

Tax assets and liabilities for current and prior periods are measured at the amount that is expected to be received from or paid to the taxation authorities, using the tax rates that have been enacted or substantively enacted by the reporting date.

B) DEFERRED TAX ASSETS AND LIABILITIES

Deferred tax assets and liabilities are recognized for the estimated future tax effects of temporary differences between the carrying value of an item and its tax value, with the exception of differences arising from the initial recognition of goodwill and of assets and liabilities that do not impact taxable or accounting profits. A tax asset is recognized for tax loss carryforwards to the extent that it is probable at the reporting date that future taxable profits will be available against which the unused tax losses and unused tax credits can be utilized.

Deferred tax liabilities relating to investments in subsidiaries, associates and joint ventures are not recognized if the Group is able to control the timing of the reversal of the temporary difference and it is probable that the difference will not be reversed in the foreseeable future.

Deferred tax assets and liabilities are reviewed at the balance sheet date and are measured at tax rates that are expected to apply when the asset is realized or the liability is settled. The carrying amount is not discounted and reflects the Group's expectations concerning the manner of recovery or settlement.

Note 2.25 CONTINGENT ASSETS AND LIABILITIES

Contingent assets are disclosed in the notes if the inflow of economic benefits is probable, but not virtually certain. When the inflow of economic benefits becomes virtually certain, the asset is no longer contingent and its recognition is appropriate.

A provision is recognized for present legal or constructive obligations arising from past events, when it is probable that it will result in an outflow of economic benefits and the amount can be reliably estimated. If the outflow of economic benefits is not probable, a contingent liability is disclosed, unless the possibility of an outflow of economic benefits is remote.

Note 2.26 PREMIUM INCOME

Gross premiums, including recurring and single premiums, from life and non-life insurance and investment contracts with discretionary participation features are recognized as revenue when they become receivable. Not reflected as premium income are deposits from certain products that are sold only in the United States and Canada, such as deferred annuities. For these products the surrender charges and charges assessed have been included in gross premiums.

Premium loadings for installment payments and additional payments by the policyholder towards costs borne by the insurer are included in the gross premiums. Rebates that form part of the premium rate, such as no-claim rebates, are deducted from the gross premium, others are recognized as an expense. Depending on the applicable local accounting principles, bonuses that are used to increase the insured benefits may be recognized as gross premiums.

Note 2.27 INVESTMENT INCOME

For interest-bearing assets, interest is recognized as it accrues and is calculated using the effective interest rate method. Fees and commissions that are an integral part of the effective yield of the financial assets or liabilities are recognized as an adjustment to the effective interest rate of the instrument. Investment income includes the interest income and dividend on financial assets carried at fair value through profit or loss.

Investment income also includes dividends accrued and rental income due, as well as fees received for security lending.

Note 2.28 FEE AND COMMISSION INCOME

Fees and commissions from investment management services and mutual funds, and from sales activities are recognized as revenue over the period in which the services are performed or the sales have been closed.

Note 2.29 POLICYHOLDER CLAIMS AND BENEFITS

Policyholder claims and benefits consist of claims and benefits paid to policyholders, including benefit claims in excess of account value for products for which deposit accounting is applied and the change in the valuation of liabilities for insurance and investment contracts. It includes internal and external claims handling costs that are directly related to the processing and settlement of claims. Amounts receivable in respect of salvage and subrogation are also considered.

Note 2.30 RESULTS FROM FINANCIAL TRANSACTIONS

Results from financial transactions include:

NET FAIR VALUE CHANGE OF GENERAL ACCOUNT FINANCIAL INVESTMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS, OTHER THAN DERIVATIVES

Net fair value change of general account financial investments at fair value through profit or loss, other than derivatives include fair value changes of financial assets carried at fair value through profit or loss. The net gains and losses do not include interest or dividend income.

REALIZED GAINS AND LOSSES ON FINANCIAL INVESTMENTS

Gains and losses on financial investments include realized gains and losses on general account financial assets, other than those classified as at fair value through profit or loss.

NET FAIR VALUE CHANGE OF DERIVATIVES

All changes in fair value are recognized in the income statement, unless the derivative has been designated as a hedging instrument in a cash flow hedge or a hedge of a net investment in a foreign operation. Fair value movements of fair value hedge instruments are offset by the fair value movements of the hedged item, the resulting hedge ineffectiveness, if any, is included in this line. In addition the fair value movements of bifurcated embedded derivatives are included in this line.

NET FAIR VALUE CHANGE ON FOR ACCOUNT OF POLICYHOLDER FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

Net fair value change on for account of policyholder financial assets at fair value through profit or loss include fair value movements of investments held for account of policyholders (refer note 2.9). The net fair value change does not include interest or dividend income.

OTHER

In addition Results from financial transactions include gains / losses on real estate (general account and account of policyholder), net foreign currency gains / (losses) and net fair value change on borrowings and other financial liabilities and realized gains on repurchased debt.

Note 2.31 IMPAIRMENT CHARGES

Impairment charges include impairments on investments in financial assets, impairments on the valuation of insurance assets and liabilities and other non-financial assets and receivables. Refer note 41.

Note 2.32 INTEREST CHARGES AND RELATED FEES

Interest charges and related fees includes interest expense on trust pass-through securities, subordinated borrowings and other borrowings. Interest expense on trust pass-through securities, subordinated borrowings and other borrowings carried at amortized cost is recognized in profit or loss using the effective interest method.

Note 2.33 LEASES

Arrangements that do not take the form of a lease but convey a right to use an asset in return for a payment are assessed at inception to determine whether they are, or contain, a lease. This involves an assessment of whether fulfillment of the arrangement is dependent on the use of a specific asset and whether the purchaser (lessee) has the right to control the use of the underlying asset.

Leases that do not transfer substantially all the risks and rewards of ownership are classified as operating leases.

Payments made under operating leases, where the Group is the lessee, are charged to the income statement on a straight line basis over the period of the lease.

Where the Group is the lessor under an operating lease, the assets subject to the operating lease arrangement are presented in the balance sheet according to the nature of the asset. Income from these leases are recognized in the income statement on a straight line basis over the lease term, unless another systematic basis is more representative of the time pattern in which use benefit derived from the leased asset is diminished.

Note 2.34 EVENTS AFTER THE BALANCE SHEET DATE

The financial statements are adjusted to reflect events that occurred between the balance sheet date and the date when the financial statements are authorized for issue, provided they give evidence of conditions that existed at the balance sheet date.

Events that are indicative of conditions that arose after the balance sheet date are disclosed, but do not result in an adjustment of the financial statements themselves.

Note 3 CRITICAL ACCOUNTING ESTIMATES AND JUDGMENT IN APPLYING ACCOUNTING POLICIES

Application of the accounting policies in the preparation of the financial statements requires management to apply judgment involving assumptions and estimates concerning future results or other developments, including the likelihood, timing or amount of future transactions or events. There can be no assurance that actual results will not differ materially from those estimates. Accounting policies that are critical to the financial statement presentation and that require complex estimates or significant judgment are described in the following sections.

IAS 39 Financial Instruments: Recognition and Measurement was amended late in 2008 permitting companies with a choice to reclassify certain financial assets between categories, the effect of which would be to hold assets at 'deemed cost' (cost determined during the third or fourth quarter of 2008) and discontinue mark-to-market valuation. Moreover, the IASB published clarifications in the fourth quarter 2008 of valuation techniques in illiquid or distressed markets including describing additional situations when mark-to-model valuations would be appropriate. AEGON has not reclassified assets held as available-for-sale (AFS) to loans or held-to-maturity assets. Also, AEGON transferred a very limited amount of assets valued based on market prices to mark-to-model valuations, driven by current market developments.

VALUATION OF ASSETS AND LIABILITIES ARISING FROM LIFE INSURANCE CONTRACTS

The liability for life insurance contracts with guaranteed or fixed account terms is either based on current assumptions or on the assumptions established at inception of the contract, reflecting the best estimates at the time increased with a margin for adverse deviation. All contracts are subject to liability adequacy testing which reflects management's current estimates of future cash flows. To the extent that the liability is based on current assumptions, a change in assumptions will have an immediate impact on the income statement. Also, if a change in assumption results in the failure of the liability adequacy test, the entire deficiency is recognized in the income statement. To the extent that the failure relates to unrealized gains and losses on available-for-sale investments, the additional liability is recognized in the revaluation reserve in equity.

Some insurance contracts without a guaranteed or fixed contract term contain guaranteed minimum benefits. Depending on the nature of the guarantee, it may either be bifurcated and presented as a derivative or be reflected in the value of the insurance liability in accordance with local accounting principles. Given the dynamic and complex nature of these guarantees, stochastic techniques under a variety of market return scenarios are often used for measurement purposes. Such models require management to make numerous estimates based on historical experience and market expectations. Changes in these estimates will immediately affect the income statement.

In addition, certain acquisition costs related to the sale of new policies and the purchase of policies already in force are recorded as DPAC and VOBA assets respectively and are amortized to the income statement over time. If the assumptions relating to the future profitability of these policies are not realized, the amortization of these costs could be accelerated and may even require write offs due to unrecoverability.

ACTUARIAL ASSUMPTIONS

The main assumptions used in measuring DPAC, VOBA and the liabilities for life insurance contracts with fixed or guaranteed terms relate to mortality, morbidity, investment return and future expenses. Depending on local accounting principles, surrender rates may be considered.

Mortality tables applied are generally developed based on a blend of company experience and industry wide studies, taking into consideration product characteristics, own risk selection criteria, target market and past experience. Mortality experience is monitored through regular studies, the results of which are fed into the pricing cycle for new products and reflected in the liability calculation when appropriate. For contracts insuring survivorship, allowance may be made for further longevity improvements. Morbidity assumptions are based on own claims severity and frequency experience, adjusted where appropriate for industry information.

Investment assumptions are either prescribed by the local regulator or based on management's future expectations. In the latter case, the anticipated future investment returns are set by management on a countrywide basis, considering available market information and economic indicators. A significant assumption related to estimated gross profits on variable annuities and variable life insurance products in the United States, Canada and some of the smaller country units, is the annual long-term growth rate of the underlying assets. As equity markets do not move in a systematic manner, assumptions as to the long-term growth rate are made after considering the effects of short-term variances from the long-term assumptions (a reversion to the mean assumption). The reconsideration of this assumption may affect the original DPAC or VOBA amortization schedule, referred to as DPAC or VOBA unlocking. The difference between the original DPAC or VOBA amortization schedule and the revised schedule, which is based on estimates of actual and future gross profits, is recognized in the income statement as an expense or a benefit in the period of determination. At December 31, 2008, the reversion to the mean assumptions for variable products, primarily variable annuities, were as follows in the United States: gross long-term equity growth rate of 9% (2007: 9%); gross short-term growth rate of 15% (2007: 6%); gross short- and long-term fixed security growth rate of 6% (2007: 6%); and the gross short- and long-term growth rate for money market funds of 3.5% (2007: 3.5%). The significant decreases in equity markets in 2008 would have resulted in a 25% gross short-term growth rate at year end 2008. The short-term equity growth rate was capped at 15%, which caused an additional DPAC amortization of approximately EUR 250 million after tax.

Assumptions on future expenses are based on the current level of expenses, adjusted for expected expense inflation if appropriate.

Surrender rates depend on product features, policy duration and external circumstances such as the interest rate environment and competitor and policyholder behavior. Credible own experience, as well as industry published data, are used in establishing assumptions. Lapse experience is correlated to mortality and morbidity levels, as higher or lower levels of surrenders may indicate future claims will be higher or lower than anticipated. Such correlations are accounted for in the mortality and morbidity assumptions based on the emerging analysis of experience.

FAIR VALUE OF FINANCIAL INSTRUMENTS AND DERIVATIVES DETERMINED USING VALUATION TECHNIQUES

Investment contracts issued by AEGON are either carried at fair value (if they are designated as financial liabilities at fair value through profit or loss) or amortized cost (with fair value being disclosed in the notes to the consolidated financial statements). These contracts are not quoted in active markets and their fair values are determined by using valuation techniques, such as discounted cash flow methods and stochastic modeling or in relation to the unit price of the underlying assets. All models are validated and calibrated. A variety of factors are considered, including time value, volatility, policyholder behavior, servicing costs and fair values of similar instruments. Credit spread is considered in measuring the fair value of derivatives (including derivatives embedded in insurance contracts), borrowings and other liabilities.

FINANCIAL INSTRUMENTS

When available, AEGON uses quoted market prices in active markets to determine the fair value of investments and derivatives. In the absence of an active market, the fair value of investments in financial assets is estimated by using other market observable data such as external quotes and present value or other valuation techniques. An active market is one in which transactions are taking place regularly on an arm's length basis. Although not necessarily determinative, indicators that a market is inactive are lower transaction volumes, reduced transaction sizes and, in some cases, no observable trading activity for short periods. A fair value measurement assumes that an asset or liability is exchanged in an orderly transaction between market participants, and accordingly, fair value is not determined based upon a forced liquidation or distressed sale.

Valuation techniques are used when AEGON determines the market is inactive for the asset or liability at the measurement date. However, the fair value measurement objective remains the same, that is, to arrive at the price at which an orderly transaction would occur between market participants at the measurement date. Therefore, unobservable inputs reflect AEGON's own assumptions about the assumptions that market participants would use in pricing the asset or liability (including assumptions about risk). These inputs are developed based on the best information available.

AEGON employs an oversight structure over valuation of financial instruments that includes appropriate segregation of duties. Senior management, independent of the investing functions, is responsible for the oversight of control and valuation policies and for reporting the results of these policies. For fair values determined by reference to external quotation or evidenced pricing parameters, independent price determination or validation is utilized. Adjustments made to fair values as a result of the validation process are reported to senior management. Further details of the validation processes are set out below.

SHARES

Fair values for unquoted shares are estimated using observations of the price / earnings or price / cash flow ratios of quoted companies considered comparable to the companies being valued. Valuations are adjusted to account for company-specific issues and the lack of liquidity inherent in an unquoted investment. Illiquidity adjustments are generally based on available market evidence. In addition, a variety of other factors are reviewed by management, including, but not limited to, current operating performance, changes in market outlook and the third-party financing environment.

The fair values of investments held in non-quoted investment funds (hedge funds, private equity funds) are determined by management after taking into consideration information provided by the fund managers. AEGON reviews the valuations each month and performs analytical procedures and trending analyses to ensure the fair values are appropriate.

DEBT SECURITIES

When available, AEGON uses quoted market prices in active markets to determine the fair value of its debt securities. These market quotes are obtained through index prices or pricing services.

The fair values of debt securities (including ABS – Housing, RMBS, CMBS and CDO securities) are determined by management after taking into consideration several sources of data. AEGON's valuation policy dictates that publicly available prices are initially sought from several third party pricing services. In the event that pricing is not available from these services, those securities are submitted to brokers to obtain quotes. The majority of brokers' quotes are non-binding. As part of the pricing process AEGON assesses the appropriateness of each quote (i.e., as to whether the quote is based on observable market transactions or not) to determine the most appropriate estimate of fair value. Lastly, securities are priced using internal cash flow modeling techniques. These valuation methodologies commonly use the following inputs: reported trades, bids, offers, issuer spreads, benchmark yields, estimated prepayment speeds, and/or estimated cash flows. Only pricing services and brokers with a substantial presence in the market and with appropriate experience and expertise are used.

Third party pricing services will often determine prices using recently reported trades for identical or similar securities. The pricing service makes adjustments for the elapsed time from the trade date to the balance sheet date to take into account available market information. Lacking recently reported trades, third party pricing services and brokers will use modeling techniques to determine a security price where expected future cash flows are developed based on the performance of the underlying collateral and discounted using an estimated market rate. Also included within the modeling techniques for ABS – Housing, RMBS, CMBS and CDO securities are estimates of the speed at which principal will be repaid over their remaining lives. These estimates are determined based on historical repayment speeds (adjusted for current markets) as well as the structural characteristics of each security.

Each month, AEGON performs an analysis of the inputs obtained from third party services and brokers to ensure that the inputs are reasonable and produce a reasonable estimate of fair value. AEGON's asset specialists and investment valuation specialists consider both qualitative and quantitative factors as part of this analysis. Several examples of analytical procedures performed include, but are not limited to, recent transactional activity for similar debt securities, review of pricing statistics and trends and consideration of recent relevant market events.

Credit ratings are an important consideration in the valuation of securities and are included in the internal process for determining AEGON's view of the risk associated with each security. However, AEGON does not rely solely on external credit ratings and there is an internal process, based on market observable inputs, for determining AEGON's view of the risks associated with each security.

AEGON's portfolio of private placement securities (held at fair value under the classification of available-for-sale) is valued using a matrix pricing methodology. The pricing matrix is obtained from a third party service provider and indicates current spreads for securities based on weighted average life, credit rating, and industry sector. Each month, AEGON's asset specialists review the matrix to ensure the spreads are reasonable by comparing them to observed spreads for similar bonds traded in the market. Other inputs to the valuation include coupon rate, the current interest rate curve used for discounting and an illiquidity premium to account for the illiquid nature of these securities. The illiquidity premiums are determined based upon the pricing of recent transactions in the private placements market; comparing the value of the privately offered security to a similar public security. The impact of the illiquidity premium for private placement securities in 2008 and 2007 to the overall valuation is insignificant.

MORTGAGES, POLICY LOANS AND PRIVATE LOANS (HELD AT AMORTIZED COST)

For private loans, fixed interest mortgage and other loans originated by the Group the fair value used for disclosure purposesis estimated by discounting expected future cash flows using a current market rate applicable to financial instruments with similar yield, credit quality and maturity characteristics.

The fair value of floating interest rate mortgages, policy loans and private placements used for disclosure purposes is assumed to be approximated by their carrying amount adjusted for changes in credit risk where appropriate based on market observable credit spreads.

MONEY MARKET AND OTHER SHORT TERM INVESTMENTS AND DEPOSITS WITH FINANCIAL INSTITUTIONS

The fair value of assets maturing within a year is assumed to be approximated by their carrying amount adjusted for credit risk, where appropriate, based on market observable credit spreads.

FINANCIAL DERIVATIVES

Where quoted market prices are not available, other valuation techniques, such as option pricing or stochastic modeling, are applied. The valuation techniques incorporate all factors that market participants would consider and are based on observable market data when available. All models are validated before they are used and calibrated to ensure that outputs reflect actual experience and comparable market prices.

Fair values for exchange-traded derivatives, principally futures and certain options, are based on quoted market prices. Fair values for over-the-counter (OTC) derivative financial instruments represent amounts estimated to be received from or paid to a third party in settlement of these instruments. These derivatives are valued using pricing models based on the net present value of estimated future cash flows, directly observed prices from exchange-traded derivatives, other OTC trades, or external pricing services. Most valuations are derived from swap and volatility matrices, which are constructed for applicable indices and currencies using current market data from many industry standard sources. Option pricing is based on industry standard valuation models and current market levels, where applicable. The pricing of complex or illiquid instruments is based on internal models. For long-dated illiquid contracts, extrapolation methods are applied to observed market data in order to estimate inputs and assumptions that are not directly observable. To value OTC derivatives management uses observed market information, other trades in the market and dealer prices.

AEGON normally mitigates credit risk in derivative contracts by entering into collateral agreements where practical and in ISDA master netting agreements for each of the Group's legal entities to facilitate AEGON's right to offset credit risk exposure. Where appropriate collateral is not held by AEGON or the counterparty the fair value of derivatives is adjusted for credit risk based on market observable spreads. Changes in the fair value of derivatives attributable to changes in counterparty credit risk were not significant.

DERIVATIVES EMBEDDED IN INSURANCE CONTRACTS INCLUDING GUARANTEES

Certain guarantees for minimum benefits in insurance and investment contracts are carried at fair value. These guarantees include guaranteed minimum withdrawal benefits ('GMWB') in the United States which are offered on some AEGON variable annuity products and are also assumed from a ceding company; minimum interest rate guarantees on insurance products offered in The Netherlands, including group pension and traditional products; and guaranteed minimum accumulation benefits on segregated funds sold in Canada.

The fair values of these guarantees are calculated as the present value of future expected payments to policyholders less the present value of assessed rider fees attributable to the guarantees. Given the long-term nature of these guarantees which are unlike instruments available in financial markets, their fair values are determined by using complex valuation techniques. Because of the dynamic and complex nature of these cash flows, AEGON uses stochastic techniques under a variety of market return scenarios. A variety of factors are considered, including expected market rates of return, equity and interest rate volatility, correlations of market returns, discount rates and actuarial assumptions.

The expected returns are based on risk-free rates, such as the current London Inter-Bank Offered Rate (LIBOR) forward curve. AEGON added a premium to reflect credit spread as required. The credit spread is set by using the credit default swap (CDS) spreads of a reference portfolio of life insurance companies, adjusted to reflect the subordination of senior debt holders at the holding company level to the position of policyholders at the operating company level (who have priority in payments to other creditors). Because CDS spreads for US Life insurers differed significantly from that for European life insurers, AEGON's assumptions reflect these differences in the valuation.

For equity volatility, AEGON uses a term structure with market based implied volatility inputs for the first five years. Correlations of market returns across underlying indices are based on actual observed market returns and their inter-relationships over a number of years preceding the valuation date. The volume of observable option trading from which volatilities are implied diminishes markedly after five years; and therefore, AEGON uses a volatility curve which grades from actual implied volatilities for five years to a long-term forward rate assumptions of 25%. The December 31, 2008 curve reflects a volatility factor of approximately 30% at year 30. Certain AEGON subsidiaries previously used a single parameter approach for equity volatilities and moved to a term structure in 2008. Assumptions on customer behavior, such as lapses, included in the models are derived in the same way as the assumptions used to measure insurance liabilities.

These assumptions are reviewed at each valuation date, and updated based on historical experience and observable market data, including market transactions such as acquisitions and reinsurance transactions.

Since many of the assumptions are unobservable and are considered to be significant inputs to the liability valuation, the liability included in future policy benefits has been reflected within the category 'Valuation techniques not based on observable market data' of the fair value hierarchy. Refer to note 47 for more details about AEGON's guarantees

INVESTMENT CONTRACTS

Similar to embedded derivatives in insurance contracts, certain investment products are not quoted in active markets and their fair values are determined by using valuation techniques.

Because of the dynamic and complex nature of these cash flows, stochastic or similar techniques under a variety of market return scenarios are often used. A variety of factors are considered, including expected market rates of return, market volatility, correlations of market returns, discount rates and actuarial assumptions.

The expected returns are based on risk-free rates, such as the current London Inter-Bank Offered Rate (LIBOR) swap rates and associated forward rates or the current rates on local government bonds. Market volatility assumptions for each underlying index are based on observed market implied volatility data and/or observed market performance.

Correlations of market returns for various underlying indices are based on observed market returns and their inter-relationships over a number of years preceding the valuation date. Current risk-free spot rates are used to determine the present value of expected future cash flows produced in the stochastic projection process.

Assumptions on customer behavior, such as lapses, included in the models are derived in the same way as the assumptions used to measure insurance liabilities.

FAIR VALUE MEASUREMENT

The fair values of the general account financial instruments carried at fair value were determined as follows:

	2008				2007			
In EUR million	Published price quotations in an active market [1]	Valuation technique based on market observable inputs [2]	Valuation techniques not based on observable market data [3]	**Total**	Published price quotations in an active market [1]	Valuation technique based on market observable inputs [2]	Valuation techniques not based on observable market data [3]	**Total**
Shares	1,467	841	294	2,602	2,502	1,187	246	3,935
Debt securities	28,753	64,946	1,066	94,765	58,556	39,538	379	98,473
Other investments at fair value	17	746	2,220	2,983	25	1,369	2,109	3,503
Derivatives	34	4,001	(3,099)	936	24	(259)	(610)	(845)
Borrowings	–	845	–	845	–	980	–	980

[1] Included in this category are financial assets and liabilities that are measured by reference to quoted prices in an active market. A financial instrument is regarded as quoted in an active market if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service or regulatory agency and those prices represent actual and regularly occurring market transactions on an arm's length basis. Main assets included in this category are financial assets for which the fair value is determined by management using various inputs, including pricing vendors or binding broker quotes and assets for which the fair value is determined by reference to indices.

[2] Included in this category are financial assets and liabilities that are measured using a valuation technique based on assumptions that are supported by prices from observable current market transactions in the same or a similar instrument or based on available market data. Main assets included in this category are financial assets for which pricing is determined by management based on various market observable inputs but may include insignificant assumptions which are not observable, such as the illiquidity premium assumption used in the valuation of private placements.

[3] Not based upon market observable input means that fair values are determined by management in whole or in part using a using a valuation technique (model) for which a significant input is not based on observable market data. A significant input is an input that is significant to the fair value measurement in its entirely. Main assets in this category are hedge funds, private equity funds and limited partnerships. In addition bifurcated embedded derivatives related to guarantees in insurance contracts are included.

Other than disclosed in note 47, the potential effect of using reasonable alternative assumptions for valuing financial instruments would not have a significant impact on AEGON's net income (loss).

The total net amount of changes in fair value recognized in net income (loss) of the financial instruments of which the valuation technique includes non market observable inputs amount to a pre-tax loss of EUR 1,301 million (2007: EUR 57 million).

IMPAIRMENT OF FINANCIAL ASSETS

There are a number of significant risks and uncertainties inherent in the process of monitoring investments and determining if impairment exists. These risks and uncertainties include the risk that the Group's assessment of an issuer's ability to meet all of its contractual obligations will change based on changes in the credit characteristics of that issuer and the risk that the economic outlook will be worse than expected or have more of an impact on the issuer than anticipated. Also, there is a risk that new information obtained by the Group or changes in other facts and circumstances will lead the Group to change its investment decision. Any of these situations could result in a charge against the income statement in a future period to the extent of the impairment charge recorded.

DEBT SECURITIES

AEGON regularly monitors industry sectors and individual debt securities for evidence of impairment. This evidence may include one or more of the following: 1) deteriorating market to book ratio, 2) increasing industry risk factors, 3) deteriorating financial condition of the issuer, 4) covenant violations, 5) high probability of bankruptcy of the issuer or 6) nationally recognized credit rating agency downgrades. Additionally, for asset-backed securities, cash flow trends and underlying levels of collateral are monitored. A security is impaired if there is objective evidence that a loss event has occurred after the initial recognition of the asset that has a negative impact on the estimated future cash flows. A specific security is considered to be impaired when it is determined that it is probable that not all amounts due (both principal and interest) will be collected as scheduled.

ABS - Housing securities, CMBS and RMBS are monitored and reviewed on a monthly basis with detailed modeling completed on each portfolio quarterly. Model output is generated under a base and several stress-case scenarios. ABS - Housing, CMBS and RMBS asset specialists utilize modeling software to perform a loan-by-loan, bottom-up approach to modeling. The ABS - Housing models incorporate market estimates on the property market, borrowing characteristics, propensity of a borrower to defaults or prepay and the overall security structure. The CMBS models incorporate market estimates on the property market, capital markets, property cash flows and loan structure. The RMBS models incorporate external loan-level analytics to identify the riskiest securities. The results from the models are then closely analyzed by the asset specialist to determine whether or not a principal or interest loss is expected to occur.

In addition, on a monthly basis, AEGON reviews all ABS - Housing securities, CMBS and RMBS that have been in an unrealized loss position of greater than 12 months and those with a month to month market value decline of 5%. Additional reviews include a realized loss analysis and analysis of holdings with a price decline of more than 10% or more during the quarter. ABS - Housing securities, CMBS and RMBS noted on exception reports are specifically addressed by research and credit analysts who evaluate the unrealized losses based upon current market conditions, changes in credit spreads specific to the asset class, and fundamentals related to the issuer. Impairments are recorded in instances where loss events have taken place that would affect future cash flows. The impairment analysis is therefore based on a combination of models and analysts review of market events on individual securities.

As at the reporting date, AEGON performed stress testing on each security within its subprime mortgage portfolio. The stress testing revealed a significant reduction in the margin of safety for all fixed rate and senior floating rate mortgage products. Factors included in the analysis depend upon the type of collateral but for subprime mortgages they include delinquencies, prepayment assumptions, the percentage of borrowers with mortgage insurance, the percentage of borrowers in states more at risk for declining home values (Florida, California, etc.) and credit enhancements.

More detailed cash flow modeling was performed on issuances identified as being most at risk, such as issuances with a disproportionate number of borrowers from states experiencing significant declines in home values. Cash flows were modeled using the current collateral pool and capital structure to determine whether there has been an adverse change in cash flows (i.e. an event has occurred that would impact estimated future cash flows). Defaults were estimated by identifying the loans that are in various delinquency buckets and defaulting a certain percentage of them over the near-term and long-term. Recent payment history, a percentage of on-going delinquency rates and a constant repayment rate are also incorporated into the model. Once the entire pool is modeled, AEGON can determine whether the particular tranche or holding is at risk for payment interruption. Under these scenarios, the securities held in AEGON USA's subprime mortgage portfolio model full payment of principal and interest as of the reporting date.

SHARES

Objective evidence of impairment of an investment in an equity instrument classified as available for sale includes information about significant changes with an adverse effect that have taken place in the technological, market, economic or legal environment in which the issuer operates, and indicates that the cost of the investment in the equity instrument may not be recovered. A significant or prolonged decline in the fair value of an investment in an equity instrument below its cost is also objective evidence of impairment. Significant or prolonged decline is generally defined as an unrealized loss position for more than 6 months or a fair value of less than 80% of the cost price of the investment.

GOODWILL

Goodwill is reviewed and tested for impairment under a fair value approach. Goodwill must be tested for impairment at least annually or more frequently as a result of an event or change in circumstances that would indicate an impairment charge may be necessary. The recoverable amount is the higher of the value in use or fair value less costs to sell for a cash-generating unit. Impairment testing requires the determination of the value in use and fair value less costs for each of AEGON's identified cash generating units.

The valuation utilized the best available information, including assumptions and projections considered reasonable and supportable by management. The assumptions used in the valuation involve significant judgments and estimates. Refer to note 6 for more details.

VALUATION OF DEFINED BENEFIT PLANS

The liabilities or assets recognized in the balance sheet in respect of defined benefit plans is the difference between the present value of the projected defined benefit obligation at the balance sheet date and the fair value of plan assets, together with adjustments for unrecognized actuarial gains or losses and past service costs. The present value of the defined benefit obligation is determined by discounting the estimated future cash flows using interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid and that have terms to maturity that approximate the terms of the related pension liability. Actuarial assumptions used in the measurement of the liability include the discount rate, the expected return on plan assets, estimated future salary increases and estimated future pension increases. To the extent that actual experience deviates from these assumptions, the valuation of defined benefit plans and the level of pension expenses recognized in the future may be affected.

RECOGNITION OF DEFERRED TAX ASSETS

Deferred tax assets are established for the tax benefit related to deductible temporary differences, carryforwards of unused tax losses and carryforwards of unused tax credits when in the judgment of management it is more likely than not that AEGON will receive the tax benefits. Since there is no absolute assurance that these assets will ultimately be realized, management reviews AEGON's deferred tax positions periodically to determine if it is more likely than not that the assets will be realized. Periodic reviews include, among other things, the nature and amount of the tax income and expense items, the expected timing when certain assets will be used or liabilities will be required to be reported and the reliability of historical profitability of businesses expected to provide future earnings. Furthermore, management considers tax-planning strategies it can utilize to increase the likelihood that the tax assets will be realized. These strategies are also considered in the periodic reviews.

VALUATION OF SHARE APPRECIATION RIGHTS AND SHARE OPTIONS

Because of the inability to measure the fair value of employee services directly, fair value is measured by reference to the fair value of the rights and options granted. This value is estimated using the binomial option pricing model, taking into account the respective vesting and exercise periods of the share appreciation rights and share options.

The volatility is derived from quotations from external market sources and the expected dividend yield is derived from quotations from external market sources and the binomial option pricing model. Future blackout periods are taken into account in the model in conformity with current blackout periods. The expected term is explicitly incorporated in the model by assuming that early exercise occurs when the share price is greater than or equal to a certain multiple of the exercise price. This multiple has been set at two based on empirical evidence. The risk free rate is the interest rate for Dutch government bonds.

RECOGNITION OF PROVISIONS

Provisions are established for contingent liabilities when it is probable that a past event has given rise to a present obligation or loss and the amount can be reasonably estimated. Management exercises judgment in evaluating the probability that a loss will be incurred. The estimate of the amount of a loss requires management judgment in the selection of a proper calculation model and the specific assumptions related to the particular exposure.

Note 4 FINANCIAL AND INSURANCE RISKS

GENERAL

As an insurance company, AEGON is in the 'business of risk' and as a result is exposed to a variety of risks. A description of AEGON's risk management and control systems is given below on the basis of significant identified risks for us. Some risks, such as currency translation risk, are related to the international nature of AEGON's business. Other risks include insurance related risks, such as changes in mortality and morbidity. However, AEGON's largest exposures are to changes in financial markets (e.g. interest rate, credit and equity market risks) that affect the value of the investments, liabilities from products that AEGON sells, deferred expenses and value of business acquired.

AEGON manages risk at local level where business is transacted, based on principles and policies established at the Group level. AEGON's integrated approach to risk management involves common measurement of risk and scope of risk coverage to allow for aggregation of the Group's risk position.

In addition, this integrated framework facilitates the sharing of best practices and the latest research on methodologies. The risk management functions are applied locally and are tied to the speed of business, while corporate oversight remains independent of the business activity providing oversight and peer review.

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

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

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

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

Each sensitivity analysis reflects the extent to which the shock tested would affect management's critical accounting estimates and judgment in applying AEGON's accounting policies[1]. Market-consistent assumptions underlying the measurement of non-listed assets and liabilities are adjusted to reflect the shock tested. The shock may also affect the measurement of assets and liabilities based on assumptions that are not observable in the market. For example, a shock in interest rates may lead to changes in the amortization schedule of deferred policy acquisition costs or to increased impairment losses on equity investments. Although management's short-term assumptions may change if there is a reasonable change in a risk factor, long-term assumptions will generally not be revised unless there is evidence that the movement is permanent. This fact is reflected in the sensitivity analyses provided below.

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

[1] Please refer to note 3 for a description of the critical accounting estimates and judgments.

The sensitivities do not reflect what the net income for the period would have been if risk variables had been different because the analysis is based on the exposures in existence at the reporting date rather than on those that actually occurred during the year. Nor are the results of the sensitivities intended to be an accurate prediction of AEGON's future equity or earnings. The analysis does not take into account the impact of future new business, which is an important component of AEGON's future earnings. It also does not consider all methods available to management to respond to changes in the financial environment, such as changing investment portfolio allocations or adjusting premiums and crediting rates. Furthermore, the results of the analyses cannot be extrapolated for wider variations since effects do not tend to be linear. No risk management process can clearly predict future results.

CURRENCY EXCHANGE RATE RISK

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

AEGON operates a Currency Risk Policy under which direct currency speculation or program trading by country units is not allowed unless explicit approval has been granted by the Group Risk and Capital Committee. Assets should be held in the functional currency of the business written or hedged back to that currency. Where this is not possible or practical, remaining currency exposure is subject to documentation requirements and limits are placed on the total exposure at both group level and for individual country units.

Information on AEGON's 3-year historical net income and equity in functional currency are shown in the table below:

	2008	2007	2006
Net Income			
AEGON Americas (in USD)	(2,022)	2,184	1,951
AEGON The Netherlands (in EUR)	94	606	1,420
United Kingdom (in GBP)	64	183	158
Other countries (in EUR)	(9)	73	36
Equity in functional currency			
AEGON Americas (in USD)	10,617	19,056	19,776
AEGON The Netherlands (in EUR)	2,954	3,079	4,235
United Kingdom (in GBP)	1,257	2,166	2,285
Other countries (in EUR)	1,948	1,413	1,336

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

Closing rates	2008	2007	2006	2005	2004
USD	1.39	1.47	1.32	1.18	1.36
GBP	0.95	0.73	0.67	0.69	0.71

AEGON group companies' foreign currency exposure from monetary assets and liabilities denominated in foreign currencies is not material. The estimated approximate effects on net income and shareholders' equity of movements in the exchange rates of AEGON's non-euro currencies relative to the euro as included in the table below, are due to the translation of subsidiaries and joint-ventures in the consolidated financial statements.

SENSITIVITY ANALYSIS OF NET INCOME AND SHAREHOLDERS' EQUITY TO TRANSLATION RISK

Movement of markets [1]	Estimated approximate effects on net income	Estimated approximate effects on equity
2008		
Increase by 15% of non-euro currencies relative to the euro	(204)	1,180
Decrease by 15% of non-euro currencies relative to the euro	204	(1,180)
2007		
Increase by 15% of non-euro currencies relative to the euro	258	2,298
Decrease by 15% of non-euro currencies relative to the euro	(258)	(2,298)

[1] The effect of currency exchange movements is reflected as a one-time shift up or down in the value of the non-euro currencies relative to the euro on December 31, 2008.

INTEREST RATE RISK

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

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

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

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

The table that follows shows interest rates at the end of each of the last five years.

	2008	2007	2006	2005	2004
3-month US LIBOR	1.42%	4.70%	5.36%	4.54%	2.56%
3-month EURIBOR	2.89%	4.69%	3.73%	2.49%	2.16%
10-year US Treasury	2.22%	4.03%	4.70%	4.39%	4.22%
10-year Dutch government	3.54%	4.32%	3.97%	3.29%	3.68%

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

The sensitivity analysis reflects the assets and liabilities held at year end. This does not necessarily reflect the risk exposure during the year as significant events do not necessarily occur on January 1.

Parallel movement of yield curve	Estimated approximate effects on net income	Estimated approximate effects on equity
2008		
Shift up 100 basis points	(213)	(3,078)
Shift down 100 basis points	60	2,886
2007		
Shift up 100 basis points	(222)	(2,598)
Shift down 100 basis points	142	2,697

CREDIT RISK

As premiums and deposits are received, these funds are invested to pay for future policyholder obligations. For general account products, AEGON typically bears the risk for investment performance equaling the return of principal and interest. AEGON is exposed to credit risk on its general account fixed-income portfolio (debt securities, mortgages and private placements), OTC derivatives and reinsurance contracts. Some issuers have defaulted on their financial obligations for various reasons, including bankruptcy, lack of liquidity, downturns in the economy, downturns in real estate values, operational failure and fraud. In the current weak economic environment AEGON incurred significant investment impairments on AEGON's investment assets due to defaults and overall declines in the capital markets. Further excessive defaults or other reductions in the value of these securities and loans could have a materially adverse effect on AEGON's business, results of operations and financial condition.

The table that follows shows the Group's maximum gross credit exposure from investments (credit protection not taken into account) in general account financial assets, as well as general account derivatives and reinsurance assets. Please refer to note 50 and note 51 for further information on capital commitments and contingencies and on collateral given, which may expose the Group to credit risk.

General account exposure	Exposure 2008	Exposure 2007
Shares [1]	2,602	3,935
Debt securities – carried at fair value	86,301	93,086
Debt securities – carried at amortized cost	2,255	1,846
Money market and other short-term investments - carried at fair value	8,464	5,387
Mortgage loans - carried at amortized cost	20,166	17,853
Private loans - carried at amortized cost	822	804
Other loans - carried at amortized cost	4,345	3,897
Other financial assets – carried at fair value	2,983	3,502
Other financial assets – carried at amortized cost	15	30
Derivatives with positive values	6,729	1,260
Reinsurance assets	4,836	4,074
AT DECEMBER 31	**139,518**	**135,674**

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

AEGON has entered into free-standing credit derivative transactions (Single Tranche Synthetic CDOs and Single Name Credit Default Swaps CDSs). The positions outstanding at the end of the year were:

	2008		2007	
CDOs and CDSs	Notional	Fair value	Notional	Fair value
Synthetic CDOs	4,764	(112)	4,497	(29)
CDSs	1,272	(65)	1,286	(14)

For a fee, AEGON USA takes credit exposure on a credit index, i.e. super-senior tranches of the CDX index, via a synthetic collateralized debt obligation program (synthetic CDO). This index is composed of a reference portfolio of 125 investment grade corporate credits. 78% of the exposure is to the most senior of the super-senior tranches, i.e. the 30%-100% tranche. That means that losses to AEGON would only occur if cumulative net losses on the CDX index exceeded 30%, where cumulative net loss is defined as bond defaults net of recoveries. AEGON considers the probability of losses at these levels to be remote and hence does not expect any cash losses to occur from these synthetic CDO positions. The average duration of the outstanding transactions is 4.2 years. As these derivatives are marked to market through earnings, they may however cause substantial operating earnings volatility prior to maturity due to credit spread volatility. Assuming there are no cash losses from the positions, any mark to market effect on operating earnings will be reversed by maturity.
At December 31, 2008, the notional amount of this program was EUR 4.7 billion with a negative market value of EUR (112) million. In addition AEGON entered into standby liquidity asset purchase agreements for which the Company received a fee for providing liquidity on asset-backed commercial paper with a notional of EUR 104 million. In August 2007, the Canadian asset backed commercial paper market experienced a disruption, which included Canadian government intervention and subsequent market litigation, resulting in AEGON and the counterparty negotiating settlement terms for the facility agreement. Per these terms, AEGON holds embedded contingent options, which reflects potential exposure to underlying senior tranches of synthetic CDOs with a notional of EUR 1.7 billion when losses exceed the fair value of collateral assigned by the counterparty (fair value of collateral is EUR 316 million at December 31, 2008). These contingent embedded options were marked to market at December 31, 2008 (EUR 15 million liability). When the contingent options are exercised, AEGON is exposed to the underlying tranches of the synthetic CDOs.

AEGON manages credit risk exposure by individual counterparty, sector and asset class. Normally it mitigates credit risk in derivative contracts by entering into collateral agreements, where practical, and in International Swaps and Derivatives Association (ISDA) master netting agreements for each of AEGON's legal entities to facilitate AEGON's right to offset credit risk exposure. Main counterparties to these transactions are investment banks and are typically rated AA or higher. The credit support agreement will normally dictate the threshold over which collateral needs to be pledged by AEGON or its counterparty. Transactions requiring AEGON or its counterparty to post collateral are typically the result of over-the-counter derivative trades, comprised mostly of interest rate swaps, currency swaps, and credit swaps. Collateral received is mainly cash (USD and EUR). The Credit Support Agreements that outline the acceptable collateral require high quality instruments to be posted. Nearly all securities received as collateral are US Treasuries or US Agency bonds. During the year, AEGON obtained securities with a value of EUR 1.1 billion by taking possession of collateral on reverse repurchase agreements and EUR 1.9 billion on securities lending transactions with Lehman Brothers. The loss incurred on these transactions amounted to EUR 10 million. At December 31, 2008 debt securities from the collateral amounting to EUR 27 million were included in AEGON's investment portfolio. In 2007 AEGON did not take possession of collateral or called on other credit enhancements. The credit risk associated with financial assets subject to a master netting arrangement is eliminated only to the extent that financial liabilities due to the same counterparty will be settled after the assets are realized.

The extent to which the exposure to credit risk is reduced through a master netting agreement may change substantially within a short period of time because the exposure is affected by each transaction subject to the arrangement. AEGON may also mitigate credit risk in reinsurance contracts by including down-grade clauses that allow the recapture of business, retaining ownership of assets required to support liabilities ceded or by requiring the reinsurer to hold assets in trust. For the resulting net credit risk exposure, AEGON employs deterministic and stochastic credit risk modeling in order to assess the Group's credit risk profile, associated earnings and capital implications due to various credit loss scenarios.

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

AEGON group-wide counterparty exposure limits at the end of 2008 are:

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

The limits were not changed for 2008. At December 31, 2008 there were two violations of the Credit Name Limit Policy. One was caused by the acquisition of a distressed American bank by another bank where AEGON had investments in both entities. As a result the combined investments under the new Credit Name were above the policy limit. The second breach was caused by the downgrading of one reinsurer. AEGON's Group Risk and Capital Committee has granted temporary approval for these two limit breaches.

CREDIT RATING

The ratings distribution of general account portfolios of AEGON's major country units, excluding reinsurance assets, are presented in the table that follows, organized by rating category and split by assets that are valued at fair value and assets that are valued at amortized cost.

Credit rating general account investments excluding reinsurance assets	Americas		The Netherlands		United Kingdom		Other countries		Total 2008 [1]	
	Amort cost [2]	Fair value	Amort cost	Fair value	Amort cost	Fair value	Amort cost	Fair value	Amort cost	Fair value
Sovereign exposure	–	6,197	170	12,496	–	463	1,876	1,148	2,046	20,324
AAA	628	17,074	131	2,187	–	236	8	277	767	19,772
AA	4,657	6,755	315	869	–	709	132	434	5,104	8,767
A	5,076	20,344	107	1,721	–	2,798	575	794	5,758	25,670
BBB	1,071	17,410	1	727	–	935	101	59	1,173	19,131
BB	120	1,847	29	161	–	12	32	19	181	2,039
B	–	827	13	101	–	2	–	2	13	932
CCC or lower	–	231	–	27	–	3	2	1	2	262
Assets not rated	2,157	4,525	9,444	4,199	11	40	544	65	12,156	9,516
Total	**13,709**	**75,210**	**10,210**	**22,488**	**11**	**5,198**	**3,270**	**2,799**	**27,200**	**106,413**
Past due and / or impaired assets	82	324	206	228	–	3	115	59	403	666
AT DECEMBER 31	**13,791**	**75,534**	**10,416**	**22,716**	**11**	**5,201**	**3,385**	**2,858**	**27,603**	**107,079**

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

[1] Includes investments of Holding and other activities.
[2] Americas assets were not rated in 2007; 2008 ratings have been based on internal ratings.

The following table shows the credit quality of the gross balance sheet positions for general account reinsurance assets specifically:

	Carrying value 2008	Carrying value 2007
AAA	163	151
AA	3,539	2,703
A	491	438
Below A	182	163
Not rated	461	619
AT DECEMBER 31	**4,836**	**4,074**

CREDIT RISK CONCENTRATION

The tables that follow present specific credit risk concentration information for general account financial assets.

Credit risk concentrations – debt securities and money market investments	Americas	The Netherlands	United Kingdom	Other countries	Total 2008 [1]
Asset backed securities (ABSs) – Aircraft	51	–	–	–	51
ABSs – Collateralized Bond Obligations (CBOs)	573	197	–	–	770
ABSs – Housing related	1,776	–	4	45	1,825
ABSs – Credit cards	1,988	199	–	4	2,191
ABSs – Other	2,123	648	393	–	3,164
Residential mortgage backed securities	3,767	963	–	–	4,730
Commercial mortgage backed securities	4,467	55	194	175	4,891
Financial - Banking	5,120	1,407	1,346	486	8,359
Financial - Other	12,898	1,168	788	397	15,251
Industrial	23,232	937	1,507	597	26,273
Utility	5,578	219	464	152	6,413
Sovereign exposure	6,783	12,496	463	3,044	22,809
	68,356	**18,289**	**5,159**	**4,900**	**96,727**
Past due and / or impaired	266	9	2	16	293
AT DECEMBER 31	**68,622**	**18,298**	**5,161**	**4,916**	**97,020**

[1] Includes investments of Holding and other activities.

Credit risk concentrations – mortgages	Americas	The Netherlands	United Kingdom	Other countries	Total 2008 [1]
Agricultural	571	27	–	–	598
Apartment	2,017	1,162	–	–	3,179
Industrial	2,073	–	–	–	2,073
Office	4,275	49	–	–	4,324
Retail	2,189	18	–	135	2,342
Other commercial	429	26	–	–	455
Residential	73	6,736	–	–	6,809
	11,627	**8,018**	**–**	**135**	**19,780**
Past due and / or impaired	82	192	–	112	386
AT DECEMBER 31	**11,709**	**8,210**	**–**	**247**	**20,166**

[1] Includes investments of Holding and other activities.

COMPARATIVE INFORMATION ON CREDIT RISK CONCENTRATION - 2007 FIGURES:

Credit risk concentrations – debt securities and money market investments	Americas	The Netherlands	United Kingdom	Other countries	Total 2007 [1]
Asset backed securities (ABSs) – Aircraft	81	–	–	–	81
ABSs – Collateralized Bond Obligations (CBOs)	780	–	–	5	785
ABSs – Housing related	2,840	–	64	47	2,951
ABSs – Credit cards	2,627	5	–	4	2,636
ABSs – Other	2,660	120	216	–	2,996
Residential mortgage backed securities	5,039	646	–	52	5,737
Commercial mortgage backed securities	4,544	64	103	–	4,711
Financial	19,426	3,315	2,822	812	26,377
Industrial	23,528	1,018	1,497	515	26,560
Utility	5,675	126	256	99	6,156
Sovereign exposure	5,043	12,865	637	2,473	21,036
	72,243	**18,159**	**5,595**	**4,007**	**100,026**
Past due and / or impaired	227	66	–	–	293
AT DECEMBER 31	**72,470**	**18,225**	**5,595**	**4,007**	**100,319**

[1] Includes investments of Holding and other activities.

Credit risk concentrations – mortgages	Americas	The Netherlands	United Kingdom	Other countries	Total 2007 [1]
Agricultural	516	33	–	–	549
Apartment	1,914	706	–	–	2,620
Industrial	2,086	–	–	–	2,086
Office	4,336	25	–	–	4,361
Retail	2,118	1	–	79	2,198
Other commercial	449	14	–	1	464
Residential	86	5,258	–	–	5,344
	11,505	**6,037**	**–**	**80**	**17,622**
Past due and / or impaired	3	200	–	28	231
AT DECEMBER 31	**11,508**	**6,237**	**–**	**108**	**17,853**

[1] Includes investments of Holding and other activities.

Included in the debt securities and money market investments are EUR 2,255 million of assets that have been classified as held-to-maturity and are therefore carried at amortized cost (2007: EUR 1,846 million). Of the EUR 2,255 million assets held-to-maturity, EUR 1,881 million are government bonds (2007: EUR 1,579 million), EUR 8 million is ABS exposure (2007: EUR 8 million) and EUR 367 million is corporate exposure (2007: EUR 259 million).

ADDITIONAL INFORMATION ON CREDIT CONCENTRATION IN CERTAIN SECTORS

AEGON Americas housing exposure[1]	2008	2007
ABSs – Housing related	1,819	2,840
Residential mortgage backed securities (RMBS)	3,791	5,039
Commercial mortgage backed securities (CMBS)	4,468	4,544

[1] Exposures include past due and impaired assets.

The fair values of these instruments were determined as follows:

	2008				2007			
In EUR million	Published price quotations in an active market	Valuation technique based on market observable inputs	Valuation techniques not based on observable market data	Total	Published price quotations in an active market	Valuation technique based on market observable inputs	Valuation techniques not based on observable market data	Total
ABSs – Housing related	68	1,439	312	1,819	117	2,710	13	2,840
RMBS	–	3,460	331	3,791	634	4,405	–	5,039
CMBS	–	4,394	74	4,468	2,923	1,620	1	4,544

ABS – HOUSING

AEGON USA Holds EUR 1,752 million of ABS - Housing securities (2007: EUR 2,723 million). The unrealized loss on the ABS - housing securities amounts to EUR 1,023 million (2007: EUR 347 million). ABS - Housing securities are secured by pools of residential mortgage loans primarily those which are categorized as subprime. The unrealized loss is primarily due to decreased liquidity and increased credit spreads in the market combined with significant increases in expected losses on loans within the underlying pools. Expected losses within the underlying pools are generally higher than original expectations, primarily in certain later-vintage adjustable rate mortgage loan pools, which has led to some rating downgrades in these securities.

ABS – SUBPRIME MORTGAGE EXPOSURE

AEGON USA does not currently invest in or originate whole loan residential mortgages. AEGON USA categorizes asset backed securities issued by a securitization trust as having subprime mortgage exposure when the average credit score of the underlying mortgage borrowers in a securitization trust is below 660. AEGON USA also categorizes asset backed securities issued by a securitization trust with second lien mortgages as subprime mortgage exposure, even though a significant percentage of second lien mortgage borrowers may not necessarily have credit scores below 660. As of December 31, 2008, the amortized cost of investments backed by subprime mortgage loans was EUR 2,575 million (2007: EUR 2,866 million) and the market value was EUR 1,590 million (2007: EUR 2,524 million).

The following table provides the market values of the subprime mortgage exposure by rating.

	Market value by quality					
	AAA	AA	A	BBB	< BBB	Total 2008
Subprime mortgages - fixed rate	724	55	50	13	20	862
Subprime mortgages - floating rate	195	153	19	30	54	451
Second lien mortgages[1]	65	108	20	55	29	277
AT DECEMBER 31	**984**	**316**	**89**	**98**	**103**	**1,590**
	61.9%	**19.9%**	**5.6%**	**6.2%**	**6.4%**	**100.0%**

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

The following table provides the market values of the subprime mortgage exposure by vintage.

	Market value by vintage						
	Pre-2004	2004	2005	2006	2007	2008	**Total 2008**
Subprime mortgages - fixed rate	417	114	124	70	137	–	862
Subprime mortgages - floating rate	48	6	145	131	102	19	451
Second lien mortgages [1]	76	24	36	57	84	–	277
AT DECEMBER 31	**541**	**144**	**305**	**258**	**323**	**19**	**1,590**
	34.0%	**9.1%**	**19.2%**	**16.2%**	**20.3%**	**1.2%**	**100.0%**

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

COMPARATIVE INFORMATION ON SUBPRIME MORTGAGE EXPOSURE - 2007 FIGURES:

	Market value by quality					
	AAA	AA	A	BBB	< BBB	Total 2007
Subprime mortgages - fixed rate	1,016	66	–	–	–	1,082
Subprime mortgages - floating rate	314	528	9	1	–	852
Second lien mortgages [1]	539	32	13	2	4	590
AT DECEMBER 31	**1,869**	**626**	**22**	**3**	**4**	**2,524**
	74.0%	**24.8%**	**0.9%**	**0.1%**	**0.2%**	**100.0%**

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

COMPARATIVE INFORMATION ON THE MARKET VALUES OF THE SUBPRIME MORTGAGE EXPOSURE BY VINTAGE – 2007 FIGURES:

	Market value by vintage					
	Pre-2004	2004	2005	2006	2007	Total 2007
Subprime mortgages - fixed rate	455	146	149	131	201	1,082
Subprime mortgages - floating rate	69	26	232	295	230	852
Second lien mortgages [1]	122	42	66	147	213	590
AT DECEMBER 31	**646**	**214**	**447**	**573**	**644**	**2,524**
	25.6%	**8.5%**	**17.7%**	**22.7%**	**25.5%**	**100.0%**

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

Additionally, AEGON USA has exposure to asset backed securities collateralized by manufactured housing loans. The market value of these securities is EUR 139 million (2007: EUR 200 million) with an amortized cost balance of EUR 165 million (2007: EUR 193 million). All but one position have vintages of 2003 or prior (2007: one position). These amounts are not included in AEGON's subprime mortgage exposure tables above.

Where credit events may be impacting the unrealized losses, cash flows are modeled using effective interest rates. AEGON did not consider those securities to be impaired. Refer to note 3 for details on the pricing process.

RESIDENTIAL MORTGAGE BACKED SECURITIES

AEGON USA holds EUR 3,791 million (2007: EUR 5,039 million) of residential mortgage backed securities (RMBS).

RMBS are securitizations of underlying pools of non-commercial mortgages on real estate. The underlying residential mortgages have varying credit ratings and are pooled together and sold in tranches. The Company's RMBS mainly includes government sponsored enterprise (GSE) guaranteed passthroughs, whole loan passthroughs, Alt-A MBS and negative amortization MBS.

All RMBS securities are monitored and reviewed on a monthly basis with detailed modeling completed on each portfolio quarterly. Model output is generated under base and several stress-case scenarios. RMBS asset specialists utilize modeling software to perform a loan-by-loan, bottom-up approach to modeling. Models incorporate external loan-level analytics to identify the riskiest securities. The results from the models are then closely analyzed by the asset specialist to determine whether or not a principal or interest loss is expected to occur. Positions are impaired to fair value where loss events have taken place (or are projected to take place on structured securities) that would affect future cash flows.

The unrealized loss on RMBS is EUR 1.9 billion. Of the RMBS unrealized losses, EUR 282 million is attributed to the AAA rated generic shelf name, Countrywide Alternative Loan Trust. AEGON USA owns EUR 547 million securities under the Countrywide Alternative Loan Trust name, with each deal containing its own unique pool of collateral and representing a separate and distinct trust. The combination of low floating-rate reset margins, slow prepayment speeds, severe illiquidity in the market for near-prime securities, and the unprecedented level of mortgage-related credit spread widening have pushed the overall market value as a percent of book on those RMBS bonds in an unrealized loss position to 52%.

										2008
	AAA SSNR[1]	AAA SNR[2]	AAA Mezz[3]	AAA SSUP[4]	AA	A	BBB	<BBB	Amortized cost	Market value
GSE guaranteed	–	1,391	–	–	–	–	–	–	1,391	1,398
Whole loan	229	525	7	9	13	71	40	20	914	650
Alt-A	739	269	–	–	14	60	63	122	1,267	743
Negative Amortization floater	1,459	30	8	47	19	16	–	106	1,685	711
Reverse Mortgage floater	–	381	–	–	–	–	–	–	381	289
TOTAL RMBS	**2,427**	**2,596**	**15**	**56**	**46**	**147**	**103**	**248**	**5,638**	**3,791**

1 SSNR – super-senior.
2 SNR - senior.
3 Mezz - mezzanine.
4 SSUP – senior support.

Alt-A Mortgage Exposure

AEGON USA's RMBS exposure includes exposure to securitized home equity loans (Alt-A positions). This portfolio totals EUR 743 million at December 31, 2008 (2007: EUR 844 million). Unrealized losses amount to EUR 524 million at December 31, 2008 (2007: EUR 18 million). Alt-A loans are made to borrowers whose qualifying mortgage characteristics do not meet the standard underwriting criteria established by the GSEs (Government-Sponsored Enterprises). The typical Alt-A borrower has a credit score high enough to obtain an "A" standing, which is especially important since the score must compensate for the lack of other necessary documentation related to borrower income and/or assets.

AEGON's investments in Alt-A mortgages are in the form of mortgage backed securities. AEGON's Alt-A investments are primarily backed by loans with fixed interest rates for the entire term of the loan. Additionally, one-third (2007: one-third) of the Alt-A portfolio is invested in super-senior tranches. Mortgage-backed securities classified as super-senior are those that substantially exceed the subordination requirements of AAA-rated securities. The tables below summarize the credit quality of the underlying loans backing the securities and the vintage year.

Rating	2008 Market value	2008 %	2007 Market value	2007 %
AAA	606	81.6%	842	99.8%
AA	9	1.2%	–	0.0%
A	29	3.9%	2	0.2%
BBB	28	3.8%	–	–
High yield	71	9.5%	–	–
AT DECEMBER 31	**743**	**100.0%**	**844**	**100.0%**

Vintage	2008 Market value	2008 %	2007 Market value	2007 %
Prior 2005	65	8.8%	93	11.0%
2005	123	16.5%	262	31.1%
2006	176	23.7%	341	40.4%
2007	238	32.0%	148	17.5%
2008	141	19.0%	–	–
AT DECEMBER 31	**743**	**100.0%**	**844**	**100.0%**

Negative Amortization (Option ARMs) Mortgage Exposure

As part of AEGON USA's RMBS Exposure, AEGON USA holds EUR 711 million of Negative Amortization mortgages (2007: EUR 1.5 billion), unrealized losses on this portfolio amount to EUR 974 million at December 31, 2008 (2007: EUR 73 million). Negative amortization mortgages (also known as option ARMs) are loans whereby the payment made by the borrower is less than the accrued interest due and the difference is added to the loan balance. When the accrued balance of the loan reaches the negative amortization limit (typically 110% to 125% of the original loan amount), the loan recalibrates to a fully amortizing level and a new minimum payment amount is determined. The homeowner's new minimum payment amount can be significantly higher than the original minimum payment amount. The timing of when these loans reach their negative amortization cap will vary, and is a function of the accrual rate on each loan, the minimum payment rate on each loan and the negative amortization limit itself. Typically, these loans are estimated to reach their negative amortization limit between 3 and 5 years from the date of origination.

AEGON's exposure to negative amortization mortgages is primarily AAA rated (2007 AAA rated), with a significant portion of these positions being 'super-senior' AAA rated securities. The following table provides the market values of the Negative Amortization (Option ARMs) exposure by rating and by vintage.

	2008		2007	
Rating	Market value	%	Market value	%
AAA	651	91.5%	1,484	99.7%
AA	5	0.7%	5	0.3%
A	2	0.3%	–	0.0%
High yield	53	7.5%	–	–
AT DECEMBER 31	**711**	**100.0%**	**1,489**	**100.0%**

	2008		2007	
Vintage	Market value	%	Market value	%
2004 & Prior	24	3.4%	50	3.3%
2005	197	27.7%	488	32.8%
2006	276	38.8%	643	43.2%
2007	184	25.9%	308	20.7%
2008	30	4.2%	–	–
AT DECEMBER 31	**711**	**100.0%**	**1,489**	**100.0%**

COMMERCIAL MORTGAGE BACKED SECURITIES

AEGON USA holds EUR 4,468 million (2007: EUR 4,544 million) of commercial mortgage backed securities (CMBS). The unrealized loss on CMBS is EUR 1,817 million (2007: EUR 89 million). The underlying mortgages have varying risk characteristics and are pooled together and sold in different rated tranches. The Company's CMBS include conduit, large loan, single borrower, collateral debt obligations (CDOs), government agency, and franchise loan receivable trusts.

Current delinquencies in the CMBS universe remain relatively low in spite of the recent upward trend caused by the deterioration in the fundamentals of the commercial real estate market. The introduction of the 20% and 30% credit enhanced, super senior AAA classes provide an offset to these negative fundamentals. The lending market has become virtually frozen as lenders have become more conservative with underwriting standards, property transactions have diminished greatly, and higher mortgage spreads have curtailed lending. A lack of liquidity in the market combined with a broad re-pricing of risk has led to increased credit spreads across the credit classes.

							2008
CMBS exposure by quality	AAA	AA	A	BBB	< BBB	Cost price	Market value
CMBS	5,247	553	170	103	16	6,089	4,372
CMBS and CRE CDOs	107	44	27	18	–	196	96
AT DECEMBER 31	**5,354**	**597**	**197**	**121**	**16**	**6,285**	**4,468**

Of the CMBS unrealized loss, over 16% is attributed to the Lehman Brothers and UBS origination platform ('LBUBS') deal shelf which is collateralized by diversified mortgages. The unrealized losses are primarily a function of the overall size of AEGON's LBUBS holdings, EUR 0.9 billion (2007: EUR 0.6 billion), and are not due to specific pool performance but relate to diminished demand over the last few months of 2008 for low investment grade CMBS paper and historic widening of credit spreads. Over 99% of the securities in an unrealized loss position are rated investment grade. For all securities in an unrealized loss position, the market to cost ratio is 70% (2007: 97%).

AEGON USA NON HOUSING ABS EXPOSURE

AEGON USA holds EUR 4,683 million (2007: EUR 6,051 million) of non housing related asset backed securities (ABS), unrealized losses on this portfolio amount to EUR 1,948 million at December 31, 2008 (2007: EUR 240 million). These are securitizations of underlying pools of credit cards receivables, auto financing loans, small business loans, bank loans and other receivables. The underlying assets have varying credit ratings and are pooled together and sold in tranches. See the table below for the breakdown of the non housing ABS exposure of AEGON USA.

							2008
	AAA	AA	A	BBB	< BBB	Cost price	Market value
Credit cards	1,314	142	368	956	85	2,865	1,907
Autos	354	195	241	99	29	918	704
SBA / small business loans	463	9	8	34	1	515	343
CDOs backed by ABS, corp bonds, bank loans	624	196	11	36	14	881	591
Other ABS	712	219	386	95	40	1,452	1,138
AT DECEMBER 31	**3,467**	**761**	**1,014**	**1,220**	**169**	**6,631**	**4,683**

The fair values of AEGON USA's ABS - non-housing instruments were determined as follows:

				2008				2007
	Published price quotations in an active market	Valuation technique based on market observable inputs	Valuation techniques not based on observable market data	**Total**	Published price quotations in an active market	Valuation technique based on market observable inputs	Valuation techniques not based on observable market data	**Total**
ABSs – non-housing	–	4,501	182	**4,683**	–	5,871	180	**6,051**

ABS - CREDIT CARDS

The unrealized loss on ABS – credit cards is EUR 958 million. The issuer identified as having the largest unrealized loss is Bank of America Credit Card Trust. This is a master trust made up of several deals with all of AEGON's holdings carrying investment grade ratings. AEGON owns EUR 697 million of securities under the Bank of America Credit Card Trust name with an unrealized loss of EUR 304 million. The unrealized loss in the ABS credit card sector, including the Bank of America Credit Card Trust, is primarily a function of decreased liquidity and increased credit spreads in the structured finance and financial institution market. While the credit card ABS portfolios with large subprime segments may be negatively impacted by the slowing domestic economy and housing market, there has been little rating migration of the bonds held by AEGON. Over 95% of the ABS credit card bonds held by AEGON are rated investment grade.

ABS - AUTOS

The unrealized loss on ABS – autos is EUR 214 million. The unrealized loss in the ABS auto sector is primarily a function of decreased liquidity and increased credit spreads with additional pressure coming from depressed auto sales and lower margins on incremental sales. While the auto ABS portfolio may be negatively impacted by the slowing domestic economy and concern over the future of the large automakers, there has been little rating migration of the bonds held by AEGON. Over 96% of the ABS auto bonds held by AEGON are rated investment grade.

SBA SMALL BUSINESS LOANS

The unrealized loss in the small business loan ABS portfolio is a function of decreased liquidity and increased spreads as new issuance within this sector has come to a halt. Additionally, delinquencies and losses in the collateral pools within AEGON's small business loan securitizations have increased since 2007, as a result of the overall economic slowdown which has resulted in decreased sales and profits at small businesses nationwide. Banks and finance companies have also scaled back their lending to small businesses.

AEGON's small business loan ABS portfolio is concentrated in senior note classes (99% of par value). Thus in addition to credit enhancement provided by the excess spread, reserve account, and over-collateralization, AEGON's positions are also supported by subordinated note classes. AEGON's small business loan ABS portfolio is also primarily secured by commercial real estate (99% of par value), with the original LTV of the underlying loans typically ranging between 60-70%.

ABS - CDOS

ABS - Collateralized Debt Obligations are primarily secured by pools of corporate bonds and leveraged bank loans. The unrealized loss is a function of decreased liquidity and increased credit spreads in the market for structured finance and monoline guaranteed securities. Where there have been rating downgrades to below investment grade, the individual bonds have been modeled using the current collateral pool and capital structure.

OTHER ABS

ABS - Other includes debt issued by securitization trusts collateralized by various other assets including student loans, timeshare loans, franchise loans and other asset categories. The unrealized losses are a function of decreased liquidity and increased credit spreads in the market. Over 98% of the securities in an unrealized loss in this section are rated investment grade. Where ratings have declined to below investment grade, the individual bonds have been modeled to determine if cash flow models indicate a credit event will impact future cash flows and resulting impairments have been taken.

FINANCIAL

FINANCIAL - BANKING

AEGON holds EUR 8,367 million (2007: EUR 11,732 million) of bonds issued by banks. The unrealized loss on these bonds amount to EUR 2,355 million (2007: EUR 546 million). The capital bases of banks and other financial firms have been strained as they are forced to retain assets on their balance sheets that had previously been securitized and to write down certain mortgage-related and corporate credit-related assets. Financial companies within AEGON's financial sector are generally high in credit quality, and as a whole represent a large portion of the corporate debt market. The financial sector has seen a large impact to valuations from the broader market volatility given it is a focal point of the current concerns. Governments across the world have attempted to stabilize market liquidity and investor confidence via extraordinary measures, including providing substantial support to banks and insurance companies.

EXPOSURE TO CAPITAL SECURITIES IN THE BANKING SECTOR

The value of AEGON's investments in deeply subordinated securities in the financial services sector may be significantly impacted if the issuers of such securities exercise the option to defer payment of optional coupons or dividends, are forced to accept government support or intervention, or grant majority equity stakes to their respective governments. These securities are broadly referred to as capital securities which can be categorized as Trust Preferred, Hybrid, Tier 1 or Upper Tier 2.

The 'Trust Preferred' category is comprised of capital securities issued by U.S.-based financial services entities where the capital securities typically have an original maturity of 30 years (callable after 10 years) and generally have common structural features, including a cumulative coupon in the event of deferral. The 'Hybrid' category is comprised of capital securities issued by financial services entities which typically have an original maturity of more than 30 years and may be perpetual. In addition, Hybrids have other features that may not be consistent across issues such as a cumulative or non-cumulative coupon, capital replacement and an alternative payment mechanism, and could also be subordinate to the traditional Trust Preferred in the company's capital structure. Capital securities categorized as 'Tier 1' are issued by non-US banks and are perpetual with a non-cumulative deferrable coupon. Capital securities categorized as 'Upper Tier 2' are also issued by non-US banks but these positions are generally perpetual where the deferrable coupon is cumulative.

The following table highlights AEGON's credit risk to capital securities within the banking sector:

						2008
Amortized Cost	Americas	The Netherlands	United Kingdom	Other countries	Cost price	Market value
Hybrid	277	–	12	–	289	173
Trust preferred	553	–	46	–	599	378
Tier 1	930	317	661	89	1,997	1,044
Upper Tier 2	616	88	317	14	1,035	640
AT DECEMBER 31	**2,376**	**405**	**1,036**	**103**	**3,920**	**2,235**

FINANCIAL - OTHER

The unrealized losses in the brokerage, insurance and other finance sub-sector primarily reflect general spread widening on financial services companies (due to broad housing, mortgage market, equity market and economic issues plus increased liquidity and capital markets concerns).

MONOLINE EXPOSURE

About EUR 2.6 billion of the bonds in AEGON USA's portfolio are wrapped by monoline insurers (2007: EUR 2.8 billion), of which EUR 792 million of bonds (2007: EUR 800 million) in the EUR 2.6 billion subprime portfolio (2007: EUR 2.9 billion). Expected claims against the monolines are less than EUR 157 million (2007: EUR 14 million), although an insolvency by one of the monolines could create significant market price volatility for the affected holdings.

The following table breaks down bonds in AEGON USA's portfolio that are wrapped by monoline insurers. The disclosure by rating follows a hierarchy of Standard & Poor's, Moody's, Fitch, internal, and National Association of Insurance Commissioners.

	2008		2007	
Bonds wrapped by monoline insurers	Cost price	Market price	Cost price	Market price
AAA	551	391	2,753	2,652
AA	97	63	48	43
<AA	1,956	1,320	15	14
AT DECEMBER 31	**2,604**	**1,774**	**2,816**	**2,709**

The rating that is provided by the rating agencies on these guaranteed bonds is the higher of the guarantor's rating or the rating of the underlying bond itself.

Of the EUR 2,604 million (2007: EUR 2,816 million) indirect exposure on the monoline insurers 29% relates to MBIA, 25% to AMBAC, 19% to FGIC and 15% to FSA (2007: 32% related to MBIA, 28% to AMBAC, 16% to FGIC and 11% to FSA). Of the remaining 12% (2007: 13%), no individual monoline insurer represents more than 10% of the total wrapped portfolio.

In addition to its indirect exposure via wrapped bonds, AEGON USA also has direct exposure of EUR 37 million (2007: EUR 126 million) via holdings in monoline insurers and derivative counterparty exposure where monoline insurers are AEGON's counterparty. Of AEGON's direct exposure 34% relates to XL, 14% to MBIA and 29% to AMBAC (2007: 33% related to XL, 19% to MBIA, 17% to AMBAC and 14% to CIFG). There are no other individual monoline insurers that represent more than 10% (2007: 10%) of the total direct exposure.

PAST DUE AND IMPAIRED ASSETS

The tables that follow provide information on past due and individually impaired financial assets. An asset is past due when a counterparty has failed to make a payment when contractually due. Assets are impaired when an impairment loss has been charged to the income statement relating to this asset. After the impairment loss is reversed in subsequent periods, the asset is no longer considered to be impaired. When the terms and conditions of financial assets have been renegotiated, the terms and conditions of the new agreement apply in determining whether the financial assets are past due. There were no renegotiated assets that would have been past due or impaired if they had not been renegotiated in the reporting year (2007: nil). At December 31, 2008 EUR 119 million (December 31, 2007: nil) collateral and other credit enhancements are held related to financial assets that were past due or individually impaired.

Property with a value of EUR 21 million collateralizing mortgage loans was taken possession of in December 2008. As at December 31, 2008, the property had not been disposed of.

AEGON's policy is to pursue realization of the collateral in an orderly manner as and when liquidity permits. AEGON generally does not use the non-cash collateral for its own operations.

				2008				2007
Past due but not individually impaired assets	0 - 6 months	6 - 12 months	> 1 year	**Total**	0 - 6 months	6 - 12 months	> 1 year	Total
Debt securities - carried at fair value	36	–	–	36	94	11	6	111
Mortgage loans	247	7	1	255	160	–	–	160
Other loans	–	–	1	1	–	–	–	–
Accrued Interest	1	–	–	1	2	–	–	2
AT DECEMBER 31	**284**	**7**	**2**	**293**	**256**	**11**	**6**	**273**

Impaired financial assets	**Carrying amount 2008**	Carrying amount 2007
Shares	371	33
Debt securities – carried at fair value	203	126
Debt securities – carried at amortized cost	3	–
Money market and other short-term investments	51	56
Mortgage loans	131	71
Other loans	13	51
Other financial assets – carried at fair value	3	–
Other financial assets – carried at amortized cost	–	5
Renegotiated assets	2	–
AT DECEMBER 31	**777**	**342**

EQUITY MARKET AND OTHER INVESTMENT RISKS

Fluctuations in the equity, real estate and capital markets have affected AEGON's profitability, capital position and sales of equity related products in the past and may continue to do so. Exposure to equity, real estate and capital markets exists in both assets and liabilities. Asset exposure exists through direct equity investment, where AEGON bears all or most of the volatility in returns and investment performance risk. Equity market exposure is also present in insurance and investment contracts for account of policyholders where funds are invested in equities, such as variable annuities, unit-linked products and mutual funds. Although most of the risk remains with the policyholder, lower investment returns can reduce the asset management fee earned by AEGON on the asset balance in these products. In addition, some of this business has minimum return or accumulation guarantees.

The general account equity, real estate and other non-fixed-income portfolio of AEGON is as follows:

Equity, real estate and non-fixed income exposure	Americas	The Nether-lands	United Kingdom	Other Countries	Holding and other activities	Total 2008
Equity funds	605	706	–	53	–	1,364
Common shares	284	317	41	105	52	799
Preferred shares	82	10	–	–	–	92
Investments in real estate	488	2,040	–	–	–	2,528
Hedge funds	854	264	–	23	–	1,141
Other alternative investments	1,449	–	–	–	–	1,449
Other financial assets	615	112	–	13	–	740
AT DECEMBER 31	**4,377**	**3,449**	**41**	**194**	**52**	**8,113**

The tables that follow present specific market risk concentration information for general account shares.

Market risk concentrations – shares	Americas	The Netherlands	United Kingdom	Other countries	Total 2008 [1]
Communication	27	–	–	9	36
Consumer cyclical	2	1	–	7	10
Consumer non-cyclical	4	11	–	–	15
Financials	499	28	5	25	555
Funds	432	1,027	34	58	1,551
Industries	1	7	–	11	19
Resources	–	1	–	–	1
Technology	1	1	–	–	2
Transport	–	–	–	1	1
Other	12	2	–	27	41
	978	**1,078**	**39**	**138**	**2,231**
Past due and/or impaired	54	219	1	45	371
AT DECEMBER 31	**1,032**	**1,297**	**40**	**183**	**2,602**

[1] Includes investments of Holding and other activities.

Market risk concentrations - shares	Americas	The Netherlands	United Kingdom	Other countries	**Total 2007** [1]
Communication	45	–	–	17	62
Consumer cyclical	4	1	–	–	5
Consumer non-cyclical	21	2	–	11	34
Financials	697	292	7	25	1,091
Funds	771	1,637	57	27	2,492
Industries	–	33	–	36	69
Resources	–	3	–	–	3
Services cyclical	–	1	–	–	1
Services non-cyclical	–	1	–	–	1
Technology	23	1	–	–	24
Transport	2	–	–	9	11
Other	51	1	–	57	109
	1,614	**1,972**	**64**	**182**	**3,902**
Past due and/or impaired	7	24	2	–	33
AT DECEMBER 31	**1,621**	**1,996**	**66**	**182**	**3,935**

[1] Includes investments of Holding and other activities.

The table that follows sets forth the closing levels of certain major indices at the end of the last five years.

Year-end	**2008**	2007	2006	2005	2004
S&P 500	903	1,468	1,418	1,248	1,212
Nasdaq	1,212	2,652	2,415	2,205	2,175
FTSE 100	4,434	6,457	6,221	5,619	4,814
AEX	247	516	495	437	348

The sensitivity analysis of net income and equity to changes in equity prices is presented in the table that follows. The sensitivity of shareholders' equity and net income to changes in equity and real estate markets reflects changes in the market value of AEGON's portfolio, changes in DPAC amortization, contributions to pension plans for AEGON's employees and the strengthening of the guaranteed minimum benefits, when applicable. The results of equity sensitivity tests are non-linear. The main reason for this is due to equity options sold to clients that are embedded in some of these products and that more severe scenarios could cause accelerated DPAC amortization and guaranteed minimum benefits provisioning, while moderate scenarios may not. Changes in sensitivities between 2007 and 2008 arise as a result of the impact of guarantees contracts in the money that exposes AEGON to more direct equity risk and the impact of lower equity markets on DPAC amortization. The equity sensitivities related to the guarantees are non linear because of the impact of guarantees and DPAC amortization.

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

Immediate change of	Estimated approximate effects on net income	Estimated approximate effects on equity
2008		
Equity increase 10%	183	274
Equity decrease 10%	(355)	(402)
Equity increase 20%	354	536
Equity decrease 20%	(764)	(840)
2007		
Equity increase 10%	198	324
Equity decrease 10%	(212)	(341)

LIQUIDITY RISK

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

AEGON operates a Liquidity Risk Policy under which country units are obliged to maintain sufficient levels of highly liquid assets to meet cash demands by policyholders and accountholders over the next two years. Potential cash demands are assessed under a stress scenario including spikes in disintermediation risk due to rising interest rates and concerns over AEGON's financial strength due to multiple downgrades of the Company's credit rating. At the same time, the liquidity of assets other than cash and government issues is assumed to be severely impaired for an extended period of time. All units and AEGON Group must maintain enough liquidity without relying on surplus assets or bank lines in order to meet all cash needs under this extreme scenario.
The maturity analysis on page 138 shows the remaining contractual maturities of each category of financial liabilities (including coupon interest). When the counterparty has a choice of when an amount is paid, the liability is included on the basis of the earliest date on which the country unit can be required to pay. Financial liabilities that the country unit can be required to repay on demand without any delay are reported in the category "On demand". If there is a notice period, the country unit should assume that notice is given immediately and present the repayment at the earliest date after the end of the notice period. When the amount payable is not fixed, the amount reported is determined by reference to the conditions existing at the reporting date. For example, when the amount payable varies with changes in an index, the amount disclosed may be based on the level of the index at the reporting date.
For gross settled derivatives only cash flows related to the pay leg are shown in the following table. Including the receive leg would significantly reduce the disclosed cash outflows for financial derivatives. Credit risk on the receive leg is mitigated through collateral agreements and ISDA master netting agreements as set out under Credit risk.

Maturity analysis – gross undiscounted contractual cash flows	On demand	< 1 yr Amount	1 < 5 yrs Amount	5 < 10 yrs Amount	> 10 yrs Amount	**Total amount**
2008						
Trust pass-through securities	–	30	32	41	197	300
Subordinated loans	–	34	–	–	–	34
Borrowings [1]	–	2,265	1,614	986	3,214	8,079
Investment contracts [2]	9,090	9,938	13,769	2,196	4,038	39,031
Investment contracts for account of policyholders [2]	9,685	7,078	–	–	–	16,763
Other financial liabilities	9,802	6,438	135	–	–	16,375
Financial derivatives [3]	–	3,450	11,622	12,277	25,333	52,682
2007						
Trust pass-through securities	–	10	38	48	276	372
Subordinated loans	–	2	36	–	–	38
Borrowings [1]	–	2,920	967	1,720	3,549	9,156
Investment contracts [2]	9,734	8,568	15,828	3,224	2,859	40,213
Investment contracts for account of policyholders [2]	11,219	10,329	–	–	–	21,548
Other financial liabilities	5,093	8,552	199	–	–	13,844
Financial derivatives [3]	–	4,889	18,891	9,634	19,199	52,613

[1] Borrowings include debentures and other loans, short term deposits, bank overdrafts and commercial paper; refer to note 24 for more details.
[2] Excluding investment contracts with discretionary participating features.
[3] Financial derivatives include all derivatives regardless whether they have a positive or a negative value. It does not include bifurcated embedded derivatives. These are presented together with the host contract. For interest rate derivatives only cash flows related to the pay leg are taken into account for determining the gross undiscounted cash flows.

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

Financial liabilities relating to insurance and investment contracts [1]	< 1 yr Amount	1 < 5 yrs Amount	5 < 10 yrs Amount	> 10 yrs Amount	**Total**
2008					
Insurance contracts	6,150	22,078	19,653	134,383	182,264
Insurance contracts for account of policyholders	3,480	19,162	15,960	76,503	115,105
Investment contracts	12,698	17,753	3,473	8,222	42,146
Investment contracts for account of policyholders	2,973	13,193	15,117	56,589	87,872
2007					
Insurance contracts	6,129	19,058	17,274	125,945	168,406
Insurance contracts for account of policyholders	5,649	27,776	19,353	76,756	129,534
Investment contracts	11,590	18,149	5,332	10,249	45,320
Investment contracts for account of policyholders	4,789	19,434	21,729	86,430	132,382

[1] The projected cash benefit payments are based on management's best estimates of the expected gross benefits and expenses partially offset by the expected gross premiums, fees and charges relating to the existing business in force. Estimated cash benefit payments are based on mortality, morbidity and lapse assumptions comparable with AEGON's historical experience, modified for recent observed trends. Actual payment obligations may differ if experience varies from these assumptions. The cash benefit payments are presented on an undiscounted basis and are before deduction of tax and before reinsurance. The liability amount in the consolidated financial statement reflects the discounting for interest as well as adjustments for the timing of other factors as described above. As a result, the sum of the cash benefit payments shown for all years in the table exceeds the corresponding liability amounts included in notes 20, 21 and 23.

UNDERWRITING RISK

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

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

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

Sensitivity analysis of net income and shareholders' equity to various underwriting risks is shown in the table that follows. The sensitivities represent an increase or decrease of mortality and morbidity rates over 2008. Increases in mortality rates lead to an increase in the level of benefits and claims. The impact on net income and equity of sales transactions of investments required to meet the higher cash outflow are reflected in the sensitivities.

Sensitivity analysis of net income and shareholders' equity to changes in various underwriting risks Estimated approximate effect (in EUR million)	2008		2007	
	On Equity	On Net income	On Equity	On Net income
20% increase in lapse rates	(58)	(58)	(95)	(95)
20% decrease in lapse rates	44	44	95	95
10% increase in mortality rates	(142)	(142)	(93)	(93)
10% decrease in mortality rates	122	122	90	90
10% increase in morbidity rates	(72)	(72)	(70)	(70)
10% decrease in morbidity rates	71	71	68	68

A shock in mortality or morbidity rates may not lead to a change in the assumptions underlying the measurement of the insurance liabilities as management may recognize that the shock is temporary. Life insurers are also exposed to longevity risk. In practice, however, this longevity risk can be mitigated, for example by adjusting premium.

Note 5 SEGMENT INFORMATION

Income statement – Operating earnings – 2008	Americas	The Nether-lands	United Kingdom	Other countries	Holding and other activities	Elimi-nations	Total
Life and protection	623	98	58	16	–	–	795
Individual savings and retirement products	(920)	(14)	–	12	–	–	(922)
Pensions and asset management	62	111	66	12	–	–	251
Institutional products	8	–	–	–	–	–	8
Life reinsurance	(361)	–	–	–	–	–	(361)
Distribution	–	3	(2)	–	–	–	1
General insurance	–	8	–	37	–	–	45
Interest charges and other	–	–	–	–	95	18	113
Share in net results of associates	1	7	–	16	–	–	24
Operating earnings before tax	**(587)**	**213**	**122**	**93**	**95**	**18**	**(46)**
Gains and losses on investments	(71)	20	(21)	(10)	117	–	35
Impairment charges	(812)	(138)	(22)	(68)	(34)	–	(1,074)
Impairment reversals	36	–	–	–	–	–	36
Other non-operating income / (charges)	4	–	(17)	1	(1)	1	(12)
Income / (loss) before tax	**(1,430)**	**95**	**62**	**16**	**177**	**19**	**(1,061)**
Income tax	51	(1)	18	(25)	(64)	–	(21)
Net income / (loss)	**(1,379)**	**94**	**80**	**(9)**	**113**	**19**	**(1,082)**
Attributable to minority interest	–	–	–	–	–	–	–
NET INCOME / (LOSS) ATTRIBUTABLE TO EQUITY HOLDERS OF AEGON N.V.	**(1,379)**	**94**	**80**	**(9)**	**113**	**19**	**(1,082)**

Income statement - Operating earnings - 2007	Americas	The Netherlands[1]	United Kingdom	Other countries	Holding and other activities	Eliminations	Total
Life and protection	969	180	78	57	–	–	1,284
Individual savings and retirement products	521	–	–	3	–	–	524
Pensions and asset management	138	(170)	202	11	–	–	181
Institutional products	339	–	–	–	–	–	339
Life reinsurance	135	–	–	–	–	–	135
Distribution	–	16	(10)	–	–	–	6
General insurance	–	8	–	39	–	–	47
Interest charges and other	–	–	–	–	(195)	10	(185)
Share in net results of associates	–	3	1	32	–	–	36
Operating earnings before tax	**2,102**	**37**	**271**	**142**	**(195)**	**10**	**2,367**
Gains and losses on investments	275	465	(8)	14	–	–	746
Impairment charges	(104)	(31)	(4)	–	–	–	(139)
Impairment reversals	56	7	–	–	–	–	63
Other non-operating income / (charges)	–	30	8	–	1	1	40
Income / (loss) before tax	**2,329**	**508**	**267**	**156**	**(194)**	**11**	**3,077**
Income tax	(733)	98	–	(83)	192	–	(526)
Net income / (loss)	**1,596**	**606**	**267**	**73**	**(2)**	**11**	**2,551**
Attributable to minority interest	–	–	–	–	–	–	–
NET INCOME / (LOSS) ATTRIBUTABLE TO EQUITY HOLDERS OF AEGON N.V.	**1,596**	**606**	**267**	**73**	**(2)**	**11**	**2,551**

[1] The difference between fair value movement on certain guarantees and the fair value changes of derivatives that hedge certain risks of these guarantees, amounting to EUR 325 million, are as of financial year 2008 reclassified from Gains and losses on investments to Operating earnings.

Income statement – Operating earnings – 2006	Americas	The Nether-lands	United Kingdom	Other countries	Holding and other activities	Elimi-nations	Total
Life and protection	920	316	20	27	–	–	1,283
Individual savings and retirement products	598	35	–	(2)	–	–	631
Pensions and asset management	111	720	211	(17)	–	–	1,025
Institutional products	382	–	–	–	–	–	382
Life reinsurance	163	–	–	–	–	–	163
Distribution	–	18	(6)	–	–	–	12
General insurance	–	26	–	29	–	–	55
Interest charges and other	–	–	–	–	(238)	(4)	(242)
Share in net results of associates	–	7	1	24	–	–	32
Operating earnings before tax	**2,174**	**1,122**	**226**	**61**	**(238)**	**(4)**	**3,341**
Gains and losses on investments	(22)	513	16	20	42	–	569
Impairment charges	(115)	(27)	(1)	–	–	–	(143)
Impairment reversals	103	15	–	–	–	–	118
Other non-operating income / (charges)	–	–	90	–	–	(4)	86
Income / (loss) before tax	**2,140**	**1,623**	**331**	**81**	**(196)**	**(8)**	**3,971**
Income tax	(587)	(203)	(99)	(45)	132	–	(802)
Net income / (loss)	**1,553**	**1,420**	**232**	**36**	**(64)**	**(8)**	**3,169**
Attributable to minority interest	–	–	–	–	–	–	–
NET INCOME / (LOSS) ATTRIBUTABLE TO EQUITY HOLDERS OF AEGON N.V.	**1,553**	**1,420**	**232**	**36**	**(64)**	**(8)**	**3,169**

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

	Note	2008	2007[1]	2006
Operating earnings before tax		**(46)**	**2,367**	**3,341**
Realized gains and losses on financial investments	36	99	957	597
Gains and losses on investments in real estate	36	(48)	137	134
Fair value changes on economic hedges for which no hedge accounting is applied	36	(46)	(340)	(193)
Ineffective portion of hedge transactions for which hedge accounting is applied	36	50	16	12
Realized gains and losses on repurchased debt	36	–	–	(12)
DPAC / VOBA offset	40	14	1	29
Impairment (charges) / reversals of financial assets, excluding receivables	41	(1,072)	(88)	(24)
Other income / (charges)	37, 38, 43	(12)	27	87
INCOME / (LOSS) BEFORE TAX		**(1,061)**	**3,077**	**3,971**

[1] The difference between fair value movement on certain guarantees and the fair value changes of derivatives that hedge certain risks of these guarantees, amounting to EUR 325 million, are as of financial year 2008 reclassified from Gains and losses on investments to Operating earnings.

Income statement – Segment revenues – 2008	Americas	The Nether-lands	United Kingdom	Other countries	Holding and other activities	Elimi-nations	**Total**
Life and protection	6,888	2,574	2,855	1,998	–	–	14,315
Individual savings and retirement products	2,256	213	–	34	–	–	2,503
Pensions and asset management	708	3,108	8,762	58	–	–	12,636
Institutional products	1,692	–	–	–	–	–	1,692
Life reinsurance	1,721	–	–	–	–	–	1,721
Distribution	–	287	160	–	–	–	447
General insurance	–	493	–	172	–	–	665
Other	2	–	–	2	744	(645)	103
	13,267	**6,675**	**11,777**	**2,264**	**744**	**(645)**	**34,082**
Income from reinsurance ceded	1,427	10	190	322	–	(316)	1,633
Results from financial transactions [1]	(16,256)	(2,277)	(9,316)	(691)	230	19	(28,291)
Segment expenses [2]	1,162	(4,005)	(2,501)	(1,810)	(130)	316	(6,968)
Interest charges and related fees	(188)	(197)	(28)	(8)	(749)	644	(526)
Share in net results of associates	1	7	–	16	–	–	24
OPERATING EARNINGS BEFORE TAX	**(587)**	**213**	**122**	**93**	**95**	**18**	**(46)**

[1] Results from financial transactions exclude certain results on financial transactions (refer note 2.5).
[2] Charges to policyholders in respect of income tax in AEGON UK for an amount of EUR 17 million are excluded from segment expenses and included in other non-operating income / (charges).

Income statement – Segment revenues – 2007	Americas	The Nether-lands[3]	United Kingdom	Other countries	Holding and other activities	Elimi-nations	**Total**
Life and protection	7,217	2,434	2,419	2,594	–	–	14,664
Individual savings and retirement products	2,515	246	–	14	–	–	2,775
Pensions and asset management	1,394	2,927	11,064	40	–	–	15,425
Institutional products	3,356	–	–	–	–	–	3,356
Life reinsurance	1,848	–	–	–	–	–	1,848
Distribution	–	295	209	–	–	–	504
General insurance	–	471	–	149	–	–	620
Other	10	–	–	1	907	(839)	79
	16,340	**6,373**	**13,692**	**2,798**	**907**	**(839)**	**39,271**
Income from reinsurance ceded	1,288	(4)	253	271	–	(262)	1,546
Results from financial transactions [1]	3,565	(846)	968	46	2	10	3,745
Segment expenses [2]	(18,878)	(5,413)	(14,630)	(3,003)	(95)	262	(41,757)
Interest charges and related fees	(213)	(76)	(13)	(2)	(1,009)	839	(474)
Share in net results of associates	–	3	1	32	–	–	36
OPERATING EARNINGS BEFORE TAX	**2,102**	**37**	**271**	**142**	**(195)**	**10**	**2,367**

[1] Results from financial transactions exclude certain results on financial transactions (refer note 2.5).
[2] Charges to policyholders in respect of income tax in AEGON UK for an amount of EUR 8 million are excluded from segment expenses and included in other non-operating income / (charges).
[3] The difference between fair value movement on certain guarantees and the fair value changes of derivatives that hedge certain risks of these guarantees, amounting to EUR 325 million, are as of financial year 2008 reclassified from Gains and losses on investments to Operating earnings.

Income statement - Segment revenues - 2006	Americas	The Nether-lands	United Kingdom	Other countries	Holding and other activities	Elimi-nations	Total
Life and protection	7,552	2,335	1,836	2,074	–	–	13,797
Individual savings and retirement products	2,872	230	–	8	–	–	3,110
Pensions and asset management	996	2,767	9,872	25	–	–	13,660
Institutional products	3,234	–	–	–	–	–	3,234
Life reinsurance	1,725	–	–	–	–	–	1,725
Distribution	–	232	197	–	–	–	429
General insurance	–	470	–	140	–	–	610
Other	–	–	–	–	895	(845)	50
	16,379	**6,034**	**11,905**	**2,247**	**895**	**(845)**	**36,615**
Income from reinsurance ceded	1,342	1	115	10	–	–	1,468
Results from financial transactions [1]	5,524	536	2,669	135	–	(6)	8,858
Segment expenses [2]	(20,971)	(5,403)	(14,449)	(2,355)	(92)	–	(43,270)
Interest charges and related fees	(100)	(53)	(15)	–	(1,041)	847	(362)
Share in net results of associates	–	7	1	24	–	–	32
OPERATING EARNINGS BEFORE TAX	**2,174**	**1,122**	**226**	**61**	**(238)**	**(4)**	**3,341**

[1] Results from financial transactions exclude certain results on financial transactions (refer note 2.5).
[2] Charges to policyholders in respect of income tax in AEGON UK to the amount of EUR 75 million are excluded from segment expenses and included in other non-operating income / (charges).

Other selected income statement items	Americas	The Nether-lands	United Kingdom	Other countries	Holding and other activities	Total
2008						
Amortization of deferred expenses, VOBA and future servicing rights	999	133	246	179	–	1,557
Depreciation	38	17	14	14	1	84
Impairment charges / (reversals) on financial assets, excluding receivables	815	138	22	70	34	1,079
Impairment charges / (reversals) on non-financial assets and receivables	38	–	–	3	–	41
2007						
Amortization of deferred expenses, VOBA and future servicing rights	743	161	278	99	–	1,281
Depreciation	41	16	17	11	1	86
Impairment charges / (reversals) on financial assets, excluding receivables	44	24	3	–	–	71
Impairment charges / (reversals) on non-financial assets and receivables	28	–	–	2	–	30
2006						
Amortization of deferred expenses, VOBA and future servicing rights	999	199	276	83	–	1,557
Depreciation	47	13	40	10	2	112
Impairment charges / (reversals) on financial assets, excluding receivables	12	12	1	–	–	25
Impairment charges / (reversals) on non-financial assets and receivables	9	–	–	–	–	9

Number of employees	Americas	The Nether-lands	United Kingdom	Other countries	Holding and other activities	Total
2008						
Employees – excluding agents	13,431	5,226	5,068	3,000	254	26,979
Agent employees	1,641	945	121	1,739	–	4,446
TOTAL	**15,072**	**6,171**	**5,189**	**4,739**	**254**	**31,425**
2007						
Employees – excluding agents	12,778	5,138	4,851	2,488	191	25,446
Agent employees	2,379	1,062	139	1,388	–	4,968
TOTAL	**15,157**	**6,200**	**4,990**	**3,876**	**191**	**30,414**
2006						
Employees – excluding agents	11,753	5,048	4,489	2,113	173	23,576
Agent employees	2,483	1,356	150	1,161	–	5,150
TOTAL	**14,236**	**6,404**	**4,639**	**3,274**	**173**	**28,726**

Revenue from transactions between reporting segments were not material during the financial period, with the exception of the interest income on intercompany loans issued by a holding company in the Holdings and other activities segment amounting to EUR 645 million (2007: EUR 839 million and 2006: EUR 845 million) and transactions related to internal reinsurance business amounting to EUR 316 million (2007: EUR 262 million and 2006: nil). All intercompany loans are transacted at an arms' length basis, based on readily available information.

Analysis of operating earnings before tax from non-life business	Accident & Health	General insurance	**Total**
2008			
Premium income	1,997	616	2,613
Investment income	251	49	300
Fee and commission income	98	–	98
Income from reinsurance ceded	264	8	272
Gains and losses on investments	(21)	(2)	(23)
Premiums to reinsurers	(294)	(22)	(316)
Policyholder claims and benefits	(1,252)	(360)	(1,612)
Commissions and expenses	(796)	(244)	(1,040)
TOTAL	**247**	**45**	**292**
2007			
Premium income	2,124	568	2,692
Investment income	258	52	310
Fee and commission income	115	–	115
Income from reinsurance ceded	331	(2)	329
Gains and losses on investments	10	2	12
Premiums to reinsurers	(307)	(19)	(326)
Policyholder claims and benefits	(1,344)	(345)	(1,689)
Commissions and expenses	(820)	(209)	(1,029)
TOTAL	**367**	**47**	**414**
2006			
Premium income	2,241	561	2,802
Investment income	240	49	289
Fee and commission income	116	–	116
Income from reinsurance ceded	336	3	339
Gains and losses on investments	14	9	23
Premiums to reinsurers	(318)	(20)	(338)
Policyholder claims and benefits	(1,420)	(348)	(1,768)
Commissions and expenses	(840)	(199)	(1,039)
TOTAL	**369**	**55**	**424**

Summarized assets and liabilities per geographical segment	Americas	The Nether-lands	United Kingdom	Other countries	Holding and other activities	Elimi-nations	Total
2008							
ASSETS							
VOBA and future servicing rights	3,530	174	732	205	–	–	4,641
Investments general account	86,793	32,163	5,212	6,243	72	(2)	130,481
Investments for account of policyholders	42,353	19,133	41,856	2,067	–	(9)	105,400
Investments in associates	21	55	14	503	4	(2)	595
Deferred expenses	8,815	520	2,762	434	–	–	12,531
Other assets	14,095	11,766	4,057	1,021	17,568	(14,896)	33,611
TOTAL ASSETS	**155,607**	**63,811**	**54,633**	**10,473**	**17,644**	**(14,909)**	**287,259**
LIABILITIES							
Insurance contracts general account	61,584	23,542	6,730	5,521	–	–	97,377
Insurance contracts for account of policyholders	32,787	18,563	7,520	1,938	–	–	60,808
Investment contracts general account	30,233	5,313	535	150	–	–	36,231
Investment contracts for account of policyholders	9,621	4	35,861	128	–	–	45,614
Other liabilities	13,748	13,435	2,666	787	14,589	(11,756)	33,469
TOTAL LIABILITIES	**147,973**	**60,857**	**53,312**	**8,524**	**14,589**	**(11,756)**	**273,499**

Summarized assets and liabilities per geographical segment	Americas	The Nether-lands	United Kingdom	Other countries	Holding and other activities	Elimi-nations	Total
2007							
ASSETS							
VOBA and future servicing rights	3,113	172	991	92	–	–	4,368
Investments general account	91,487	30,813	5,668	4,801	98	(6)	132,861
Investments for account of policyholders	55,474	21,354	62,850	2,730	–	(24)	142,384
Investments in associates	22	42	17	390	4	(3)	472
Deferred expenses	6,857	612	3,305	478	–	–	11,252
Other assets	8,760	9,016	2,837	714	8,721	(7,265)	22,783
TOTAL ASSETS	**165,713**	**62,009**	**75,668**	**9,205**	**8,823**	**(7,298)**	**314,120**
LIABILITIES							
Insurance contracts general account	55,923	21,652	6,550	4,371	–	–	88,496
Insurance contracts for account of policyholders	44,106	20,427	11,172	2,689	–	–	78,394
Investment contracts general account	29,419	5,857	677	136	–	–	36,089
Investment contracts for account of policyholders	11,427	3	52,286	40	–	–	63,756
Other liabilities	11,881	10,990	2,027	555	5,780	(3,810)	27,423
TOTAL LIABILITIES	**152,756**	**58,929**	**72,712**	**7,791**	**5,780**	**(3,810)**	**294,158**

Segment assets by line of business [1]	Americas	The Nether-lands	United Kingdom	Other countries	Holding and other activities	Elimi-nations	**Total**
2008							
Life and protection	38,109	18,117	6,319	9,128	–	–	71,673
Individual savings and retirement products	53,363	5,024	–	285	–	–	58,672
Pensions and asset management	18,495	37,617	48,211	373	–	–	104,696
Institutional guaranteed products	39,264	–	–	–	–	–	39,264
Life reinsurance	5,886	–	–	–	–	–	5,886
Distribution	–	241	75	–	–	–	316
General insurance	–	888	–	177	–	–	1,065
Other	–	–	–	1	19,521	(14,909)	4,613
Share in results of associates	21	–	–	498	–	–	519
TOTAL SEGMENT ASSETS	**155,138**	**61,887**	**54,605**	**10,462**	**19,251**	**(14,909)**	**286,704**
2007							
Life and protection	39,101	23,622	6,886	8,345	–	–	77,954
Individual savings and retirement products	59,555	4,787	–	201	–	–	64,543
Pensions and asset management	19,861	32,213	68,659	158	–	–	120,891
Institutional guaranteed products	41,378	–	–	–	–	–	41,378
Life reinsurance	5,780	–	–	–	–	–	5,780
Distribution	–	359	106	–	–	–	465
General insurance	–	986	–	110	–	–	1,096
Other	–	–	–	–	8,783	(7,298)	1,485
Share in results of associates	22	42	17	391	–	–	472
TOTAL SEGMENT ASSETS	**165,697**	**62,009**	**75,668**	**9,205**	**8,783**	**(7,298)**	**314,064**

[1] Segment assets include all assets, except income tax receivables.

Cost to acquire real estate held for own use, software and equipment were not material during the financial period.

Note 6 INTANGIBLE ASSETS

Net book value	Goodwill	VOBA	Future servicing rights	Software	Other	Total
At January 1, 2007	221	3,959	119	34	5	4,338
At December 31, 2007	433	3,927	441	33	60	4,894
AT DECEMBER 31, 2008	**720**	**4,119**	**522**	**29**	**35**	**5,425**
Cost						
At January 1, 2007	221	7,106	217	268	8	7,820
Additions	–	7	–	10	–	17
Acquisitions through business combinations	228	526	379	–	61	1,194
Disposals	–	–	–	(1)	–	(1)
Net exchange differences	(16)	(620)	(41)	(14)	(5)	(696)
Other	–	5	–	5	–	10
AT DECEMBER 31, 2007	**433**	**7,024**	**555**	**268**	**64**	**8,344**
Accumulated amortization, depreciation and impairment losses						
At January 1, 2007	–	3,147	98	234	3	3,482
Amortization / depreciation through income statement	–	210	27	13	1	251
Shadow accounting adjustments	–	(86)	(1)	–	–	(87)
Disposals	–	–	–	(1)	–	(1)
Net exchange differences	–	(287)	(10)	(15)	–	(312)
Other	–	113	–	4	–	117
AT DECEMBER 31, 2007	**–**	**3,097**	**114**	**235**	**4**	**3,450**
Cost						
At January 1, 2008	433	7,024	555	268	64	8,344
Additions	–	24	2	11	1	38
Acquisitions through business combinations	297	42	111	–	3	453
Disposals	–	–	–	(26)	–	(26)
Net exchange differences	(6)	(94)	(18)	(46)	1	(163)
Other	(4)	–	–	–	–	(4)
AT DECEMBER 31, 2008	**720**	**6,996**	**650**	**207**	**69**	**8,642**
Accumulated amortization, depreciation and impairment losses						
At January 1, 2008	–	3,097	114	235	4	3,450
Amortization / depreciation through income statement	–	212	13	11	4	240
Shadow accounting adjustments	–	(444)	–	–	–	(444)
Impairment losses	–	–	10	–	26	36
Disposals	–	–	–	(25)	–	(25)
Net exchange differences	–	12	(9)	(43)	–	(40)
AT DECEMBER 31, 2008	**–**	**2,877**	**128**	**178**	**34**	**3,217**

In the preparation of the Opening Balance Sheet under IFRS as at January 1, 2004, business combinations prior to that date have not been restated and goodwill previously written off through equity has not been reinstated.

Amortization and depreciation through the income statement is included in 'Commissions and expenses'.

None of the intangible assets have titles that are restricted or have been pledged as security for liabilities.

Of the additions to goodwill in 2007, an amount of EUR 187 million relates to the acquisitions of Clark Inc., Merrill Lynch Life Insurance Company and ML Life Insurance Company of New York by AEGON USA during 2007, of which EUR 12 million were reversed in 2008 after finalizing purchase accounting. Of additions to goodwill in 2008 of EUR 297 million, an amount of EUR 229 million relates to acquisitions of joint ventures by AEGON Spain during 2008 and amounts of EUR 6 million, EUR 30 million and EUR 39 million relates to acquisition in Hungary, Turkey and Poland respectively. Refer to note 52 for further information on the business combinations entered into by AEGON in 2007 and 2008. An initial allocation of goodwill provisionally allocated for the acquisitions in Spain, Hungary, Turkey and Poland, will be finalized when the purchase accounting is complete.

The goodwill balance has been allocated across the cash-generating units which are expected to benefit from the synergies inherent in the goodwill. Goodwill is tested for impairment both annually and in addition, when there are specific indicators of a potential impairment. The recoverable amount is the higher of the value in use and fair value less costs to sell for a cash-generating unit. A geographical summary of the cash-generating units to which the goodwill is allocated is as follows:

	2008	2007
Americas		
- USA	216	217
Other countries		
- Spain	336	111
- Central and Eastern Europe	103	44
Other	65	61
AT DECEMBER 31	**720**	**433**

Value in use calculations have been actuarially determined based on business plans covering a period of typically 5 years and pre-tax risk adjusted discount rates ranging between 9% and 17%. Projections beyond that date have been extrapolated using a declining growth rate up to a maximum of 5%. Key assumptions used for the calculation include new business, renewals, value of new business, asset fees, investment return, persistency, expense inflation and mortality.

Fair value less costs to sell calculations were estimated based on the appraisal value for the cash-generating units using embedded value principles. Appraisal value represents available net asset value and the shareholders' interest in the long-term business plus a multiple of the value of new business. Key assumptions used for the calculation were pre-tax risk adjusted discount rates of 11%, future premiums, commissions, inflation, persistency, mortality, morbidity and future investment returns.

The operating assumptions used in all the calculations are best estimate assumptions and based on historical data where available. The economic assumptions used in all the calculations are based on observable market data and projections of future trends.

All the cash-generating units tested showed that the recoverable amounts were significantly higher than their carrying values, including goodwill. A reasonably possible change in any key assumption is not expected to cause the carrying value of the cash-generating units to exceed its recoverable amount.

With the exception of goodwill, all intangible assets have a finite useful life and are amortized accordingly. VOBA and Future servicing rights are amortized over the term of the related insurance contracts, which can vary significantly depending on the maturity of the acquired portfolio. The VOBA currently recognized is amortized over an average period of 12 to 15 years, with an average remaining amortization period of 11 years (2007: 13 years). Future servicing rights are amortized over an average period up to 35 years, of which 13 remains at

December 31, 2008 (2007: 10 years). Software is generally depreciated over a period of three to five years.
At December 31, 2008, the remaining depreciation period was 2 years (2007: 2 years).

VOBA per line of business	Americas	The Nether-lands	United Kingdom	Other countries	**Total**
2008					
Life and protection	2,061	4	1	45	2,111
Individual savings and retirement products	361	–	–	–	361
Pensions and asset management	51	60	707	26	844
Institutional products	88	–	–	–	88
Life reinsurance	606	–	–	–	606
Distribution	–	109	–	–	109
AT DECEMBER 31	**3,167**	**173**	**708**	**71**	**4,119**
2007					
Life and protection	1,739	5	2	22	1,768
Individual savings and retirement products	317	–	–	–	317
Pensions and asset management	46	65	953	15	1,079
Institutional products	54	–	–	–	54
Life reinsurance	607	–	–	–	607
Distribution	–	102	–	–	102
AT DECEMBER 31	**2,763**	**172**	**955**	**37**	**3,927**

Note 7 INVESTMENTS

Investments for general account comprise financial assets, excluding derivatives, as well as investments in real estate.

	Note	2008	2007
Available-for-sale (AFS)		94,747	98,047
Loans		25,333	22,554
Held-to-maturity (HTM)		2,270	1,876
Financial assets designated at fair value through profit or loss (FVTPL)[1]		5,603	7,863
Total financial assets, excluding derivatives	**7.1**	**127,953**	**130,340**
Investments in real estate	**7.2**	2,528	2,521
TOTAL INVESTMENTS FOR GENERAL ACCOUNT		**130,481**	**132,861**

[1] Refer to note 49 for a summary of all financial assets and financial liabilities designated at fair value through profit or loss.

Real estate held for own use, previously reported as part of general account investments has been reclassified to other assets and receivables - note 13.

Note 7.1 FINANCIAL ASSETS, EXCLUDING DERIVATIVES

	AFS	FVTPL	HTM	Loans	Total	Fair value
2008						
Shares	1,429	1,173	–	–	2,602	2,602
Debt securities	84,019	2,282	2,255	–	88,556	88,690
Money market and other short-term investments	8,318	146	–	–	8,464	8,464
Mortgages	–	–	–	20,166	20,166	19,293
Private loans	–	–	–	822	822	818
Deposits with financial institutions	–	–	–	1,640	1,640	1,640
Policy loans	–	–	–	2,473	2,473	2,473
Receivables out of share lease agreements	–	–	–	54	54	54
Other	981	2,002	15	178	3,176	3,176
AT DECEMBER 31, 2008	**94,747**	**5,603**	**2,270**	**25,333**	**127,953**	**127,210**
2007						
Shares	1,933	2,002	–	–	3,935	3,935
Debt securities	89,967	3,119	1,846	–	94,932	94,901
Money market and other short-term investments	5,280	107	–	–	5,387	5,387
Mortgages	–	–	–	17,853	17,853	17,813
Private loans	–	–	–	804	804	831
Deposits with financial institutions	–	–	–	1,322	1,322	1,322
Policy loans	–	–	–	2,253	2,253	2,252
Receivables out of share lease agreements	–	–	–	137	137	137
Other	867	2,635	30	185	3,717	3,717
AT DECEMBER 31, 2007	**98,047**	**7,863**	**1,876**	**22,554**	**130,340**	**130,295**

Of the debt securities, money market and other short-term investments, mortgages and private loans EUR 17,833 million is current (2007: EUR 11,082 million).

DERECOGNITION

As part of the AEGON Levensverzekering N.V.'s funding program the company entered into securitization contracts for its mortgage loans. At December 31, 2008 a total of five publicly placed and one privately placed securitization contracts were outstanding with a total value of EUR 4.0 billion (2007: EUR 4.7 billion). Although no new securitizations took place in 2008 there was one replenishment of SAECURE 6, the most recent publicly placed securitization.

In 2007 the first of the publicly placed securitizations (SAECURE 1) was called by the special purpose vehicle. When these securitization programs were set up, the economic ownership of mortgage receivables was conveyed to special purpose companies. The special purpose companies funded the purchase of mortgages from AEGON The Netherlands with the issuance of mortgage-backed securities. The transfer of ownership title will take place only if the borrowers are duly notified by the special purpose company upon the occurrence of certain pre-defined 'notification events'. At the same time AEGON entered into a fixed-to-floating swap agreement with the contract parties under which AEGON agreed to pay the floating rate (EURIBOR based) and receive the fixed rate (yield from the mortgage receivables). After a period of seven years, the interest of the notes issued by the special purpose companies in respect of this transaction will step-up, together with a similar step-up in the fixed-to-floating swap agreement. At that same time, the special purpose companies have the right to call the notes. A deferred purchase arrangement forming part of the contracts to sell the mortgage loans to the special purpose companies entitles AEGON Levensverzekering N.V. to any specified residual positive value of the special purpose entities at maturity.

A 3.3% portion of securitized mortgage loans forming part of SAECURE 4 amounting to EUR 13 million (2007: EUR 18 million) continues to be recognized as a financial asset on balance, representing the interest rate risk retained by AEGON in respect of the fourth publicly placed securitization contract.

In the year ended December 31, 2008, AEGON USA had sold EUR 17 million (USD 23 million) of AAA-wrapped municipal debt securities to SPEs. AEGON has no continuing involvement with these SPEs. In 2007 AEGON consolidated SPEs in which it had continuing involvement. The fair value of all such debt securities reflected in investments and also measured at fair value through profit or loss amounted to EUR 592 million as at December 31, 2007. In 2008, AEGON terminated these SPEs.

MEASUREMENT

AEGON owns EUR 201 million (2007: EUR 120 million) of shares in the Federal Home Loan Bank of Des Moines, Iowa, that are measured at par, which equals the amortized cost value. The bank has implicit financial support from the United States government. The redemption value of the shares is fixed at par and can only be redeemed by the bank.

Only other insignificant amounts of unquoted equity instruments are measured at cost.

Refer to note 3 for information on the fair value measurement.

OTHER

Movement on the loan allowance account during the year were as follows:

	2008	2007
At January 1	(58)	(75)
Addition charged to income statement	(49)	(6)
Reversal to income statement	–	10
Amounts written off	19	12
Net exchange differences	(2)	1
AT DECEMBER 31	**(90)**	**(58)**

Refer to note 51 for a discussion of collateral received and paid.

No financial assets were reclassified during the financial year.

Note 7.2 INVESTMENTS IN REAL ESTATE

	2008	2007
At January 1	2,521	2,243
Additions	161	254
Subsequent expenditure capitalized	4	8
Transfers from real estate held for own use and mortgage loans	102	49
Disposals	(241)	(115)
Fair value gains / (losses)	(48)	135
Net exchange differences	29	(53)
AT DECEMBER 31	**2,528**	**2,521**

In 2008, 95% of the value of AEGON's properties, both for general account and for account of policyholders, were appraised, of which 84% was performed by independent external appraisers.

AEGON USA has entered into commercial property leases on its investment property portfolio, consisting of office, retail and industrial buildings. These non-cancellable leases have remaining lease terms up to 19 years. Most leases include a clause to enable upward revision of the rental charge on an annual basis according to either a fixed schedule or prevailing market conditions.

AEGON the Netherlands has entered into long-term residential property leases that can be terminated subject to a short-term notice. Under Dutch law, the maximum annual rent increase on residential property rented in the affordable housing segment is specified by the Dutch national government and equals the annual inflation rate plus a small margin.

Refer to note 50 for description of non-cancellable lease rights.

Rental income of EUR 96 million (2007: EUR 89 million; 2006: EUR 90 million) is reported as part of investment income in the income statement. No amount (2007: nil; 2006: EUR 2 million) is attributable to rent on foreclosed real estate. Direct operating expenses (including repairs and maintenance) arising from investment property that generated rental income during the period amounted to EUR 53 million (2007: EUR 53 million; 2006: EUR 28 million). EUR 1 million (2007: EUR 1 million; 2006: nil) of direct operating expenses is related to investment property that did not generate rental income during the period.

There are no restrictions on the realizability of investment property or the remittance of income and proceeds of disposal.

Refer to note 50 for a summary of contractual obligations to purchase investment property or for repairs, maintenance or enhancements.

Note 8 INVESTMENTS FOR ACCOUNT OF POLICYHOLDERS

Investments for account of policyholders comprise financial assets at fair value through profit or loss, excluding derivatives, and investments in real estate.

	Note	2008	2007
Shares		24,799	41,681
Debt securities		25,312	29,091
Money market and other short-term investments		3,761	2,844
Deposits with financial institutions		3,070	3,740
Separate accounts and unconsolidated investment funds		46,273	61,484
Other		1,054	1,036
Total investments for account of policyholders at fair value through profit or loss, excluding derivatives [1]		**104,269**	**139,876**
Investments in real estate	8.1	1,131	2,508
TOTAL INVESTMENTS FOR ACCOUNT OF POLICYHOLDERS		**105,400**	**142,384**

[1] Refer to note 49 for a summary of all financial assets and financial liabilities at fair value through profit or loss.

Real estate in use by AEGON, previously reported as part of investments for account of policyholders has been reclassified to other assets and receivables - note 13.

Note 8.1 INVESTMENTS IN REAL ESTATE

	2008	2007
At January 1	2,508	2,327
Additions	–	835
Subsequent expenditure capitalized	3	9
Disposals	(411)	(37)
Fair value gains / (losses)	(550)	(402)
Net exchange differences	(419)	(224)
AT DECEMBER 31	**1,131**	**2,508**

The investment property is fully leased out under operating leases.

Rental income of EUR 115 million (2007: EUR 134 million) is reported as part of investment income in the income statement.

There are no restrictions on the realizability of investment property or the remittance of income and proceeds of disposal. Refer to note 50 for a summary of contractual obligations to purchase investment property or for repairs, maintenance or enhancements.

Note 9 DERIVATIVES

	Derivative asset		Derivative liability	
	2008	2007	**2008**	2007
Derivatives for general account				
Derivatives not designated in a hedge	4,107	652	3,722	1,261
Derivatives designated as fair value hedges	761	179	1,362	601
Derivatives designated as cash flow hedges	1,584	336	507	197
Net foreign investment hedges	277	93	202	46
	6,729	**1,260**	**5,793**	**2,105**
Derivatives for account of policyholders				
Derivatives not designated in a hedge	1,328	356	296	121
	1,328	**356**	**296**	**121**
TOTAL DERIVATIVES [1]	**8,057**	**1,616**	**6,089**	**2,226**

[1] Refer to note 49 for a summary of all financial assets and financial liabilities at fair value through profit or loss.

Of these derivatives EUR 1,998 million net asset is current (2007: EUR 55 million net asset).

See note 3 for details on measurement of derivatives.

USE OF DERIVATIVES

	Derivative asset		Derivative liability	
Derivatives not designated in a hedge – general account	**2008**	2007	**2008**	2007
Derivatives held as an economic hedge	3,786	575	343	148
Bifurcated embedded derivatives	112	21	2,628	998
Other	209	56	751	115
TOTAL	**4,107**	**652**	**3,722**	**1,261**

AEGON utilizes derivative instruments as a part of its asset liability risk management practices. The derivatives held for risk management purposes are classified as economic hedges to the extent that they do not qualify for hedge accounting, or that AEGON has elected not to apply hedge accounting. The economic hedges of certain exposures relate to an existing asset or liability or the future reinvestment risk. In all cases, these are in accordance with internal risk guidelines and are closely monitored for continuing compliance.

Embedded derivatives that are not closely related to the host contracts have been bifurcated and recorded at fair value in the balance sheet. These bifurcated embedded derivatives are embedded in various institutional products, modified coinsurance and unit linked insurance contracts in the form of guarantees for minimum benefits. As a result of the decline in financial markets in 2008 the market value of the guarantees embedded in the written insurance contracts increased significantly. Please refer to note 47 for more disclosures about these guarantees.

Derivatives are used to add risk by selling protection in the form of single name credit default swaps and tranches of synthetic collateralized debt and commodity obligations. Another strategy used is to synthetically replicate corporate credit exposures with credit derivatives. This involves the purchase of high quality low risk assets and the sale of credit derivatives. The program is designed to purchase asset positions that are already subject to review by management, but may not be available under the same terms and conditions in the cash bond market. AEGON holds financial derivatives for trading purposes.

In addition, AEGON entered into standby liquidity asset purchase agreements for which the Company received a fee for providing liquidity on asset-backed commercial paper with a notional of EUR 104 million. In August 2007, the Canadian asset backed commercial paper market experienced a disruption, which included Canadian government intervention and subsequent market litigation, resulting in AEGON and the counterparty negotiating settlement terms for the facility agreement. Per these terms, AEGON holds embedded contingent options, which reflects potential exposure to underlying senior tranches of synthetic CDOs with a notional of EUR 1.7 billion when losses exceed the fair value of collateral assigned by the counterparty (fair value of collateral is EUR 316 million at December 31, 2008). These contingent embedded options were marked to market at December 31, 2008 (EUR 15 million liability). When the contingent options are exercised, AEGON is exposed to the underlying tranches of the synthetic CDOs.

Furthermore, synthetic Guaranteed Investment Contracts (GICs), liquidity agreements and principal protection agreements have been sold by AEGON to earn a fee.

DERIVATIVE INSTRUMENTS DESIGNATED AS FAIR VALUE HEDGES

AEGON has entered into interest rate swap agreements that effectively convert certain fixed-rate assets and liabilities to a floating-rate basis (generally to six months or less LIBOR) in order to more closely match the performance of the assets and liabilities within AEGON's portfolio. These agreements involve the payment or receipt of fixed-rate interest amounts in exchange for floating-rate interest amounts over the life of the agreement without the exchange of the underlying principal amounts.

AEGON has entered into cross-currency interest rate swap agreements that effectively convert certain foreign currency fixed-rate and floating-rate assets and liabilities to US dollar floating-rate assets and liabilities. These agreements involve the exchange of the underlying principal amounts.

For the years ended December 31, 2008, 2007 and 2006, AEGON recognized gains and losses related to the ineffective portion of designated fair value hedges of EUR 38 million, EUR 11 million and EUR 5 million respectively. No portion of derivatives was excluded when assessing hedge effectiveness.

DERIVATIVE INSTRUMENTS DESIGNATED AS CASH FLOW HEDGES

AEGON has entered primarily into interest rate swap agreements that effectively convert certain variable-rate assets and liabilities to a fixed-rate basis in order to match the cash flows of the assets and liabilities within AEGON's portfolio more closely. These agreements involve the payment or receipt of variable-rate interest amounts in exchange for fixed-rate interest amounts over the life of the agreement without the exchange of the underlying principal amounts. AEGON is hedging its exposure to the variability of future cash flows from the interest rate movements for terms up to 28 years for hedges converting existing floating-rate assets and liabilities to fixed-rate assets.

AEGON uses forward starting interest rate swap agreements to hedge the variability in future cash flows associated with the forecasted purchase of fixed-income assets. These agreements reduce the impact of future interest rate changes on the forecasted transaction. Fair value adjustments for these interest rate swaps are deferred and recorded in equity until the occurrence of the forecasted transaction at which time the interest rate swaps will be terminated. The accumulated gain or loss in equity will be amortized into investment income as the acquired asset affects income. AEGON is hedging its exposure to the variability of future cash flows from interest rate movements for terms up to 25 years. The cash flows from these hedging instruments are expected to affect the profit and loss for approximately the next 44 years. For the year ended December 31, 2008, cash flow hedge accounting for one contract was terminated. Due to default of the swap counterparty, prospective effectiveness of the hedge could no longer be asserted. As a result of the termination of cash flow hedge accounting the fair value movement on this contract has been recorded in the income statement since the date the swap counterparty went into administration. A loss of EUR 19 million has been recorded in result on financial transactions. For the year ended December 31, 2007, none of AEGON's cash flow hedges were discontinued, as it was probable that the original forecasted transactions would occur by the end of the originally specified time period documented at the inception of the hedging relationship.

In addition, AEGON also makes use of cross currency swaps to convert variable or fixed foreign currency cash flows into fixed cash flows in local currencies. The cash flows from these hedging instruments are expected to occur over the next 25 - 33 years. These agreements involve the exchange of the underlying principal amounts.

For the year ended December 31, 2008 AEGON recognized a gain of EUR 12 million of hedge ineffectiveness on cash flow hedges. In 2007 and 2006 gains of EUR 5 million and EUR 7 million respectively of hedge ineffectiveness were recorded in the income statement. The amount of deferred gains or losses to be reclassified from equity into net income during the next twelve months is expected to be EUR 5 million.

The periods when the cash flows are expected to occur are as follows:

	< 1 year	1 - 5 years	5 - 10 years	> 10 years	Total
Cash inflows	298	1,864	2,154	2,148	6,464
Cash outflows	3	12	–	–	15
NET CASH FLOWS	**295**	**1,852**	**2,154**	**2,148**	**6,449**

DERIVATIVE INSTRUMENTS DESIGNATED AS NET FOREIGN INVESTMENT HEDGES

AEGON funds its investments in insurance subsidiaries with a mixture of debt and equity. AEGON aims to denominate debt funding in the same currency as the functional currency of the investment. Investments outside the Eurozone, the United States, United Kingdom and Canada are funded in Euros. When the debt funding of investments is not in the functional currency of the investment, AEGON uses derivatives to swap the currency exposure of the debt instrument to the appropriate functional currency. This policy will ensure that total capital will reflect currency movements without distorting debt to shareholders' equity ratios. AEGON utilizes various financial instruments as designated hedging instruments of its foreign investments. These instruments include subordinated borrowings, long-term and short-term borrowings, short-term debts to credit institutions, cross currency swap contracts and forward foreign exchange contracts.

Note 10 INVESTMENTS IN ASSOCIATES

	Note	2008	2007
At January 1		472	478
Additions		111	26
Share in net income		24	36
Share in changes in associate's equity	15.5	(7)	(58)
Dividend		(4)	(7)
Other		(1)	(3)
AT DECEMBER 31		**595**	**472**

All associates are unlisted and are accounted for using the equity method and are considered to be non-current. The investments in associates include interest in insurance companies that are required to maintain a minimum solvency margin based on local directives. Such restrictions can affect the ability of these associates to transfer funds in the form of cash dividends, or repayment of loans or advances, and therefore, there can be no assurance that these restrictions will not become a limitation in the future. There are no unrecognized shares of losses of associates.

Summarized financial information of associates	2008	2007
Assets	10,176	10,807
Liabilities	9,832	10,509
Revenue	1,788	1,781
Net income	24	36

The summarized financial information is based on the Group's relative holding and excludes any goodwill included in the measurement of the investment in associates. Refer to note 53 for a listing of the principal investments in associates and the Group's percentage holding.

Note 11 REINSURANCE ASSETS

Assets arising from reinsurance contracts related to:	2008	2007
Life insurance general account	3,890	3,279
Life insurance for account of policyholders	177	237
Non-life insurance	858	792
Investment contracts	88	3
AT DECEMBER 31	**5,013**	**4,311**

Amounts due from reinsurers in respect of claims already paid by the Group on the contracts that are reinsured are included in other assets and receivables (note 13).

EUR 56 million of the reinsurance assets are current (2007: EUR 90 million).

Movements during the year in reinsurance assets relating to life insurance:	Life insurance general account	Life insurance for account of policyholders	Total life insurance
At January 1, 2007	2,901	279	3,180
Acquisitions through business combinations	15	–	15
Portfolio transfers and acquisitions	420	(76)	344
Gross premium and deposits – existing and new business	933	94	1,027
Unwind of discount / interest credited	146	3	149
Insurance liabilities released	(897)	(50)	(947)
Changes to valuation of expected future benefits	13	(3)	10
Net exchange differences	(224)	(10)	(234)
Other movements	(28)	–	(28)
AT DECEMBER 31, 2007	**3,279**	**237**	**3,516**
At January 1, 2008	3,279	237	3,516
Acquisitions through business combinations	10	–	10
Portfolio transfers and acquisitions	300	(19)	281
Gross premium and deposits – existing and new business	803	77	880
Unwind of discount / interest credited	167	(4)	163
Insurance liabilities released	(832)	(85)	(917)
Changes to valuation of expected future benefits	147	(4)	143
Net exchange differences	(51)	(25)	(76)
Other movements	67	–	67
AT DECEMBER 31, 2008	**3,890**	**177**	**4,067**

Movements during the year in reinsurance assets relating to non-life insurance:	2008	2007
At January 1	792	785
Gross premium and deposits – existing and new business	239	282
Unwind of discount / interest credited	35	34
Insurance liabilities released	(138)	(170)
Changes to valuation of expected future benefits	(2)	7
Changes in unearned premiums	(94)	(95)
Changes in unexpired risks	(3)	(3)
Incurred related to current year	70	110
Incurred related to prior years	2	22
Release for claims settled current year	(15)	(15)
Release for claims settled prior years	(74)	(87)
Change in IBNR	4	3
Net exchange differences	42	(83)
Other movements	–	2
AT DECEMBER 31	**858**	**792**

Note 12 DEFERRED EXPENSES AND REBATES

	2008	2007
DPAC for insurance contracts and investment contracts with discretionary participation features	12,224	10,957
Deferred transaction costs for investment management services	307	295
Unamortized interest rate rebates	263	236
AT DECEMBER 31	**12,794**	**11,488**
Current	1,116	1,130
Non-current	11,678	10,358

	DPAC	Deferred transaction costs	Unamortized interest rate rebates
At January 1, 2007	10,938	281	239
Costs deferred / rebates granted during the year	1,803	88	42
Amortization through income statement	(998)	(48)	(45)
Shadow accounting adjustments	117	–	–
Net exchange differences	(922)	(29)	–
Other	19	3	–
AT DECEMBER 31, 2007	**10,957**	**295**	**236**

	DPAC	Deferred transaction costs	Unamortized interest rate rebates
At January 1, 2008	10,957	295	236
Costs deferred / rebates granted during the year	1,720	72	77
Amortization through income statement	(1,302)	(30)	(50)
Disposal of group assets			
Shadow accounting adjustments	1,396	–	–
Net exchange differences	(530)	(32)	–
Other	(17)	2	–
AT DECEMBER 31, 2008	**12,224**	**307**	**263**

DPAC per line of business	Americas	The Nether-lands	United Kingdom	Other countries	**Total**
2008					
Life and protection	5,248	453	193	424	6,318
Individual savings and retirement products	2,217	–	–	–	2,217
Pensions and asset management	–	68	2,430	–	2,498
Institutional products	295	–	–	–	295
Life reinsurance	894	–	–	–	894
General insurance	–	–	–	2	2
AT DECEMBER 31	**8,654**	**521**	**2,623**	**426**	**12,224**
2007					
Life and protection	4,519	535	231	474	5,759
Individual savings and retirement products	1,197	–	–	–	1,197
Pensions and asset management	–	77	2,916	1	2,994
Institutional products	219	–	–	–	219
Life reinsurance	786	–	–	–	786
General insurance	–	–	–	2	2
AT DECEMBER 31	**6,721**	**612**	**3,147**	**477**	**10,957**

Note 13 OTHER ASSETS AND RECEIVABLES

	Note	**2008**	2007
Real estate held for own use and equipment	**13.1**	540	673
Receivables	**13.2**	4,673	4,249
Accrued income	**13.3**	2,163	2,352
AT DECEMBER 31		**7,376**	**7,274**

Note 13.1 REAL ESTATE HELD FOR OWN USE AND EQUIPMENT

Net book value	General account real estate held for own use	Account of policyholders real estate held for own use	Equipment	Total
At January 1, 2007	313	150	236	699
At December 31, 2007	329	142	202	673
AT DECEMBER 31, 2008	**343**	**6**	**191**	**540**
Cost				
At January 1, 2007	341	150	589	1,080
Additions	75	–	75	150
Acquired through business combinations	4	–	6	10
Capitalized subsequent expenditure	3	–	–	3
Disposals	(2)	–	(64)	(66)
Unrealized gains / (losses) through equity	9	–	–	9
Realized gains / (losses) through income statement	3	–	–	3
Transfers to investments in real estate	(49)	–	–	(49)
Net exchange differences	(21)	(12)	(36)	(69)
Other	–	4	(15)	(11)
AT DECEMBER 31, 2007	**363**	**142**	**555**	**1,060**
Accumulated depreciation and impairment losses				
At January 1, 2007	28	–	353	381
Depreciation through income statement	8	–	65	73
Disposals	–	–	(30)	(30)
Net exchange differences	(2)	–	(21)	(23)
Other	–	–	(14)	(14)
AT DECEMBER 31, 2007	**34**	**–**	**353**	**387**
Cost				
At January 1, 2008	363	142	555	1,060
Additions	86	–	73	159
Acquired through business combinations	–	–	7	7
Capitalized subsequent expenditure	5	–	–	5
Disposals	(11)	(115)	(101)	(227)
Unrealized gains / (losses) through equity	7	–	–	7
Realized gains / (losses) through income statement	1	(7)	–	(6)
Transfers to investments in real estate	(78)	–	–	(78)
Net exchange differences	10	(14)	(18)	(22)
AT DECEMBER 31, 2008	**383**	**6**	**516**	**905**
Accumulated depreciation and impairment losses				
At January 1, 2008	34	–	353	387
Depreciation through income statement	7	–	62	69
Disposals	–	–	(78)	(78)
Transfers to investments in real estate	(1)	–	–	(1)
Net exchange differences	1	–	(12)	(11)
Other	(1)	–	–	(1)
AT DECEMBER 31, 2008	**40**	**–**	**325**	**365**

Included in the net book value is equipment held for lease of EUR 0 million (2007: EUR 16 million). Equipment has not been pledged as security for liabilities, nor are there any restrictions on title. Depreciation expenses have been charged in 'Commissions and expenses' in the income statement. Equipment is generally depreciated over a period of three to five years.

General account real estate held for own use are mainly held by AEGON USA and AEGON The Netherlands, with relatively smaller holdings in Hungary and Spain and are carried at revalued amounts. The carrying value under a historical cost model amounts to EUR 210 million (2007: EUR 213 million).

47% of the value of the general account real estate held for own use was last revalued in 2008, based on market value appraisals by qualified internal and external appraisers. 76% of the appraisals in 2008 were performed by independent external appraisers.

General account real estate held for own use has not been pledged as security for liabilities, nor are there any restrictions on title. Depreciation expenses are charged in 'Commissions and expenses' in the income statement. The useful lives of buildings range between 40 and 50 years.

Refer to note 50 for a summary of contractual commitments for the acquisition of general account real estate held for own use.

Note 13.2 RECEIVABLES

	2008	2007
Loans to associates	41	24
Finance lease assets	37	39
Receivables from policyholders	2,178	1,783
Receivables from brokers and agents	126	162
Receivables from reinsurers	469	363
Cash outstanding from assets sold	108	26
Trade receivables	246	545
Cash collateral	128	333
Reverse repurchase agreements	8	66
Income tax receivable	555	56
Other	919	1,015
Provision for impairment	(142)	(163)
AT DECEMBER 31	**4,673**	**4,249**
Current	4,165	3,813
Non-current	508	436
Fair value non-current receivables	467	411

The movements in the provision for impairment during the year were as follows:

	2008	2007
At January 1	(163)	(158)
Additions charged to earnings	(4)	(2)
Net exchange differences	(3)	8
Other	28	(11)
AT DECEMBER 31	**(142)**	**(163)**

Note 13.3 ACCRUED INCOME

	2008	2007
Accrued interest	2,159	2,347
Other	4	5
AT DECEMBER 31	**2,163**	**2,352**

All accrued income is current.

Note 14 CASH AND CASH EQUIVALENTS

	2008	2007
Cash at bank and in hand	880	808
Short-term deposits	4,179	1,795
Money market investments	489	355
Short term collateral	4,675	5,473
AT DECEMBER 31	**10,223**	**8,431**

The carrying amounts disclosed reasonably approximate the fair values as at the year end.

EUR 9.0 billion (2007: EUR 9.0 billion) cash collateral is received of which EUR 4.7 billion is included in cash and cash equivalents. A corresponding liability to repay the cash is recognized in other liabilities (note 29). Refer to note 51 for a discussion of collateral received and paid. Investment of cash collateral received is restricted through limitations on credit worthiness, duration, approved investment categories and borrower limits. AEGON earns a share of the spread between the collateral earnings and the rebate paid to the borrower of the securities. Income from security lending programs was approximately EUR 47 million (2007: EUR 23 million; 2006: EUR 26 million).

The weighted effective interest rate on short-term deposits was 1.96% (2007: 4.46%) and these deposits have an average maturity of 8.52 days (2007: 6.39 days).

Included in the short-term deposits is EUR 105 million (2007: EUR 205 million) of deposits which have a charge over them relating to loans made by banks to unit-linked funds.

For the purposes of the cash flow statement, cash and cash equivalents comprise the following:

	Note	2008	2007
Cash and cash equivalents		10,223	8,431
Bank overdrafts	24	(717)	(1,046)
NET CASH AND CASH EQUIVALENTS		**9,506**	**7,385**

The majority of cash is not subject to any restrictions. However, the Dutch Central Bank requires AEGON The Netherlands to hold 2% of its assets relating to banking activities in an account with the Dutch Central Bank. This amount on deposit is reassessed on a monthly basis and carries interest at approximately 2.5%. The balance at the end of the year was EUR 86 million (2007: EUR 81 million).

Note 15 SHAREHOLDERS' EQUITY

Issued share capital and reserves attributable to shareholders of AEGON N.V.

	Note	2008	2007	2006
Share capital – par value	15.1	251	258	255
Share premium	15.2	7,096	7,101	7,104
Total share capital		**7,347**	**7,359**	**7,359**
Retained earnings		8,818	12,402	10,923
Treasury shares [1]	15.3	(725)	(2,053)	(787)
Total retained earnings		**8,093**	**10,349**	**10,136**
Revaluation reserves	15.4	(7,167)	(516)	1,648
Other reserves	15.5	(2,218)	(2,041)	(538)
TOTAL SHAREHOLDERS' EQUITY		**6,055**	**15,151**	**18,605**

[1] As of January 1, 2008, AEGON's treasury shares are included in 'Retained earnings' instead of 'Share capital'. The comparative 2007 and 2006 information has been reclassified accordingly.

Note 15.1 SHARE CAPITAL – PAR VALUE

	2008	2007	2006
Common shares	189	196	195
Preferred shares A	53	53	53
Preferred shares B	9	9	7
AT DECEMBER 31	**251**	**258**	**255**

Common shares	2008	2007	2006
Authorized share capital	360	360	360
Number of authorized shares (in million)	3,000	3,000	3,000
Par value in cents per share	12	12	12

	Number of shares (thousands)	Total amount
At January 1, 2006	1,598,977	192
Share dividend	23,950	3
At December 31, 2006	**1,622,927**	**195**
Withdrawal	(11,600)	(2)
Share dividend	25,218	3
At December 31, 2007	**1,636,545**	**196**
Withdrawal	(99,770)	(12)
Share dividend	41,452	5
AT DECEMBER 31, 2008	**1,578,227**	**189**

Preferred shares	2008	2007	2006
Authorized share capital	250	250	250
Par value in cents per share	25	25	25

	Preferred shares A		Preferred shares B	
	Number of shares (thousands)	Total amount	Number of shares (thousands)	Total amount
At January 1, 2006	211,680	53	23,850	6
Shares issued	–	–	5,440	1
At December 31, 2006	**211,680**	**53**	**29,290**	**7**
Shares issued	–	–	5,880	2
At December 31, 2007	**211,680**	**53**	**35,170**	**9**
Shares issued	–	–	–	–
AT DECEMBER 31, 2008	**211,680**	**53**	**35,170**	**9**

All issued common and preferred shares are fully paid. Repayment of capital can only be initiated by the Executive Board, is subject to approval of the Supervisory Board and must be resolved by the General Meeting of Shareholders. Moreover, repayment on preferred shares needs approval of the related shareholders. Refer to Other information for further information on dividend rights.

There are restrictions on the amount of funds that companies within the Group may transfer in the form of cash dividends or otherwise to the parent company. These restrictions stem from solvency and legal requirements. Refer to note 48 for a description of these requirements.

Vereniging AEGON, based in The Hague, holds all of the issued preferred shares.

Vereniging AEGON, in case of an issuance of shares by AEGON N.V., may purchase as many class B preferred shares as would enable Vereniging AEGON to prevent or correct dilution to below its actual percentage of voting shares, unless Vereniging AEGON as a result of exercising these option rights would increase its voting power to more than 33 percent. Class B preferred shares will then be issued at par value (EUR 0.25), unless a higher issue price is agreed.

In the years 2003 through 2007, 35,170,000 class B preferred shares were issued under these option rights. In 2008, no option rights existed.

AEGON N.V. and Vereniging AEGON have entered into a preferred shares voting rights agreement, pursuant to which Vereniging AEGON has voluntarily waived its right to cast 25/12 vote per class A or class B preferred share. Instead, Vereniging AEGON has agreed to exercise one vote only per preferred share, except in the event of a 'special cause', such as the acquisition of a 15% interest in AEGON N.V., a tender offer for AEGON N.V. shares or a proposed business combination by any person or group of persons, whether individually or as a group, other than in a transaction approved by the Executive Board and Supervisory Board. If, in its sole discretion, Vereniging AEGON determines that a 'special cause' has occurred, Vereniging AEGON will notify the General Meeting of Shareholders and retain its right to exercise the full voting power of 25/12 vote per preferred share for a limited period of six months.

With regard to granted share appreciation rights and option rights and their valuation refer to note 40.

Note 15.2 SHARE PREMIUM

	2008	2007	2006
At January 1	7,101	7,104	7,106
Share dividend	(5)	(3)	(2)
AT DECEMBER 31	**7,096**	**7,101**	**7,104**
Share premium relating to:			
- Common shares	5,044	5,049	5,052
- Preferred shares	2,052	2,052	2,052
TOTAL SHARE PREMIUM	**7,096**	**7,101**	**7,104**

The share premium account reflects the balance of paid-in amounts above par value at issuance of new shares less the amounts charged for share dividends.

Note 15.3 TREASURY SHARES

On the balance sheet date AEGON N.V. and its subsidiaries held 62,778,194 of its own common shares with a face value of EUR 0.12 each.

Movements in the number of repurchased own shares held by AEGON N.V. were as follows:

	2008	2007	2006
	Number of shares (thousands)	Number of shares (thousands)	Number of shares (thousands)
At January 1	133,828	37,724	18,651
Transactions in 2008:			
Purchase: 10 transactions, average price EUR 8.32	26,300	–	–
Sale: 1 transaction, price EUR 14.65	(93)	–	–
Withdrawal of common share capital	(99,770)	–	–
Transactions in 2007:			
Purchase: 3 transactions, average price EUR 13.71	–	33,200	–
Share repurchase program: various transactions, average price EUR 13.41	–	74,570	–
Sale: 7 transactions, average price EUR 15.53	–	(66)	–
Withdrawal of common share capital	–	(11,600)	–
Transactions in 2006:			
Purchase: 30 transactions, average price EUR 14.78	–	–	19,076
Sale: 2 transactions, average price EUR 13.46	–	–	(3)
AT DECEMBER 31	**60,265**	**133,828**	**37,724**

As part of their insurance and investment operations, subsidiaries within the Group also hold AEGON N.V. common shares, both for their own account and for account of policyholders. These shares have been treated as treasury shares and are (de)recognized at the consideration paid or received.

	2008		2007		2006	
	Number of shares (thousands)	**Total amount**	Number of shares (thousands)	**Total amount**	Number of shares (thousands)	**Total amount**
Held by AEGON N.V.	60,265	679	133,828	2,007	37,724	724
Held by subsidiaries	2,513	46	2,503	46	3,086	63
AT DECEMBER 31	**62,778**	**725**	**136,331**	**2,053**	**40,810**	**787**

Note 15.4 REVALUATION RESERVES

	Available-for-sale investments	Real estate held for own use	Cash flow hedging reserve	**Total**
At January 1, 2006	2,450	25	169	2,644
Gross revaluation	(629)	15	(17)	(631)
Net (gains) / losses transferred to income statement	(527)	–	(130)	(657)
Foreign currency translation differences	(70)	(3)	(4)	(77)
Tax effect	235	(5)	51	281
Other	77	–	11	88
AT DECEMBER 31, 2006	**1,536**	**32**	**80**	**1,648**
At January 1, 2007	1,536	32	80	1,648
Gross revaluation	(2,150)	9	(5)	(2,146)
Net gains / (losses) transferred to income statement	(891)	–	25	(866)
Foreign currency translation differences	46	(2)	(12)	32
Tax effect	823	(2)	(34)	787
Other	(43)	(1)	73	29
AT DECEMBER 31, 2007	**(679)**	**36**	**127**	**(516)**
At January 1, 2008	(679)	36	127	(516)
Gross revaluation	(10,970)	7	429	(10,534)
Net (gains) / losses transferred to income statement	718	–	306	1,024
Foreign currency translation differences	(162)	1	63	(98)
Tax effect	3,236	(3)	(269)	2,964
Other	(7)	–	–	(7)
AT DECEMBER 31, 2008	**(7,864)**	**41**	**656**	**(7,167)**

The revaluation accounts for both available-for-sale investments and for real estate held for own use include unrealized gains and losses on these investments, net of tax. Upon sale, the amounts realized are recognized in the income statement or transferred to retained earnings.

Upon impairment, unrealized losses are recognized in the income statement. There are restrictions on the distribution of the balance of the revaluation reserve related to real estate held for own use to shareholders.

The closing balances of the revaluation reserve for available-for-sale investments relate to the following instruments:

	2008	2007	2006
Shares	54	278	909
Debt securities	(7,910)	(992)	612
Other	(8)	35	15
REVALUATION RESERVE FOR AVAILABLE-FOR-SALE INVESTMENTS	**(7,864)**	**(679)**	**1,536**

The cash flow hedging reserve is made up of (un)realized gains and losses on the effective portions of hedging instruments, net of tax. The amounts are recognized in the income statement at the moment of realization of the hedged position to offset the gain or loss from the hedged cash flow. No amounts have been released from equity to be included in the initial measurement of non-financial assets or liabilities.

Note 15.5 OTHER RESERVES

	Foreign currency translation reserve	Net foreign investment hedging reserve	Equity movements of associates	Total
At January 1, 2006	1,316	(556)	93	853
Movement in foreign currency translation and net foreign investment hedging reserves	(1,478)	153	–	(1,325)
Disposals	–	–	2	2
Equity movements of associates	–	–	(68)	(68)
AT DECEMBER 31, 2006	**(162)**	**(403)**	**27**	**(538)**
At January 1, 2007	(162)	(403)	27	(538)
Movement in foreign currency translation and net foreign investment hedging reserves	(1,598)	153	–	(1,445)
Equity movements of associates	–	–	(58)	(58)
AT DECEMBER 31, 2007	**(1,760)**	**(250)**	**(31)**	**(2,041)**
At January 1, 2008	(1,760)	(250)	(31)	(2,041)
Movement in foreign currency translation and net foreign investment hedging reserves	(407)	237	–	(170)
Equity movements of associates	–	–	(7)	(7)
AT DECEMBER 31, 2008	**(2,167)**	**(13)**	**(38)**	**(2,218)**

The foreign currency translation reserve includes the currency results from investments in non-euro denominated subsidiaries. The amounts are released to the income statement upon the sale of the subsidiary.

The net foreign investment hedging reserve is made up of unrealized gains and losses on the effective portions of hedging instruments, net of tax. The amounts are recognized in the income statement at the moment of realization of the hedged position to offset the gain or loss from the net foreign investment.

The equity movements of associates reflect AEGON's share of changes recognized directly in the associate's equity.

Note 16 CONVERTIBLE CORE CAPITAL SECURITIES

	2008	2007	2006
At January 1	–	–	–
Additions	3,000	–	–
AT DECEMBER 31	**3,000**	**–**	**–**

On December 1, 2008, AEGON's core capital was increased through a transaction with the State of the Netherlands in view of the ongoing uncertainty regarding the financial and economic environment during the year. Via Vereniging AEGON a senior loan of EUR 3 billion was provided against issuance of 750 million non-voting convertible core capital securities at EUR 4.00 per security. The newly issued securities rank equal to common shares (pari passu), but carry no voting rights. This structure is designed to avoid dilution of voting rights of existing shareholders. The convertible core capital securities may only be used for general corporate purposes in the ordinary course of business; investments in subsidiaries chargeable to the additional capital of in excess of EUR 300 million outside the European Union require prior approval from the Dutch Central Bank.

Before December 1, 2009 AEGON has the right to repurchase 250 million of the securities at a price between EUR 4 and EUR 4.52 per security, depending on AEGON's share price at the date of the repurchase, and after that date at EUR 6 per security. AEGON may at any time repurchase the remaining 500 million securities at EUR 6 per security. Alternatively, after three years, AEGON may choose to convert these securities into common shares on a one-for-one basis. In this situation, the Dutch State may opt for repayment either in cash (at the original issue price of EUR 4) or in shares.

AEGON retains full discretion over its policy regarding dividends paid on common shares. The coupon on the non-voting securities will be paid only if a dividend is also paid to holders of common shares.

As the holder of the non-voting securities, Vereniging AEGON will receive either an annual coupon of EUR 0.34 per security or, if higher, an amount linked to the value of the dividend paid on AEGON common shares. This amount has been fixed at 110% for 2009, rising to 120% for 2010 and 125% for 2011 and beyond. The coupon is not tax deductible. Vereniging AEGON will use income from the non-voting securities to service the loan from the Dutch State.

Note 17 OTHER EQUITY INSTRUMENTS

	Junior perpetual capital securities	Perpetual cumulative subordinated bonds	Share options not yet exercised	Total
At January 1, 2006	2,809	567	3	3,379
Instruments issued	638	–	–	638
Share options granted	–	–	13	13
Deferred tax	–	–	2	2
AT DECEMBER 31, 2006	**3,447**	**567**	**18**	**4,032**
At January 1, 2007	3,447	567	18	4,032
Instruments issued	745	–	–	745
Share options granted	–	–	18	18
AT DECEMBER 31, 2007	**4,192**	**567**	**36**	**4,795**
At January 1, 2008	4,192	567	36	4,795
Share options granted	–	–	19	19
Redemptions	–	(114)	–	(114)
Share options forfeited	–	–	(1)	(1)
AT DECEMBER 31, 2008	**4,192**	**453**	**54**	**4,699**

Junior perpetual capital securities	Coupon rate	Coupon date	Year of first call	2008	2007	2006
USD 500 million	6.5%	Quarterly, December 15	2010	424	424	424
USD 250 million	Floating LIBOR rate [1]	Quarterly, December 15	2010	212	212	212
USD 550 million	6.875%	Quarterly, September 15	2011	438	438	438
EUR 200 million	6.0%	Annually, July 21	2011	200	200	200
USD 1,050 million	7.25%	Quarterly, December 15	2012	745	745	–
EUR 950 million	Floating DSL rate [2]	Quarterly, July 15	2014	950	950	950
USD 500 million	Floating CMS rate [3]	Quarterly, July 15	2014	402	402	402
USD 1 billion	6.375%	Quarterly, June 15	2015	821	821	821
AT DECEMBER 31				**4,192**	**4,192**	**3,447**

[1] The coupon of the USD 250 million junior perpetual capital securities is reset each quarter based on the then prevailing three-month LIBOR yield plus a spread of 87.5 basis points, with a minimum of 4%.
[2] The coupon of the EUR 950 million junior perpetual capital securities is reset each quarter based on the then prevailing ten-year Dutch government bond yield plus a spread of ten basis points, with a maximum of 8%.
[3] The coupon of the USD 500 million junior perpetual capital securities is reset each quarter based on the then prevailing ten-year US dollar interest rate swap yield plus a spread of ten basis points, with a maximum of 8.5%.

The interest rate exposure on some of these securities has been swapped to a three-month LIBOR yield.

The securities have been issued at par. The securities have subordination provisions and rank junior to all other liabilities. The conditions of the securities contain certain provisions for optional and required coupon payment deferral and mandatory payments events. Although the securities have no stated maturity, AEGON has the right to call the securities for redemption at par for the first time on the coupon date in the years as specified, or on any coupon payment date thereafter.

Perpetual cumulative subordinated bonds	Coupon rate	Coupon date	Year of first call	2008	2007	2006
EUR 114 million	7.625%	July 10	2008	–	114	114
EUR 203 million	7.125% [1,4]	March 4	2011	203	203	203
EUR 114 million	4.156% [2,4]	June 8	2015	114	114	114
EUR 136 million	5.185% [3,4]	October 14	2018	136	136	136
AT DECEMBER 31				**453**	**567**	**567**

1 The coupon of the EUR 203 million bonds is set at 7.125% until March 4, 2011.
2 The coupon of the EUR 114 million bonds was originally set at 8% until June 8, 2005. As of this date, the coupon is reset at 4.156% until 2015.
3 The coupon of the EUR 136 million 7.25% bonds was originally set at 7.25% until October 14, 2008. As of this date, the coupon is reset at 5.185% until October 14, 2018.
4 If the bonds are not called on the respective call dates and after consecutive period of ten years, the coupons will be reset at the then prevailing effective yield of ten-year Dutch government securities plus a spread of 85 basis points.

The bonds have the same subordination provisions as dated subordinated debt. In addition, the conditions of the bonds contain provisions for interest deferral and for the availability of principal amounts to meet losses.

Although the bonds have no stated maturity, AEGON has the right to call the bonds for redemption at par for the first time on the coupon date in the years as specified.

Note 18 TRUST PASS-THROUGH SECURITIES

	Coupon rate	Coupon date	Year of issue	Year of maturity	Year of first call	2008	2007
USD 15 million [1]	Floating	Quarterly, February 23	2003	2033	2008	–	11
USD 12 million [1]	Floating	Quarterly, January 8	2003	2034	2009	9	8
USD 18 million [1]	Floating	Quarterly, July 23	2004	2034	2009	11	13
USD 225 million [2]	7.65%	Semi-annually, December 1	1996	2026	n.a.	105	77
USD 190 million [2]	7.625%	Semi-annually, November 15	1997	2037	n.a.	36	34
AT DECEMBER 31						**161**	**143**

1 Issued by a subsidiary of AEGON N.V.
2 Issued by a subsidiary of, and guaranteed by AEGON N.V.

Trust pass-through securities are securities through which the holders participate in a trust. The assets of these trusts consist of junior subordinated deferrable interest debentures issued by Transamerica Corporation and Clark Consulting Inc. The trust pass-through securities carry provisions with regard to deferral of distributions for extension periods up to a maximum of ten consecutive semi-annual periods.

The trust pass-through securities are subordinated to all other unsubordinated borrowings and liabilities. There were no defaults or breaches of conditions during the period.

The fair value of these loans amounts to EUR 161 million (2007: EUR 143 million).

Note 19 SUBORDINATED BORROWINGS

	2008	2007
AT DECEMBER 31	**41**	**34**

These loans are subordinated to all other unsubordinated borrowings and liabilities. There were no defaults or breaches of conditions during the period. The fair value of these loans amounts to EUR 41 million (2007: EUR 34 million).

Note 20 INSURANCE CONTRACTS

	2008	2007
Life insurance	89,163	81,247
Non-life insurance		
- Unearned premiums and unexpired risks	2,860	2,605
- Outstanding claims	1,550	1,496
- Incurred but not reported claims	790	704
Incoming reinsurance	3,014	2,444
AT DECEMBER 31	**97,377**	**88,496**

	2008	2007
Non-life insurance:		
- Accident and health insurance	4,439	4,030
- General insurance	761	775
TOTAL NON-LIFE INSURANCE	**5,200**	**4,805**

Movements during the year in life insurance:	2008	2007
At January 1	81,247	81,781
Acquisitions through business combinations	593	4,337
Portfolio transfers and acquisitions	204	361
Gross premium and deposits – existing and new business	12,027	9,771
Unwind of discount / interest credited	3,059	3,324
Insurance liabilities released	(11,174)	(11,657)
Changes in valuation of expected future benefits	2,474	(420)
Losses recognized as a result of liability adequacy testing	–	15
Shadow accounting adjustments	133	(138)
Net exchange differences	569	(6,169)
Other	31	42
AT DECEMBER 31	**89,163**	**81,247**

Movements during the year in non-life insurance:	2008	2007
At January 1	4,805	4,886
Acquisitions through business combinations	2	17
Portfolio transfers and acquisitions	–	3
Gross premiums – existing and new business	2,143	2,274
Unwind of discount / interest credited	181	179
Insurance liabilities released	(1,026)	(1,150)
Changes in valuation of expected future benefits	(13)	(10)
Change in unearned premiums	(1,132)	(1,070)
Change in unexpired risks	(4)	(6)
Incurred related to current year	638	592
Incurred related to prior years	114	104
Release for claims settled current year	(281)	(241)
Release for claims settled prior years	(477)	(435)
Change in IBNR	70	64
Net exchange differences	183	(391)
Other	(3)	(11)
AT DECEMBER 31	**5,200**	**4,805**

Prior year run-off results, compared to opening balances of the non-life reserve, are immaterial.

Movements during the year in incoming reinsurance:	2008	2007
At January 1	2,444	2,527
Gross premium and deposits – existing and new business	1,093	1,539
Unwind of discount / interest credited	83	189
Insurance liabilities released	(1,161)	(1,550)
Changes in valuation of expected future benefits	244	45
Net exchange differences	163	(280)
Other	148	(26)
AT DECEMBER 31	**3,014**	**2,444**

Note 21 INSURANCE CONTRACTS FOR ACCOUNT OF POLICYHOLDERS

	2008	2007
Insurance contracts for account of policyholders	**60,808**	**78,394**

	2008	2007
At January 1	78,394	72,143
Acquisitions through business combinations	8	9,185
Portfolio transfers and acquisitions	(395)	(419)
Gross premium and deposits – existing and new business	5,931	7,873
Unwind of discount / interest credited	(14,778)	3,185
Insurance liabilities released	(6,379)	(7,492)
Fund charges released	(968)	(877)
Changes in valuation of expected future benefits	(76)	(56)
Net exchange differences	(1,212)	(5,114)
Other	283	(34)
AT DECEMBER 31	**60,808**	**78,394**

Note 22 INVESTMENT CONTRACTS

	2008	2007
Investment contracts [1]	**36,231**	**36,089**

[1] Refer to note 49 for a summary of all financial assets and financial liabilities at fair value through profit or loss.

	Without discretionary participation features	With discretionary participation features	Total
At January 1, 2007	36,027	591	36,618
Acquisitions through business combinations	99	–	99
Portfolio transfers and acquisitions	(79)	–	(79)
Deposits	13,889	–	13,889
Withdrawals	(13,115)	–	(13,115)
Insurance liabilities released	–	145	145
Interest credited	1,676	–	1,676
Fund charges released	(12)	–	(12)
Movements related to fair value hedges	167	–	167
Net exchange differences	(3,345)	(60)	(3,405)
Other	106	–	106
AT DECEMBER 31, 2007	**35,413**	**676**	**36,089**

	Without discretionary participation features	With discretionary participation features	Total
At January 1, 2008	35,413	676	36,089
Portfolio transfers and acquisitions	110	–	110
Deposits	10,189	–	10,189
Withdrawals	(13,824)	–	(13,824)
Insurance liabilities released	–	17	17
Interest credited	1,285	–	1,285
Fund charges released	(11)	–	(11)
Movements related to fair value hedges	564	–	564
Net exchange differences	1,628	(158)	1,470
Other	342	–	342
AT DECEMBER 31, 2008	**35,696**	**535**	**36,231**

	2008	2007
Fair value of investment contracts without discretionary participation features	35,077	36,078

Investment contracts consist of the following:	2008	2007
Institutional guaranteed products	23,578	24,004
Fixed annuities	5,753	5,012
Savings accounts	4,619	5,173
Investment contracts with discretionary participation features	535	677
Other	1,746	1,223
AT DECEMBER 31	**36,231**	**36,089**

Note 23 INVESTMENT CONTRACTS FOR ACCOUNT OF POLICYHOLDERS

	2008	2007
Investment contracts for account of policyholders [1]	**45,614**	**63,756**

[1] Refer to note 49 for a summary of all financial assets and financial liabilities at fair value through profit or loss.

	Without discretionary participation features	With discretionary participation features	Total
At January 1, 2007	22,764	41,333	64,097
Gross premium and deposits – existing and new business	4,984	8,512	13,496
Withdrawals	(4,186)	–	(4,186)
Interest credited	1,313	2,161	3,474
Insurance liabilities released	–	(7,077)	(7,077)
Fund charges released	(111)	–	(111)
Net exchange differences	(2,134)	(3,796)	(5,930)
Other	(959)	952	(7)
AT DECEMBER 31, 2007	**21,671**	**42,085**	**63,756**
At January 1, 2008	21,671	42,085	63,756
Gross premium and deposits – existing and new business	4,645	6,366	11,011
Withdrawals	(3,118)	–	(3,118)
Interest credited	(4,251)	(6,007)	(10,258)
Insurance liabilities released	–	(4,690)	(4,690)
Fund charges released	(99)	–	(99)
Net exchange differences	(1,661)	(8,969)	(10,630)
Other	(358)	–	(358)
AT DECEMBER 31, 2008	**16,829**	**28,785**	**45,614**

Note 24 BORROWINGS

	2008	2007
Debentures and other loans	3,840	4,682
Commercial papers	428	258
Bank overdrafts	717	1,046
Short term deposits	354	35
AT DECEMBER 31	**5,339**	**6,021**
Current	1,716	2,680
Non-current	3,623	3,341
Total fair value of borrowings	5,464	6,096

Bank overdrafts are largely part of cash pool agreements with banks and matched by cash balances. IFRS does not permit net presentation of these cash balances and bank overdrafts under the current agreements with these banks.

Debentures and other loans	Coupon rate	Coupon date	Issue / Maturity	2008	2007
USD 100 million Domestic Debentures [1]	9.375%	Semi-annually	1996/08	–	68
EUR 1,000 million Medium-Term Notes	4.625%	April 16	2003/08	–	1,000
USD 147 million Domestic Debentures [1]	6.4%	Semi-annually	1998/08	–	94
USD 133 million Zero Coupon Bonds [1]			1982/10	82	68
USD 200 million Zero Coupon Bonds [1]			1982/12	89	74
USD 750 million Senior Notes	4.75%	Semi-annually	2003/13	539	509
EUR 500 million Medium-Term Notes	4.125%	December 8	2004/14	421	474
EUR 75 million Medium-Term Notes	4.625%	December 9	2004/19	57	70
USD 500 million Senior Notes [1]	5.75%	Semi-annually	2005/20	333	353
GBP 92 million Note issue agreement [2, 3, 4]		April 21	2007/21	34	83
GBP 250 million Note issue agreement [2, 3, 4]		April 21	2008/23	262	–
GBP 250 million Medium-Term Notes	6.125%	December 15	1999/31	258	341
USD 1.54 billion Variable Funding Surplus Note [1, 3]	Floating	Quarterly	2006/36	705	569
USD 1.5 billion Variable Funding Surplus Note [1, 3]	Floating	Quarterly	2007/37	295	204
USD 550 million Floating Rate Guaranteed Note [2, 3]	Floating	Quarterly	2007/37	395	374
Other				370	401
				3,840	**4,682**

1 Issued by subsidiaries of, and guaranteed by AEGON N.V.
2 Issued by a subsidiary of AEGON N.V.
3 Outstanding amounts can vary up to the maximum stated nominal amount.
4 Private Value-in-Force (ViF) securitization by AEGON UK to monetize a portion of future profits associated with an existing book of unit-linked business.

Included in debentures and other loans is EUR 845 million (2007: EUR 980 million) relating to borrowings measured at fair value. Proceeds have been swapped to US Dollar floating-rate. AEGON's credit spread had a positive impact of EUR 225 million on income before tax and EUR 156 million on shareholders' equity.

Undrawn committed borrowing facilities:	2008	2007
Floating-rate		
- Expiring within one year	269	255
- Expiring beyond one year	2,263	2,140
AT DECEMBER 31	**2,532**	**2,395**

There were no defaults or breaches of conditions during the period.

Note 25 PROVISIONS

	2008	2007
Provisions	**495**	**293**
Current	274	161
Non-current	221	132
At January 1	293	262
Acquisition of a subsidiary	96	21
Additional provisions	210	78
Unused amounts reversed through the income statement	(7)	(14)
Unwinding of discount and change in discount rate	5	3
Used during the year	(109)	(46)
Net exchange differences	7	(12)
Other	–	1
AT DECEMBER 31	**495**	**293**

The provisions include litigation provisions and provisions for contingent consideration relating to business combinations.

Note 26 DEFINED BENEFIT PLANS

	2008	2007
Retirement benefit plans	1,416	1,550
Other post-employment benefit plans	216	199
TOTAL DEFINED BENEFIT PLANS	**1,632**	**1,749**
Retirement benefit plans in deficit	448	–
Retirement benefit plans in surplus	–	387
TOTAL DEFINED BENEFIT ASSETS	**448**	**387**
Retirement benefit plans in deficit	1,864	1,937
Other post-employment benefit plans in deficit	216	199
TOTAL DEFINED BENEFIT LIABILITIES	**2,080**	**2,136**

Movements during the year in defined benefit plans:	2008 Retirement benefit plans	2008 Other post-employment benefit plans	2008 Total	2007 Retirement benefit plans	2007 Other post-employment benefit plans	2007 Total
At January 1	1,550	199	1,749	1,433	209	1,642
Acquisitions through business combinations	–	–	–	–	1	1
Defined benefit expenses	125	22	147	137	6	143
Contributions paid	(90)	–	(90)	(24)	–	(24)
Benefits paid	(91)	(15)	(106)	(77)	(15)	(92)
Net exchange differences	(59)	8	(51)	7	(16)	(9)
Other	(19)	2	(17)	74	14	88
AT DECEMBER 31	**1,416**	**216**	**1,632**	**1,550**	**199**	**1,749**

The amounts recognized in the balance sheet are determined as follows:

Retirement benefit plans:	2008	2007	2006	2005	2004
Present value of wholly or partly funded obligations	2,144	2,357	2,487	2,542	2,091
Fair value of plan assets	(1,786)	(2,541)	(2,620)	(2,570)	(2,125)
	358	**(184)**	**(133)**	**(28)**	**(34)**
Present value of wholly unfunded obligations	1,644	1,622	1,768	1,817	1,543
Unrecognized actuarial gains / (losses)	(586)	110	(201)	(420)	(111)
Unrecognized past service cost	–	2	(1)	–	–
AT DECEMBER 31	**1,416**	**1,550**	**1,433**	**1,369**	**1,398**

Other post-employment benefit plans:	2008	2007	2006	2005	2004
Present value of wholly or partly funded obligations	4	4	4	4	–
Fair value of plan assets	–	–	–	–	–
	4	**4**	**4**	**4**	**–**
Present value of wholly unfunded obligations	231	224	247	254	246
Unrecognized actuarial gains / (losses)	(19)	(29)	(42)	(21)	(9)
Unrecognized past service cost	–	–	–	–	–
AT DECEMBER 31	**216**	**199**	**209**	**237**	**237**

Defined benefit plans:	2008	2007	2006	2005	2004
Present value of wholly or partly funded obligations	2,148	2,361	2,491	2,546	2,091
Fair value of plan assets	(1,786)	(2,541)	(2,620)	(2,570)	(2,125)
	362	**(180)**	**(129)**	**(24)**	**(34)**
Present value of wholly unfunded obligations [1]	1,875	1,846	2,015	2,071	1,789
Unrecognized actuarial gains / (losses)	(605)	81	(243)	(441)	(120)
Unrecognized past service cost	–	2	(1)	–	–
AT DECEMBER 31	**1,632**	**1,749**	**1,642**	**1,606**	**1,635**

[1] Assets held by AEGON The Netherlands for retirement benefits do not meet the definition of plan assets and as such were not deducted in calculating this amount. Instead, these assets are recognized as general account assets. Consequently, the return on these assets also does not form part of the calculation of defined benefit expenses.

The fair value of AEGON's own financial instruments included in plan assets and the fair value of other assets used by AEGON included in planned assets was nil in both 2008 and 2007.

	2008			2007		
Defined benefit expenses:	Retirement benefit plans	Other post-employment benefit plans	**Total**	Retirement benefit plans	Other post-employment benefit plans	**Total**
Current year service costs	89	6	95	106	4	110
Interest cost	229	14	243	220	12	232
Expected return on plan assets	(193)	–	(193)	(193)	–	(193)
Actuarial gains / (losses) recognized	2	–	2	4	1	5
Past service cost	(2)	2	–	–	(11)	(11)
TOTAL DEFINED BENEFIT EXPENSES	**125**	**22**	**147**	**137**	**6**	**143**

	2006		
Defined benefit expenses:	Retirement benefit plans	Other post-employment benefit plans	Total
Current year service costs	119	4	123
Interest cost	211	12	223
Expected return on plan assets	(190)	–	(190)
Actuarial (gains) / losses recognized	6	–	6
Past service cost	–	(13)	(13)
Losses on curtailment	1	–	1
TOTAL DEFINED BENEFIT EXPENSES	**147**	**3**	**150**

Defined benefit expenses are included in 'Commissions and expenses' in the income statement.

	2008			2007		
	Retirement	Other post-employment benefit plans	**Total**	Retirement benefit plans	Other post-employment benefit plans	**Total**
Actual return on plan assets and reimbursement rights	(689)	–	(689)	257	–	257

Movements during the year of the present value of the defined benefit obligations:	2008	2007
At January 1	4,207	4,506
Acquired through business combinations	–	1
Current year service costs	95	110
Interest cost	243	233
Contributions by plan participants	5	5
Actuarial (gains) / losses	(214)	(235)
Benefits paid	(196)	(185)
Past service cost	4	(12)
Net exchange differences	(101)	(288)
Other	(20)	72
AT DECEMBER 31	**4,023**	**4,207**

Movements during the year in plan assets for retirement benefit plans:	2008	2007
At January 1	2,541	2,620
Expected return on plan assets	193	193
Actuarial gains / (losses)	(882)	64
Contributions by employer	90	24
Contributions by plan participants	5	6
Benefits paid	(90)	(94)
Net exchange differences	(71)	(272)
AT DECEMBER 31	**1,786**	**2,541**

All other post-employment benefits plans are unfunded.

Breakdown of plan assets for retirement benefit plans:	2008	2007
Equity instruments	926	1,727
Debt instruments	684	698
Other	176	116
AT DECEMBER 31	**1,786**	**2,541**

All other post-employment benefits plans are unfunded.

SENSITIVITY OF ASSUMED MEDICAL COST TREND RATES

Assumed medical cost trend rates have an effect on the amounts reported for the health care plans. A one-percentage change in assumed medical cost trend rates would have the following effects:

	2008		2007	
	+ 1%	- 1%	+ 1%	- 1%
Aggregate of current service cost and interest cost components of net periodic post-employment medical costs	2	(1)	1	(1)
Accumulated post-employment benefit obligation for medical cost	17	(16)	17	(16)

Experience adjustments arising on:	2008	2007	2006	2005	2004
Plan liabilities	(3)	(37)	(76)	(28)	90
Plan assets	(882)	64	112	52	66

An experience adjustment on plan liabilities is the difference between the actuarial assumptions underlying the scheme and the actual experience during the period. This excludes the effect of changes in the actuarial assumptions that would also qualify as actuarial gains and losses. Experience adjustments on plan assets are the difference between expected and actual return on assets.

Best estimate of contributions expected for the next annual period	171

Estimated future benefits:	Pension benefits	Other benefits	Total
2009	168	17	185
2010	202	18	220
2011	183	19	202
2012	192	19	211
2013	200	20	220
2014 to 2018	1,129	101	1,230

Defined benefit plans are mainly operated by AEGON USA, AEGON The Netherlands and AEGON UK. The following sections contain a general description of the plans in each of these subsidiaries, a summary of the principal actuarial assumptions applied in determining the value of defined benefit plans and a description of the basis used to determine the overall expected rate of return on plan assets.

AEGON USA

AEGON USA has defined benefit plans covering substantially all its employees that are qualified under the Internal Revenue Service Code. The benefits are based on years of service and the employee's compensation during the highest five, complete, consecutive years of employment. The defined benefit plans were unfunded by EUR 171 million at December 31, 2008 (2007: EUR 467 million overfunded).

AEGON USA also sponsors supplemental retirement plans to provide senior management with benefits in excess of normal pension benefits. These plans are unfunded and non-qualified under the Internal Revenue Service Code. The unfunded amount related to these plans, for which a liability has been recorded, is EUR 191 million (2007: EUR 171 million).

	2008	2007
Assumptions used to determine benefit obligations at year end:		
Discount rate	6.50%	6.25%
Rate of increase in compensation levels	4.56%	4.50%
Assumptions used to determine net periodic benefit cost for the year ended December 31:		
Discount rate	6.25%	5.90%
Rates of increase in compensation levels	4.56%	4.50%
Expected long-term rate of return on assets	8.10%	8.10%

The expected return on plan assets is set at the long-term rate expected to be earned based on the long-term investment strategy and the various classes of the invested funds. For each asset class, a long-term asset return assumption is developed taking into account the long-term level of risk of the asset and historical returns of the asset class. A weighted average expected long-term rate was developed based on long-term returns for each asset class and the target asset allocation of the plan.

AEGON USA provides health care benefits to retired employees, which are predominantly unfunded. The post-retirement health benefit liability amounts to EUR 164 million (2007: EUR 147 million).

The principal actuarial assumptions that apply for the year ended December 31, 2008 are as follows:

	2008	2007
Assumed health care trend rates:		
Health care cost trend rate assumed for next year	9.00%	10.00%
Rate that the cost trend rate gradually declines to	5.00%	5.00%
Year that the rate reaches the rate that it is assumed to remain at	2013	2013
Target allocation of plan assets for retirement benefit plans for the next annual period is:		
Equity instruments	53-73%	
Debt instruments	15-35%	
Other	0-15%	

The overall goal of the plans is to maximize total investment returns to provide sufficient funding for the present and anticipated future benefit obligations within the constraints of a prudent level of portfolio risk and diversification. AEGON believes that the asset allocation is an important factor in determining the long-term performance of the plans. From time to time the actual asset allocation may deviate from the desired asset allocation ranges due to different market performance among the various asset categories. If it is determined that rebalancing is required, future additions and withdrawals will be used to bring the allocation to the desired level.

Pension plan contributions were not required for AEGON USA in 2008 or 2007.

AEGON THE NETHERLANDS

AEGON The Netherlands has a number of defined benefit plans and a small defined contribution plan. The contributions to the retirement benefit plan of AEGON The Netherlands are paid by both the employees and the employer, with the employer contribution being variable. The benefits covered are retirement benefits, disability, death and survivor pension and are based on an average salary system. Employees earning more than EUR 42,490 per year (as at January 1, 2008) have an option to contribute to a defined contribution plan for the excess salary. However, the cost for the company remains the same. The defined benefit plans were unfunded by EUR 1,438 million at December 31, 2008 (2007: EUR 1,432 million). Assets held by AEGON The Netherlands for retirement benefits do not meet the definition of plan assets and as such were not deducted in calculating this amount. Instead, these assets are recognized as general account assets. Consequently, the return on these assets do not form part of the calculation of defined benefit expenses.

AEGON The Netherlands also has a post-retirement medical plan that contributes to the health care coverage of employees and beneficiaries after retirement. The liability related to this plan amounted to EUR 48 million at December 31, 2008 (2007: EUR 48 million).

The principal actuarial assumptions that apply for the year ended December 31, 2008 are as follows:

	2008	2007
Discount rate	5.75%	5.50%
Salary increase rate	2.50%	2.50%
Social security increase rate	2.50%	2.50%
Pension increase rate	2.00%	2.00%
Health care cost trend rate assumed for next year	1.50-2.00%	1.50-2.00%
Rate that the cost trend rate gradually declines to	1.50-2.00%	1.50-2.00%
Year that the rate reaches the rate it is assumed to remain at	n.a.	n.a.

AEGON UK

AEGON UK operates a defined benefit pension scheme providing benefits for staff based on final pensionable salary. The assets of the scheme are held under trust separately from those of the Group. The assets of the scheme are held in policies effected with Scottish Equitable plc. The scheme is closed to new entrants. Under IAS 19, the defined benefit plan has a deficit of EUR 186 million at December 31, 2008 (2007: EUR 283 million).

For each asset class, a long-term return assumption is derived taking into account market conditions, historical returns (both absolute returns and returns relative to other asset classes) and general forecasts for future returns. Government bonds are taken as providing the return with the least risk. The expected long-term rate of return is calculated as a weighted average of these assumed rates, taking account of the long-term strategic allocation of funds across the different classes adopted by the trustees of the scheme.

The principal actuarial assumptions that apply for the year ended December 31, 2008 are as follows:

	2008	2007
Discount rate	5.90%	5.20%
Salary increase rate	5.60%	4.40%
Pension increase rate	3.30%	2.90%
Price inflation	3.30%	2.90%
Expected long-term return on assets	6.70%	6.60%
Target allocation of plan assets for retirement benefit plans for the next annual period is:		
Equity instruments	50%	67%
Debt instruments	50%	33%

OTHER COUNTRIES

The other countries mostly operate defined contribution plans, with the exception of smaller defined benefit plans in AEGON Canada and AEGON Taiwan.

Note 27 DEFERRED REVENUE LIABILITIES

	2008	2007
At January 1	50	43
Income deferred	13	23
Release to income statement	(9)	(12)
Net exchange differences	(12)	(4)
AT DECEMBER 31	**42**	**50**

Note 28 DEFERRED TAX

	2008	2007
Deferred tax assets	1,447	2
Deferred tax liabilities	424	1,605
TOTAL NET DEFERRED TAX	**(1,023)**	**1,603**

	Real estate	Financial assets	Insurance contracts	Deferred expenses, VOBA and other intangible assets	Defined benefit plans	Losses	Other	Total
At January 1, 2007	508	1,206	(2,340)	3,973	(8)	(635)	(47)	2,657
Acquisitions through business combinations	–	–	–	10	–	(2)	9	17
Charged to income statement	10	215	(41)	(80)	(13)	33	5	129
Charged to equity	2	(886)	(7)	6	–	–	2	(883)
Net exchange differences	(9)	(72)	153	(312)	(5)	37	6	(202)
Other	–	5	(28)	(17)	–	(10)	(65)	(115)
AT DECEMBER 31, 2007	**511**	**468**	**(2,263)**	**3,580**	**(26)**	**(577)**	**(90)**	**1,603**
At January 1, 2008	511	468	(2,263)	3,580	(26)	(577)	(90)	1,603
Acquisitions through business combinations	–	2	–	37	–	–	–	39
Charged to income statement	(15)	1,012	(449)	52	27	(345)	(194)	88
Charged to equity	3	(3,142)	(6)	12	–	121	115	(2,897)
Net exchange differences	4	(101)	137	(228)	21	10	33	(124)
Other	10	68	41	(74)	13	216	(6)	268
AT DECEMBER 31, 2008	**513**	**(1,693)**	**(2,540)**	**3,379**	**35**	**(575)**	**(142)**	**(1,023)**

Deferred tax assets comprise temporary differences on:	2008	2007
Real estate	(296)	(2)
Financial assets	1,683	1
Insurance and investment contracts	1,999	–
Deferred expenses, VOBA and other intangible assets	(2,284)	2
Defined benefit plans	(86)	2
Losses	431	–
Other	–	(1)
AT DECEMBER 31	**1,447**	**2**

Deferred tax liabilities comprise temporary differences on:	2008	2007
Real estate	217	509
Financial assets	(10)	469
Insurance and investment contracts	(541)	(2,263)
Deferred expenses, VOBA and other intangible assets	1,095	3,582
Defined benefit plans	(51)	(24)
Losses	(144)	(577)
Other	(142)	(91)
AT DECEMBER 31	**424**	**1,605**

Deferred corporate income tax assets are recognized for tax losses carried forward to the extent that the realization of the related tax benefit through the future taxable profits is probable. For an amount of EUR 513 million (2007: EUR 1 million, 2006: EUR 49 million) the realization of the deferred tax asset is dependent on future taxable profits in excess of the profits arising from the reversal of existing taxable temporary differences.

For an amount of EUR 280 million (2007: nil, 2006: nil) the utilization of tax losses is dependent on retaining bonds and similar investments until the earlier of market recovery or maturity. For an amount of EUR 233 million (2007: EUR 1 million, 2006: EUR 49 million) the utilization of tax losses is dependent on the projection of future taxable income from existing business.

Deferred corporate income tax assets in respect of deductible temporary differences relating to available for sale financial assets are recognized to the extent that the realization of the related tax benefit through the future taxable profits is probable. The realization of the deferred tax asset of EUR 3,761 million (2007: nil, 2006: nil) is dependent on future taxable profits in excess of the profits arising from the reversal of existing taxable temporary differences. For the whole amount the realization of the deferred tax asset is dependent on retaining bonds and similar investments until the earlier of market recovery or maturity.

AEGON did not recognize deferred corporate income tax assets in respect of tax losses amounting to EUR 1,512 million (2007: EUR 1,199 million, 2006: EUR 642 million) that can be carried forward to future taxable income. Tax losses amounting to EUR 687 million (2007: EUR 423 million, 2006: EUR 83 million) can be carried forward indefinitely; tax losses amounting to EUR 340 million (2007: EUR 736 million, 2006: EUR 517 million) will expire within the next five years; tax losses amounting to EUR 391 million (2007: EUR 40 million, 2006: EUR 42 million) will expire in five to ten years; tax losses amounting to EUR 67 million (2007: nil, 2006: nil) will expire in ten to fifteen years; tax losses amounting to EUR 27 million (2007: nil, 2006: nil) will expire in fifteen to twenty years.

AEGON did not recognize deferred corporate income tax assets in respect of deductible temporary differences relating to deferred acquisition costs, insurance contracts, available for sale financial assets and other items for the amount of EUR 424 million (2007: EUR 7 million, 2006: nil).

Deferred corporate income tax liabilities have not been recognized for withholding tax and other taxes that would be payable on the unremitted earnings of certain subsidiaries, branches, associates and joint ventures. The unremitted earnings totaled EUR 1,808 million (2007: EUR 1,856 million; 2006: EUR 1,810 million). All deferred taxes are non-current by nature.

Note 29 OTHER LIABILITIES

	2008	2007
Payables due to policyholders	874	608
Payables due to brokers and agents	867	613
Payables out of reinsurance	774	912
Social security and taxes payable	81	34
Income tax payable	17	426
Investment creditors	661	394
Cash collateral	9,040	8,993
Repurchase agreements	3,929	14
Share appreciation rights	5	41
Other creditors	1,989	2,423
AT DECEMBER 31	**18,237**	**14,458**
Current	17,398	13,606
Non-current	839	852
Fair value	18,142	14,416

Refer to note 40 for a description of share appreciation rights and related expenses.

Note 30 ACCRUALS

	2008	2007
Accrued interest	443	306
Accrued expenses	118	151
AT DECEMBER 31	**561**	**457**

The carrying amounts disclosed reasonably approximate the fair values as at the year end.

Note 31 PREMIUM INCOME AND PREMIUMS TO REINSURERS

	Total	
	Gross	Reinsurance
2008		
Life	19,795	1,255
Non-life	2,614	316
TOTAL	**22,409**	**1,571**
2007		
Life	24,210	1,280
Non-life	2,690	326
TOTAL	**26,900**	**1,606**
2006		
Life	21,768	1,333
Non-life	2,802	338
TOTAL	**24,570**	**1,671**

Note 32 INVESTMENT INCOME

	2008	2007	2006
Interest income	8,886	9,183	9,011
Dividend income	868	1,051	1,186
Rental income	211	223	179
TOTAL INVESTMENT INCOME	**9,965**	**10,457**	**10,376**
Investment income related to general account	7,041	7,496	7,467
Investment income for account of policyholders	2,924	2,961	2,909
TOTAL	**9,965**	**10,457**	**10,376**

Investment income from financial assets held for general account:	**2008**	2007	2006
Available-for-sale	5,217	5,661	5,643
Loans	1,303	1,276	1,231
Held-to-maturity	49	48	34
Financial assets designated fair value through profit or loss	223	255	305
Real estate	96	89	90
Derivatives	67	85	120
Other	86	82	44
TOTAL	**7,041**	**7,496**	**7,467**

Investment income from:	2008	2007	2006
Shares	868	1,051	1,186
Debt securities and money market instruments	7,419	7,708	7,591
Loans	1,303	1,276	1,231
Real estate	211	223	179
Other	164	199	189
TOTAL	**9,965**	**10,457**	**10,376**

Included in interest income is EUR 10 million (2007: EUR 7 million; 2006: EUR 28 million) in respect of interest income accrued on impaired financial assets. The interest income on financial assets that are not carried at fair value through profit or loss amounted to EUR 6,603 million (2007: EUR: 6,930 million 2006: EUR 6,839 million).

Note 33 FEE AND COMMISSION INCOME

	2008	2007	2006
Fee income from asset management	763	700	686
Sales commissions	438	547	440
Commissions from intermediary activities	284	313	233
Other	218	340	306
TOTAL FEE AND COMMISSION INCOME	**1,703**	**1,900**	**1,665**

Included in fee and commission income is EUR 85 million of fees on trust and fiduciary activities (2007: EUR 74 million; 2006: EUR 62 million). EUR 25 million of fees were recognized on financial assets and liabilities that are not carried at fair value with changes in the fair value recognized in the income statement (2007: EUR 6 million; 2006: EUR 14 million).

Note 34 OTHER REVENUES

	2008	2007	2006
OTHER REVENUES	**5**	**14**	**4**

Other revenues relate to non-core activities.

Note 35 INCOME FROM REINSURANCE CEDED

	2008	2007	2006
Recovered claims and benefits	1,907	1,755	1,170
Change in technical provisions	(430)	(380)	124
Commissions	156	171	173
TOTAL	**1,633**	**1,546**	**1,467**

Income from reinsurance ceded represents mainly claims made under reinsured insurance policies.

Note 36 RESULTS FROM FINANCIAL TRANSACTIONS

Results from financial transactions comprise:	2008	2007	2006
Net fair value change of general account financial investments at fair value through profit or loss, other than derivatives	(1,261)	573	775
Realized gains and losses on financial investments	99	957	597
Gains and (losses) on investments in real estate	(48)	137	134
Net fair value change of derivatives	996	(926)	(255)
Net fair value change on for account of policyholder financial assets at fair value through profit or loss	(27,490)	4,380	7,953
Net fair value change on investments in real estate for account of policyholders	(557)	(402)	187
Net foreign currency gains and (losses)	(39)	(172)	(24)
Net fair value change on borrowings and other financial liabilities	105	(2)	42
Realized gains and (losses) on repurchased debt	–	–	(12)
TOTAL	**(28,195)**	**4,545**	**9,397**

Net fair value change of general account financial investments at fair value through profit or loss, other than derivatives comprise:	2008	2007	2006
Shares	(639)	96	344
Debt securities and money market investments	(317)	86	61
Other	(305)	391	370
TOTAL	**(1,261)**	**573**	**775**

Realized gains and losses on financial investments comprise:	2008	2007	2006
Shares	37	870	622
Debt securities and money market investments	140	96	(10)
Loans	9	34	61
Other	(87)	(43)	(76)
TOTAL	**99**	**957**	**597**

Realized gains and losses on financial investments relate to:	2008	2007	2006
Available-for-sale investments	90	923	536
Loans	9	34	61
Other	–	–	–
TOTAL	**99**	**957**	**597**

Net fair value change of derivatives comprise:	2008	2007	2006
Net fair value change on free standing derivatives	2,713	(12)	105
Net fair value change on embedded derivatives	(1,721)	(590)	(179)
Ineffective portion of hedge transactions to which hedge accounting is applied	50	16	12
Fair value changes on economic hedges for which no hedge accounting is applied	(46)	(340)	(193)
TOTAL	**996**	**(926)**	**(255)**

The ineffective portion of hedge transactions to which hedge accounting is applied comprises:	2008	2007	2006
Fair value change on hedging instruments in a fair value hedge	(164)	(242)	(22)
Fair value change on hedged items in a fair valued hedge	202	253	27
Ineffectiveness fair value hedges	38	11	5
Ineffectiveness cash flow hedges	12	5	7
TOTAL	**50**	**16**	**12**

Net fair value change on for account of policyholder financial assets at fair value through profit or loss comprise:	2008	2007	2006
Shares	(11,238)	1,760	3,754
Debt securities and money market investments	(827)	(884)	(1,124)
Deposits with financial institutions	5	(1)	–
Separate accounts and unconsolidated investment funds	(15,481)	3,580	5,323
Other	51	(75)	–
TOTAL	**(27,490)**	**4,380**	**7,953**

Investments for account of policyholders comprise of financial assets and investments in real estate. Refer to note 8 for further information. Financial assets for account of policyholders are classified as at fair value through profit or loss. Investment income on investments for account of policyholders is included in investment income. Refer to note 32 for further information.

Note 37 OTHER INCOME

	2008	2007	2006
Other income	**6**	**214**	**11**

Other income in 2007 relates mainly to the acquisition of OPTAS N.V. ('OPTAS'). The acquired net assets amounted to EUR 1.7 billion, EUR 212 million higher than the acquisition price of EUR 1.5 billion resulting in a one-time gain at acquisition that is reported as part of Other income.

Note 38 POLICYHOLDER CLAIMS AND BENEFITS

	2008	2007	2006
Claims and benefits paid to policyholders	17,248	17,889	16,235
Gains / losses on separate accounts and investment funds	(14,020)	3,244	4,962
Change in valuation of liabilities for insurance and investment contracts	(4,036)	13,002	14,070
TOTAL	**(808)**	**34,135**	**35,267**

The change in valuation of liabilities for insurance and investment contracts include EUR 17 million of losses (2007: gains of EUR 7 million, 2006: gains of EUR 75 million) of other charges that for segment reporting are excluded from Operating earnings before tax.

Note 39 PROFIT SHARING AND REBATES

	2008	2007	2006
Amortization of interest rate rebates	50	46	48
Surplus interest bonuses	10	22	16
Profit appropriated to policyholders	38	15	69
TOTAL	**98**	**83**	**133**

Note 40 COMMISSIONS AND EXPENSES

	2008	2007	2006
Commissions	3,072	3,312	3,444
Employee expenses	1,899	1,903	1,821
Administration expenses	1,373	1,334	1,236
Deferred expenses	(1,792)	(1,891)	(1,973)
Amortization of deferred expenses	1,332	1,062	1,286
Amortization of VOBA and future servicing rights	225	219	271
TOTAL	**6,109**	**5,939**	**6,085**

Included in administration expenses above is depreciation amounting to EUR 84 million (2007: EUR 86 million and 2006: EUR 112 million) that relates to equipment, software and real estate held for own use. The direct operating expenses relating to investments in real estate that generated rental income was EUR 59 million (2007: EUR 62 million and 2006: EUR 32 million). Minimum lease payments recognized as expense amounted to EUR 6 million (2007: EUR 10 million and 2006: EUR 6 million). Included in employee expenses is EUR 26 million (2007: EUR 23 million and 2006: EUR 23 million) regarding defined contribution expenses.

Included in the amortization of deferred expenses and VOBA is EUR 14 million (2007: EUR 1 million and 2006: EUR 29 million) that is classified for segment reporting purposes as non operating earnings as an offset against realized gains and losses on financial investments.

Employee expenses	2008	2007	2006
Salaries	1,285	1,286	1,206
Post-employment benefit costs	180	168	178
Social security charges	146	140	140
Other personnel costs	303	307	258
Share appreciation rights and share options	(15)	2	39
TOTAL	**1,899**	**1,903**	**1,821**

SHARE APPRECIATION RIGHTS AND SHARE OPTIONS

Senior executives of AEGON companies, as well as other AEGON employees, have been offered both share appreciation rights and share options. These share appreciation rights and share options have been granted at an exercise price equal to the market price of the shares at the date of the grant. The rights and options granted in 2004-2008 vest after three years and can only be exercised during the four years after the vesting date. The rights and options granted in 2003 and 2002 vest after two years and can only be exercised during the five years after the vesting date. Vesting and exercisability depend on continuing employment of the individual employee to whom the rights and options have been granted. Option plans are settled in equity, whilst stock appreciation rights are settled in cash or provide the employee with the choice of settlement.

Decisions by the Executive Board to implement share appreciation rights and share option plans are subject to approval by the Supervisory Board. If, subsequently, the Executive Board decides to implement such plans, that decision has to be approved by the Supervisory Board. Options granted pursuant to the purchase agreement with Providian have various expiration dates. The options granted in 1997 to senior executives of former Providian business units fully vest in three years and the exercise period is up to ten years, with the latest period ended in August 2008.

In compliance with regulations under Dutch law, share appreciation rights and share options cannot be exercised in blackout periods.

SHARE APPRECIATION RIGHTS

The following tables present the movements in number of share appreciation rights outstanding (SARs), as well as the breakdown by the year in which they were granted.

	Number of SARs	Weighted average exercise price in EUR	Weighted average remaining contractual term in years	Aggregate intrinsic value in EUR million
Outstanding at January 1, 2007	23,865,888	15.15	3.55	77
Granted	309,500	14.98		
Exercised	(3,014,100)	9.55		
Forfeited	(1,250,426)	17.06		
Expired	–	–		
OUTSTANDING AT JANUARY 1, 2008	**19,910,862**	**15.87**	**2.59**	**30**
Granted	300,300	8.93		
Exercised	(168,400)	7.99		
Forfeited	(1,898,621)	20.21		
Expired	–			
OUTSTANDING AT DECEMBER 31, 2008	**18,144,141**	**15.30**	**1.71**	**0**
EXERCISABLE AT DECEMBER 31, 2008	**17,431,241**	**15.42**	**1.57**	**0**

The weighted average share price at which the share appreciation rights were exercised in 2008 is EUR 10.46 (2007: EUR 15.07).

SARs	Original number granted	Outstanding January 1, 2008	Outstanding December 31, 2008	Exercise price in EUR	Exercise period
2002	11,555,700	7,146,732	5,912,204	26.70	Until March 12, 2009
2003	11,447,300	2,950,744	2,770,637	6.30	Until March 11, 2010
2004	11,574,850	5,668,016	5,323,882	10.56	Until March 17, 2011
2005	4,575,600	3,672,270	3,424,518	10.86	Until March 8, 2012
2006	244,300	187,200	207,100	14.00	Until March 14, 2013
2007	309,500	285,900	231,900	14.98	Until March 13, 2014
2008	300,300	–	273,900	8.93	Until March 11, 2015
TOTAL	**40,007,550**	**19,910,862**	**18,144,141**		

The following assumptions are used in estimating the fair value of share appreciation rights at December 31:

	2008	2007	2006
Volatility	56.43%	29.0%	26.3%
Expected dividend yield	7.77%	7.18%	3.99%
Expected term (in years)	5.93	6.01	5.68
Risk-free rate	3.11%	4.14%	3.87%
AEGON share price at year end	4.525	12.09	14.44

The volatility is derived from quotations from external market sources and the expected dividend yield is derived from quotations from external market sources and the binomial option pricing model. Refer to note 3 for a further description of the method used to estimate the fair value and a description of the significant assumptions.

The liability related to share appreciation rights is valued at fair value at each balance sheet date. Refer to note 29 for details. The costs related to the share appreciation rights amount to EUR (34) million (2007: EUR (16) million and 2006: EUR 26 million) and are recognized in the income statement as part of ‘Commissions and expenses’.

SHARE OPTIONS

The following tables present the movements in number of share options, as well as the breakdown by the year in which they were granted.

	Number of share options	Weighted average exercise price in EUR	Weighted average remaining contractual term in years	Aggregate intrinsic value in EUR million
Outstanding at January 1, 2007	13,919,255	13.25	5.64	21
Granted	9,522,200	14.98		
Exercised	(182,352)	12.26		
Forfeited	(1,895,491)	14.09		
Expired	(95,850)	12.39		
OUTSTANDING AT JANUARY 1, 2008	**21,267,762**	**13.91**	**5.38**	**5**
Granted	10,269,900	8.93		
Exercised	(300)	10.86		
Forfeited	(2,170,196)	12.33		
Expired	(188,650)	30.63		
OUTSTANDING AT DECEMBER 31, 2008	**29,178,516**	**12.17**	**5.01**	**0**
EXERCISABLE AT DECEMBER 31, 2008	**4,085,210**	**10.86**	**3.21**	**0**

The weighted average share price at which the share options were exercised in 2008 is EUR 5.99 (2007: EUR 14.00).

SARs	Original number granted	Outstanding January 1, 2008	Outstanding December 31, 2008	Exercise price in EUR	Exercise period
Providian	7,204,384	188,650	–		
2005	5,586,160	4,370,910	4,085,210	10.86	Until March 8, 2012
2006	9,149,500	7,903,623	7,328,519	14.00	Until March 14, 2013
2007	9,522,200	8,804,579	8,161,651	14.98	Until March 13, 2014
2008	10,269,900	–	9,603,136	8.93	Until March 11, 2015
TOTAL	**41,732,144**	**21,267,762**	**29,178,516**		

The following assumptions are used in estimating the fair value of share options at the grant date:

	2008	2007	2006
Volatility	36%	24.4%	28.0%
Expected dividend yield	9.84%	4.53%	4.23%
Expected term (in years)	6.53	6.57	6.46
Risk-free rate	3.47%	3.84%	3.47%
Exercise price	8.93	14.98	14.00

The costs related to the share options amount to EUR 19 million (2007: EUR 18 million and 2006: EUR 13 million) and are recognized in the income statement as part of 'Commissions and expenses'.

SHARE APPRECIATION RIGHTS AND SHARE OPTIONS

The fair value of a share appreciation right or share option at the grant date in 2008 amounted to EUR 1.57 (2007: EUR 2.87 and 2006: EUR 3.14). These amounts are equal to the weighted average fair value for the respective years. The total intrinsic value of share options exercised and SARs paid during 2008 amounts to EUR 1 million (2007: EUR 15 million and 2006: EUR 11 million).

At December 31, 2008, the total compensation cost related to non-vested awards not yet recognized is estimated at EUR 19 million. The weighted average period over which it is expected to be recognized is 1.3 years.

No cash is received from exercise of share options during 2008, 2007 and 2006. Cash used to settle share appreciation rights amounts to EUR 0.4 million in 2008 (2007: EUR 17 million and 2006: EUR 10 million).

The exposure from the issued share appreciation rights and share options is economically hedged by a position in treasury shares. At December 31, 2008, AEGON N.V. held 42,464,790 of its own common shares with a face value of EUR 0.12 each by virtue of acquisitions for this purpose.

There have been no modifications to the plans during the financial year.

The breakdown of the share appreciation rights and share options granted in 2008 is as follows: senior executives 4,747,500 and other employees 5,822,700 (2007: 4,157,500 and 5,674,200; 2006: 4,009,800 and 5,384,000).

Refer to note 54 for detailed information about the SARs / share options and the shares and options conditionally granted to the Executive Board.

Note 41 IMPAIRMENT CHARGES / (REVERSALS)

Impairment charges / (reversals) comprise:	2008	2007	2006
Impairment charges on financial assets, excluding receivables [1]	1,115	135	142
Impairment reversals on financial assets, excluding receivables [1]	(36)	(64)	(118)
Impact of the above impairments on the valuation of insurance assets and liabilities [1]	(7)	16	–
Impairment charges on non-financial assets and receivables	41	30	9
TOTAL	**1,113**	**117**	**33**

[1] Impairment charges / (reversals) on financial assets, excluding receivables are for segment reporting excluded from operating earnings before tax (refer to note 5).

Impairment charges on financial assets, excluding receivables, from:	2008	2007	2006
Shares	203	45	36
Debt securities and money market instruments	862	76	80
Loans	49	6	15
Other	1	8	11
TOTAL	**1,115**	**135**	**142**

Impairment reversals on financial assets, excluding receivables, from:	2008	2007	2006
Debt securities and money market instruments	(36)	(51)	(103)
Loans	–	(10)	(15)
Other	–	(3)	–
TOTAL	**(36)**	**(64)**	**(118)**

Note 42 INTEREST CHARGES AND RELATED FEES

	2008	2007	2006
Capital securities	8	10	29
Subordinated loans	2	2	14
Borrowings	410	339	252
Other	106	123	67
TOTAL	**526**	**474**	**362**

The interest charges accrued on financial assets and liabilities that are not carried at fair value through profit or loss amounted to EUR 375 million (2007: EUR 314 million and 2006: EUR 331 million).

Note 43 OTHER CHARGES

	2008	2007	2006
Other charges	2	181	1

In 2007, AEGON refined its method of calculating the fair value of the guarantees included in its unit-linked products in order to align these calculations with the calculations currently used for the group pension contracts and traditional products. This change in accounting estimate has been applied prospectively.

In 2007, the pre-tax cumulative charges amounted to EUR 181 million and were reported as part of Other charges.

Other charges is for segment reporting purposes fully excluded from Operating earnings (refer to note 2.5).

Note 44 INCOME TAX

	Note	2008	2007	2006
Current tax				
Current year		(103)	501	304
Adjustments to prior year		36	(104)	(27)
		(67)	**397**	**277**
Deferred tax	28			
Origination / (reversal) of temporary differences		16	234	616
Changes in tax rates / bases		7	(64)	(51)
Recognition of previously unrecognized tax loss / tax credit		(3)	27	(65)
Write off / (reversal of write off) of deferred tax assets		134	37	25
Adjustment to prior year		(66)	(105)	–
INCOME TAX FOR THE PERIOD		**21**	**526**	**802**

Reconciliation between standard and effective income tax:	**2008**	2007	2006
Income before tax	(1,061)	3,077	3,971
Income tax calculated using weighted average applicable statutory rates	(423)	973	1,272
Difference due to the effects of:			
Non-taxable income	2	(261)	(247)
Non-tax deductible expenses	42	35	22
Changes in tax rate / base	7	(64)	(51)
Different tax rates on overseas earnings	467	38	(34)
Tax credits	(82)	(89)	(122)
Other taxes	(85)	34	94
Adjustments to prior years	(23)	(108)	(90)
Origination and change in contingencies	(7)	(101)	(40)
Changes in deferred tax assets as a result of recognition / write off of previously not recognized / recognized tax losses, tax credits and deductible temporary differences	(3)	27	(12)
Non-recognition of deferred tax assets	134	38	47
Tax effect of profit / losses from associates	(2)	(1)	(2)
Other	(6)	5	(35)
INCOME TAX FOR THE PERIOD	**21**	**526**	**802**

The weighted average applicable tax rate is 39.9% (2007: 31.6% and 2006: 32.0%). The change from 2007 to 2008 is due to a change in the profitability of the countries and a change in applicable statutory tax rates. The change in the applicable statutory tax rates has however a minor effect. The increase of the weighted average applicable tax rate compared to 2007 and 2006 is caused by losses that are taxed at a higher rate than the compensating profits. In Spain, the corporate tax rate decreased from 32.5% in 2007 to 30% in 2008. In the Czech Republic, the corporate tax rate decreased from 24% in 2007 to 21% in 2008. The rate will decrease to 20% in 2009 and 19% in 2010. In China, the corporate tax rate decreased from 33% in 2007 to 25% in 2008. In the United Kingdom, the corporate tax rate decreased from 30% in 2007 to 28% in 2008. The federal corporate tax rate in Canada will decrease as from 2008 to 2012 from 19.5% to 15%.

Different tax rates on overseas earnings in the reconciliation between standard and effective income tax primarily consists of results on intercompany reinsurance treaties between Ireland and the United States. These reinsurance treaties are accounted for at fair value in both tax jurisdictions and eliminated in AEGON's consolidated result, while gains in the United States are taxed at 35% and losses in Ireland are taxed at 12.5%.

Note 45 EARNINGS PER SHARE

BASIC EARNINGS PER SHARE

Basic earnings per share is calculated by dividing the net income attributable to equity holders, after deduction of preferred dividends declared and accrued coupons on perpetuals, by the weighted average number of common shares, excluding common shares purchased by the company and held as treasury shares (refer to note 15).

	2008	2007	2006
Net income attributable to equity holders	(1,082)	2,551	3,169
Dividends on preferred shares	(112)	(85)	(80)
Coupons on perpetuals	(189)	(175)	(143)
Net income / (loss) attributable to common shareholders for basic earnings per share calculation	**(1,383)**	**2,291**	**2,946**
Weighted average number of common shares (thousands)	**1,506,862**	**1,561,395**	**1,578,631**
Basic earnings per share (EUR per share)	**(0.92)**	**1.47**	**1.87**

DILUTED EARNINGS PER SHARE

Diluted earnings per share is calculated by adjusting the average number of shares outstanding for share options. For the purpose of calculating diluted earnings per share, AEGON assumed that all dilutive share options have been exercised at the exercise price, or adjusted exercise price if necessary. The proceeds are regarded as having been received from the issue of common shares at the average market price of the AEGON N.V. share during the year. The difference between the number of dilutive options issued and the number of common shares that would have been issued at the average market price has been treated as an issue of common shares for no consideration.

The number of share options that has not been included in the weighted average number of common shares used in the calculation of diluted earnings per share, because these share options were anti-dilutive for the periods presented, amounted to 29,178,516 (2007: EUR 8,993,229 and 2006: 9,151,195). The exercise prices of these share options range from EUR 14.98 to EUR 8.93.

	2008	2007	2006
Net income attributable to equity holders	(1,082)	2,551	3,169
Dividends on preferred shares	(112)	(85)	(80)
Coupons on perpetuals	(189)	(175)	(143)
Net income attributable to common shareholders for diluted earnings per share calculation	**(1,383)**	**2,291**	**2,946**
Weighted average number of common shares (thousands)	1,506,862	1,561,395	1,578,631
Adjustments for:			
- Share options (thousands)	–	1,182	1,072
Weighted average number of common shares for diluted earnings per share calculation (thousands)	**1,506,862**	**1,562,577**	**1,579,703**
Diluted earnings per share (EUR per share)	**(0.92)**	**1.47**	**1.86**

Note 46 DIVIDEND PER COMMON SHARE

The dividend per common share paid in 2008 (final 2007 and interim 2008) and 2007 (final 2006 and interim 2007) was EUR 0.62 and EUR 0.61 respectively. It was decided to forego the final dividend for 2008. Consequently, the dividend for 2008 will total EUR 0.30 per common share, an amount already paid out to shareholders as interim dividend in September 2008.

Note 47 GUARANTEES IN INSURANCE CONTRACTS

For financial reporting purposes AEGON distinguishes between the following types of minimum guarantees:

- Financial guarantees: these guarantees are treated as bifurcated embedded derivatives, valued at fair value and presented as derivatives (refer note 2.10 and note 3);
- Total return annuities: these guarantees are not bifurcated from their host contracts because they are valued at fair value and presented as part of insurance contracts (refer to note 2.19);
- Life contingent guarantees in the United States: these guarantees are not bifurcated from their host contracts, valued in accordance with insurance accounting (SOP 03-1 Accounting and Reporting by Insurance Enterprises for Certain Nontraditional Long-Duration Contracts and for Separate Accounts) and presented together with insurance liabilities (refer to note 2.19 and note 3); and
- Life contingent guarantees in the Netherlands: these guarantees are not bifurcated from their host contracts, valued at fair value (the accounting policy for these guarantees was changed to fair value in 2007) and presented together with the underlying insurance contracts (refer to note 2.19 and note 3).

In addition to the guarantees mentioned above, AEGON has traditional life insurance contracts that include minimum guarantees that are not valued explicitly; however, the adequacy of all insurance liabilities, net of VOBA and DPAC, are assessed periodically (refer to note 2.19).

A) FINANCIAL GUARANTEES

In the United States and United Kingdom, a guaranteed minimum withdrawal benefit (GMWB) is offered directly on some variable annuity products AEGON issues and is also assumed from a ceding company. Variable annuities allow a customer to provide for the future on a tax-deferred basis and to participate in equity or bond market performance.

Variable annuities allow a customer to select payout options designed to help meet the customer's need for income upon maturity, including lump sum payment or income for life or for a period of time. This benefit guarantees that a policyholder can withdraw a certain percentage of the account value, starting at a certain age or duration, for either a fixed period or during the life of the policyholder.

In Canada, variable products sold are known as 'Segregated Funds'. Segregated funds are similar to variable annuities, except that they include a capital protection guarantee for mortality and maturity benefits (guaranteed minimum accumulation benefits). The initial guarantee period is ten years. The ten-year period may be reset at the contractholder's option for certain products to lock-in market gains. The reset feature cannot be exercised in the final decade of the contract and for many products can only be exercised a limited number of times per year. The management expense ratio charged to the funds is not guaranteed and can be increased at management's discretion.

In the Netherlands, individual variable unit linked products have a minimum benefit guarantee if premiums are invested in certain funds. The initial guarantee period is 10 years and may be reset at the policyholder's option to lock in market gains. The reset feature cannot be exercised in the final decade of the contract and for many products can only be exercised a limited number of times per year. The management expense ratio charged to the funds is not guaranteed and can be increased at management's discretion. The sum insured at maturity or upon the death of the beneficiary has a minimum guaranteed return (in the range of 3% to 4%) if the premium has been paid for a consecutive period of at least ten years and is invested in a mixed fund and/or fixed-income funds. No guarantees are given for equity investments only.

The following table provides information on the liabilities for financial guarantees for minimum benefits:

Amounts in EUR million	2008 United States [1]	2008 Canada [1]	2008 UK	2008 The Nether-lands [2]	2008 Total [3]	2007 United States [1]	2007 Canada [1]	2007 UK	2007 The Nether-lands [2]	2007 Total [3]
At January 1	(18)	595	–	377	954	(28)	492	–	275	739
Acquired through business combinations	–	–	–	–	–	13	–	–	–	13
Incurred guarantee benefits	350	580	28	779	1,737	(5)	75	–	102	172
Paid guarantee benefits	–	(11)	–	–	(11)	–	(2)	–	–	(2)
Net exchange differences	18	(136)	(5)	–	(123)	2	30	–	–	32
AT DECEMBER 31	**350**	**1,028**	**23**	**1,156**	**2,557**	**(18)**	**595**	**–**	**377**	**954**
Account value	3,395	1,993	258	5,763	11,409	3,623	3,423	–	6,675	13,721
Net amount at risk [4]	1,007	930	23	554	2,514	11	619	–	62	692

1 Guaranteed minimum accumulation and withdrawal benefits.
2 Fund plan and unit-linked guarantees.
3 Balances are included in the derivatives liabilities on the face of the balance sheet; refer to note 9.
4 The net amount at risk represents the difference between the maximum amount payable under the guarantees and the account value.

In addition, AEGON reinsures the elective guaranteed minimum withdrawal benefit rider issued with a ceding company's variable annuity contracts. The rider is essentially a return of premium guarantee, which is payable over a period of at least fourteen years from the date that the policyholder elects to start withdrawals. At contract inception, the guaranteed remaining balance is equal to the premium payment. The periodic withdrawal is paid by the ceding company until the account value is insufficient to cover additional withdrawals. Once the account value is exhausted, AEGON pays the periodic withdrawals until the guaranteed remaining balance is exhausted. At December 31, 2008, the reinsured account value was EUR 4.2 billion (2007: EUR 6.9 billion) and the guaranteed remaining balance was EUR 4.6 billion (2007: EUR 4.5 billion).

The reinsurance contract is accounted for as a derivative and is carried in AEGON's balance sheet at fair value. At December 31, 2008, the contract had a value of EUR 442 million (2007: EUR 1 million). AEGON entered into a derivative program to mitigate the overall exposure to equity market and interest rate risks associated with the reinsurance contract. This program involves selling S&P 500 futures contracts to mitigate the effect of equity market movement on the reinsurance contract and the purchase of over-the-counter interest rate swaps to mitigate the effect of movements in interest rates on the reinsurance contracts.

B) TOTAL RETURN ANNUITIES

Total Return Annuity (TRA) is an annuity product in the United States which provides customers with a pass-through of the total return on an underlying portfolio of investment securities (typically a mix of corporate and convertible bonds) subject to a cumulative minimum guarantee. Both the assets and liabilities are carried at fair value, however, due to the minimum guarantee not all of the changes in the market value of the asset will be offset in the valuation of the liability. This product exists in both the fixed annuity and life reinsurance lines of business and in both cases represents closed blocks.

Product balances as of December 31, 2008 were EUR 790 million in fixed annuities (2007: EUR 1,000 million) and EUR 300 million in life reinsurance (2007: EUR 350 million).

C) LIFE CONTINGENT GUARANTEES IN THE UNITED STATES

Certain variable insurance contracts in the United States also provide guaranteed minimum death benefits (GMDB) and guaranteed minimum income benefits (GMIB). Under a guaranteed minimum death benefit, the beneficiaries receive the greater of the account balance or the guaranteed amount upon the death of the insured. The net amount at risk for GMDB contracts is defined as the current guaranteed minimum death benefit in excess of the capital account balance at the balance sheet date.

The guaranteed minimum income benefit feature provides for minimum payments if the contractholder elects to convert to an immediate payout annuity. The guaranteed amount is calculated using the total deposits made by the contractholder, less any withdrawals and sometimes includes a roll-up or step-up feature that increases the value of the guarantee with interest or with increases in the account value.

The additional liability for guaranteed minimum benefits that are not bifurcated are determined (based on SOP 03-1) each period by estimating the expected value of benefits in excess of the projected account balance and recognizing the excess over the accumulation period based on total expected assessments. The estimates are reviewed regularly and any resulting adjustment to the additional liability is recognized in the income statement. The benefits used in calculating the liabilities are based on the average benefits payable over a range of stochastic scenarios. Where applicable, the calculation of the liability incorporates a percentage of the potential annuitizations that may be elected by the contract holder.

The following table provides information on the liabilities for guarantees that are included in the valuation of the host contracts.

	2008			2007		
Amounts in EUR million	GMDB [1]	GMIB [2]	Total [4]	GMDB [1]	GMIB [2]	Total [4]
At January 1	188	121	309	117	123	240
Acquired through business combinations	–	–	–	56	1	57
Incurred guarantee benefits	308	306	614	48	16	64
Paid guarantee benefits	(95)	(7)	(102)	(29)	(14)	(43)
Net exchange differences	8	14	22	(4)	(5)	(9)
AT DECEMBER 31	**409**	**434**	**843**	**188**	**121**	**309**
	GMDB [1]	GMIB [2]	Total [3]	GMDB [1]	GMIB [2]	Total [3]
Account value	21,177	5,758	26,935	26,646	8,798	35,444
Net amount at risk [5]	8,025	1,934	9,959	1,833	229	2,062
Average attained age of contractholders	65	64	–	65	63	–

1 Guaranteed minimum death benefit in the United States.
2 Guaranteed minimum income benefit in the United States.
3 Note that the variable annuity contracts with guarantees may offer more than one type of guarantee in each contract; therefore, the amounts listed are not mutually exclusive.
4 Balances are included in the insurance liabilities on the face of the balance sheet; refer to note 20.
5 The net amount at risk is defined as the present value of the minimum guaranteed annuity payments available to the contract holder determined in accordance with the terms of the contract in excess of the current account balance.

D) LIFE CONTINGENT GUARANTEES IN THE NETHERLANDS

The group pension contracts offered by AEGON in the Netherlands include large group contracts that have an individually determined asset investment strategy underlying the pension contract. The guarantee given is that the profit sharing is the minimum of 0% or the realized return (on an amortized cost basis), both adjusted for technical interest rates ranging from 3% to 4%. If there is a negative profit sharing, the 0% minimum is effective, but the loss in any given year is carried forward to be offset against any future surpluses. In general, a guarantee is given for the life of the underlying employees so that their pension benefit is guaranteed. Large group contracts also share technical results (mortality risk and disability risk). The contract period is typically five years and the premiums are fixed over this period. Separate account guaranteed group contracts provide a guarantee on the benefits paid.

The traditional life and pension products offered by AEGON in the Netherlands include various products that accumulate a cash value. Premiums are paid by customers at inception or over the term of the contract. The accumulation products pay benefits on the policy maturity date, subject to survival of the insured. In addition, most policies also pay death benefits if the insured dies during the term of the contract. The death benefits may be stipulated in the policy or depend on the gross premiums paid to date. Premiums and amounts insured are established at inception of the contract. The amount insured can be increased as a result of profit sharing, if provided for under the terms and conditions of the product. Minimum interest guarantees exist for all generations of accumulation products written, except for universal life type products for which premiums are invested solely in equity funds. Older generations contain a 4% guarantee; in recent years the guarantee has decreased to 3%.

These guarantees are valued at fair value and are included as part of insurance liabilities with the underlying host insurance contracts in note 20.

The table on the following page provides information on the liabilities for guarantees that are included in the valuation of the host contracts.

Amounts in EUR million	2008 GMB [1,2]	2007 GMB [1,2]
At January 1	436	768
Incurred guarantee benefits	1,974	(332)
AT DECEMBER 31	**2,410**	**436**
Account value	13,071	13,089
Net amount at risk [3]	779	54

[1] Guaranteed minimum benefit in the Netherlands.
[2] Balances are included in the insurance liabilities on the face of the balance sheet; refer to note 20.
[3] The net amount at risk represents the difference between the maximum amount payable under the guarantees and the account value.

FAIR VALUE MEASUREMENT OF GUARANTEES IN INSURANCE CONTRACTS

The fair values of guarantees mentioned above (with the exception of life contingent guarantees in the United States) are calculated as the present value of future expected payments to policyholders less the present value of assessed rider fees attributable to the guarantees. Given the long-term nature of these guarantees, their fair values are determined by using complex valuation techniques. Because of the dynamic and complex nature of these cash flows, AEGON uses stochastic techniques under a variety of market return scenarios. A variety of factors are considered, including expected market rates of return, equity and interest rate volatility, credit risk, correlations of market returns, discount rates and actuarial assumptions.

Since the price of these guarantees is not quoted in any market, the fair value of these guarantees is computed using valuation models which use observable market data supplemented with the Group's assumptions on developments in future interest rates, volatility in equity prices and other risks inherent in financial markets. All the assumptions used as part of this valuation model are calibrated against actual historical developments observed in the markets. Since many of the assumptions are unobservable and are considered to be significant inputs to the liability valuation, the liability has been reflected within the category 'Valuation techniques not based on observable market data' of the fair value hierarchy. Refer to note 3 for more details on AEGON's fair value hierarchy.

The expected returns are based on risk-free rates, such as the current London Inter-Bank Offered Rate (LIBOR) forward curve. AEGON added a premium to reflect the credit spread as required. The credit spread is set by using the credit default swap (CDS) spreads of a reference portfolio of life insurance companies, adjusted to reflect the subordination of senior debt holders at the holding company level to the position of policyholders at the operating company level (who have priority in payments to other creditors). Because CDS spreads for United States life insurers differed significantly from that for European life insurers, AEGON's assumptions reflect these differences in the valuation. If the credit spreads were 20 basis points higher or lower respectively, and holding all other variables constant in the valuation model, 2008 income before tax would have been EUR 255 million higher or lower.

For equity volatility, AEGON uses a term structure with market based implied volatility inputs for the first five years. Correlations of market returns across underlying indices are based on actual observed market returns and their inter-relationships over a number of years preceding the valuation date. The volume of observable option trading from which volatilities are implied diminishes markedly after five years, and therefore, AEGON uses a volatility curve which grades from actual implied volatilities for five years to a long-term forward rate of 25%. Certain AEGON subsidiaries previously used a single parameter approach for equity volatilities and moved to a term structure in 2008. Assumptions on customer behavior, such as lapses, included in the models are derived in the same way as the assumptions used to measure insurance liabilities. Had AEGON used a long term equity implied volatility assumption that was 5 volatility points higher or lower, the impact on income before tax would have been a decrease or increase of EUR 100 million, respectively, in 2008 income before tax.

These assumptions are reviewed at each valuation date, and updated based on historical experience and observable market data, including market transactions such as acquisitions and reinsurance transactions.

AEGON utilizes different risk management strategies to mitigate the financial impact of the valuation of these guarantees on the results including asset and liability management and derivative hedging strategies to hedge certain aspects of the market risks embedded in these guarantees. Guarantees valued at fair value contributed a net loss before tax of EUR 0.7 billion to operating earnings. This net loss is attributable to an increase in the total guarantee reserves of

EUR 4.3 billion. The main drivers of this increase are EUR 1.1 billion related to a decrease in equity markets, EUR 0.8 billion related to increases in equity volatilities and EUR 3.5 billion related to decreases in risk free rates offset by EUR 1.2 billion related to the increase in the spread of credit risk. Hedges related to these guarantee reserves contributed fair value gains of EUR 3.6 billion to income before tax.

Note 48 CAPITAL AND SOLVENCY

AEGON's capital base reflects the capital employed in insurance activities and consists of shareholders' equity, convertible core capital securities, perpetual capital securities and dated subordinated debt and senior debt. AEGON targets its capital base to comprise at least 70% core capital (excluding the revaluation reserve), and targets 25% perpetual capital securities (consisting of junior perpetual capital securities and perpetual cumulative subordinated bonds) and 5% dated subordinated and senior debt related to insurance activities.

Additionally, AEGON manages capital adequacy at the level of its country units and their operating companies. The goal is to ensure that AEGON companies maintain their strong financial strength, now and into the future, even after sustaining losses from severely adverse business and market conditions. AEGON maintains its companies' capital adequacy levels at whichever is the higher of local regulatory requirements and the relevant local Standard & Poor's requirements for very strong capitalization, and any additionally self-imposed economic requirements.

Core capital, which consists of shareholders' equity and the convertible core capital securities that were issued in 2008 (see below), was EUR 9,055 million at December 31, 2008, compared to EUR 15,151 million at December 31, 2007. Shareholders equity decreased by EUR 9,096 million due to the change in the revaluation reserve of EUR 6,651 million, a net loss of EUR 1,082 million and a number of other effects including dividends paid (EUR 660 million).

Group equity consists of core capital plus Other Equity Securities (see note 17) such as the junior perpetual capital securities and the perpetual cumulative capital securities as well as other equity reserves. Group equity was EUR 13,760 million at December 31, 2008, compared to EUR 19,962 million at December 31, 2007.

The table that follows reconciles total shareholders' equity to the total capital base:

	2008	2007
Total shareholders' equity	6,055	15,151
Convertible core capital securities	3,000	–
Junior perpetual capital securities	4,192	4,192
Perpetual cumulative subordinated bonds	453	567
Share options not yet exercised	54	36
Minority interest	6	16
Trust pass-through securities	161	143
Subordinated borrowings	41	34
Borrowings	5,340	6,021
Borrowings not related to capital funding of insurance activities	(5,271)	(4,766)
TOTAL CAPITAL BASE	**14,031**	**21,394**

In the context of the unprecedented market conditions that materialized in 2008, AEGON felt it was prudent to reinforce the capital buffer to a level substantially in excess of AA-requirements. On December 1, 2008, AEGON secured EUR 3 billion of additional core capital from Vereniging AEGON, funded by the Dutch State. AEGON issued 750 million non-voting convertible core capital securities at EUR 4.00 per security to Vereniging AEGON. In turn Vereniging AEGON was funded on back-to-back terms and conditions by the Dutch State. The securities rank equal to common shares (pari passu), but carry no voting rights. Before December 1, 2009, AEGON has the right to repurchase 250 million of the securities at a price between EUR 4.00 and EUR 4.52 per security, depending on AEGON's share price at the date of the repurchase, and after that date at EUR 6.00 per security. AEGON may at any time repurchase the remaining 500 million securities at EUR 6.00 per security (equivalent to 150% of the original issue price). Alternatively, after three years, AEGON may choose to convert these securities into common shares on a one-for-one basis.

In this situation, the Dutch State may opt for repayment either in cash (at the original issue price of EUR 4) or in shares.

AEGON retains full discretion over its policy regarding dividends paid on common shares. The coupon on the non-voting securities will be paid only if a dividend is also paid to holders of common shares. As the holder of the non-voting securities, Vereniging AEGON will receive either an annual coupon of EUR 0.34 per security or, if higher, an amount linked to the value of the dividend paid on AEGON common shares. This amount has been fixed at 110% for 2009, rising to 120% for 2010 and 125% for 2011 and beyond. The coupon is not tax deductible.

Borrowings not related to capital funding of insurance activities mainly include operational funding of US regulation XXX and guideline AXXX redundant reserves. In the ordinary course of business, AEGON N.V. may at times have borrowings, which are offset by cash and cash equivalents available for future capital management activities, such as funding capital contributions in its subsidiaries, redemption of borrowings or payment of dividends to its shareholders. The Total Capital Base is a non-IFRS measure, as IFRS does not permit separate presentation of borrowings based on the deployment of the proceeds.

AEGON N.V. is subject to certain financial covenants in some of its financial agreements (such as issued debentures, credit facilities and ISDA agreements). Under these financial covenants, an event of default may occur if and when any financial indebtedness of any member of the group is not paid when due, or not paid within any applicable grace period. The financial agreements may also include a cross default provision which may be triggered if and when any financial indebtedness of any member of the group is declared to be or otherwise becomes due and payable prior to its specified maturity as a result of an event of default.

All financial agreements are closely monitored periodically to asses the likelihood of a breach of any financial covenant and the likelihood thereof in the near future. On the basis of this assessment, a breach of any such covenant has not occurred.

Insurance, reinsurance, investment management and banking companies are required to maintain a minimum solvency margin based on applicable local regulations. For managing AEGON's capital, the life insurance and life reinsurance regulations in the European Union and the United States are of main importance.

In the United States, regulation of the insurance business is principally at the state level. State insurance regulators and the National Association of Insurance Commissioners have adopted risk-based capital (RBC) requirements for insurance companies. RBC calculations measure the ratio of a company's statutory capital, which is measured on a prudent regulatory accounting basis, to a minimum capital amount determined by the RBC formula. The RBC formula measures exposures to investment risk, insurance risk, market risk, and general business risk. Life reinsurance is treated as life insurance. The most pertinent RBC measure is the company action level (CAL) RBC. This is the highest regulatory intervention level and is the level at which a company has to submit a plan to its state regulators. The CAL is 200% of the authorized control level (ACL), the level at which regulators are permitted to seize control of the company. At the end of 2008, the combined risk based capital ratio of AEGON's life insurance subsidiaries in the United States was approximately 350% of the CAL RBC and approximately 700% of the ACL RBC.

For the insurance and reinsurance undertakings of AEGON in the European Union, the European Solvency I directives are applicable, as implemented in the relevant member states. Solvency I allows member states to require solvency standards, exceeding the minimum requirements set by the Solvency I directives. The Netherlands and the United Kingdom have set higher solvency standards, as explained below. For life insurance companies the Solvency I capital requirement is by and large, the sum of 4% of insurance and investment liabilities for general account and 1% of insurance and investment liabilities for account policyholders if no guaranteed investment returns are given. At the end of 2008, AEGON The Netherlands solvency capital ratio for the whole group based on IFRS was approximately 158%.

The Financial Services Authority regulates insurance companies in the United Kingdom under the Financial Services and Markets Act 2000 and sets minimum solvency standards. Companies must manage their solvency positions according to the most stringent of the published Solvency I measure (Pillar 1) and a privately submitted economic capital measure (Pillar 2). For AEGON UK, the published measure continues to be the most stringent requirement. At the end of 2008 AEGON UK's aggregate Pillar 1 capital ratio was approximately 200%.

AEGON N.V. is subject to legal restrictions on the amount of dividends it can pay to its shareholders. Under Dutch law the amount that is available to pay dividends consists of total shareholders' equity less the issued and outstanding capital and less the reserves required by law. The revaluation account and legal reserves, foreign currency translation reserve and other, cannot be freely distributed. In case of negative balances for individual reserves legally to be retained, no distributions can be made out of retained earnings to the level of these negative amounts. Total distributable reserves under Dutch law amount to EUR 2,660 million at December 31, 2008.

In addition, AEGON's subsidiaries, principally insurance companies, are subject to restrictions on the amounts of funds they may transfer in the form of cash dividends or otherwise to their parent companies. There can be no assurance that these restrictions will not limit or restrict AEGON in its ability to pay dividends in the future.

OPTAS N.V., an indirect subsidiary of AEGON N.V., holds statutory reserves of EUR 821 million (2007: EUR 770 million) which are restricted. Included in AEGON N.V.'s legal reserves is an amount of EUR 69 million related to OPTAS N.V. which represents the increase in statutory reserves since the acquisition of OPTAS N.V. by AEGON.

Note 49 SUMMARY OF TOTAL FINANCIAL ASSETS AND FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS

The table that follows summarizes the carrying amounts of financial assets and financial liabilities that are classified as at fair value through profit or loss, with appropriate distinction between those financial assets and financial liabilities held for trading and those that, upon initial recognition, were designated as at fair value through profit or loss.

	2008		2007	
	Trading	Designated	Trading	Designated
Investments for general account	16	5,587	71	7,792
Investments for account of policyholders	–	104,269	–	139,876
Derivatives with positive values not designated as hedges	5,435	–	1,008	–
Total financial assets at fair value through profit or loss	**5,451**	**109,856**	**1,079**	**147,668**
Investment contracts for account of policyholders	–	16,829	–	21,671
Derivatives with negative values not designated as hedges	4,018	–	1,382	–
Borrowings	–	845	–	980
Total financial liabilities at fair value through profit or loss	**4,018**	**17,674**	**1,382**	**22,651**

INVESTMENTS FOR GENERAL ACCOUNT

The Group manages certain portfolios on a total return basis which have been designated as at fair value through profit or loss. This includes portfolios of investments in limited partnerships and limited liability companies (primarily hedge funds) for which the performance is assessed internally on a total return basis. In addition, some investments that include an embedded derivative that would otherwise have required bifurcation, such as convertible instruments, preferred shares and credit linked notes, have been designated at fair value through profit or loss. Investments for general account backing insurance and investment liabilities that are carried at fair value with changes in the fair value recognized in the income statement are designated at fair value through profit or loss. The Group elected to designate these investments for account of policyholders at fair value through profit or loss, a classification of financial assets as available-for-sale would result in accumulation of unrealized gains and losses in a revaluation reserve within equity whilst changes to the liability would be reflected in net income (accounting mismatch).

INVESTMENTS FOR ACCOUNT OF POLICYHOLDERS

Investments held for account of policyholders comprise assets that are linked to various insurance and investment contracts for which the financial risks are borne by the customer. Under the Group's accounting policies these insurance and investment liabilities are measured at the fair value of the linked assets with changes in the fair value recognized in the income statement. To avoid an accounting mismatch the linked assets have been designated as at fair value through profit or loss. In addition the investment for account of policyholders include with profit assets, where an insurer manages these assets together with related liabilities on a fair value basis in accordance with a documented policy of asset and liability management. In accordance with Group's accounting policies, these assets have been designated as at fair value through profit or loss.

INVESTMENT CONTRACTS FOR ACCOUNT OF POLICYHOLDERS

With the exception of the financial liabilities with discretionary participating features that are not subject to the classification and measurement requirements for financial instruments, all investment contracts for account of policyholders that are carried at fair value or at the fair value of the linked assets are included in the table above.

DERIVATIVES

With the exception of derivatives designated as a hedging instrument, all derivatives held for general account and held for account of policyholders are included in the table on the previous page.

BORROWINGS

Borrowings designated as at fair value through profit or loss includes financial instruments that are managed on a fair value basis together with related financial assets and financial derivatives.

Gains and losses recognized in the income statement on financial assets and financial liabilities classified as at fair value through profit or loss can be summarized as follows:

	2008		2007	
	Trading	Designated	Trading	Designated
Net gains and losses	(651)	(27,049)	(875)	5,023

No loans and receivables were designated as at fair value through profit or loss.

Changes in the fair value of investment contracts for account of policyholders designated at fair value through profit and loss were not attributable to changes in AEGON's credit spread. There are also no differences between the carrying amounts of these financial liabilities and the contractual amounts payable at maturity (net of surrender penalties).

Note 50 COMMITMENTS AND CONTINGENCIES

INVESTMENTS CONTRACTED

In the normal course of business, the Group has committed itself through purchase and sale transactions of investments, mostly to be executed in the course of 2009. The amounts represent the future outflow and inflow, respectively, of cash related to these investment transactions that are not reflected in the consolidated balance sheet.

	2008		2007	
	Purchase	Sale	Purchase	Sale
Real estate	–	–	3	(4)
Mortgage loans	296	–	594	–
Debt securities	11	–	–	(1)
Private loans	569	–	555	–
Other	1,119	–	1,240	(1)

Mortgage loans commitments represent undrawn mortgage loan facility provided and outstanding proposals on mortgages. Other commitments include future purchases of interests in investment funds and limited partnerships.

OTHER COMMITMENTS AND CONTINGENCIES

	2008	2007
Guarantees	348	225
Standby letters of credit	106	103
Share of contingent liabilities incurred in relation to interests in joint ventures	480	675
Other guarantees	3	33
Other commitments and contingent liabilities	44	44

Guarantees include those given on account of asset management commitments and guarantees associated with the sale of investments in low-income housing tax credit partnerships in the United States. Standby letters of credit amounts reflected above are the liquidity commitment notional amounts. In addition to the guarantees shown in the table, guarantees have been given for fulfillment of contractual obligations, such as investment mandates related to investment funds.

AEGON N.V. has entered into a net worth maintenance agreement with its indirect subsidiary AEGON Financial Assurance Ireland Limited (AFA), pursuant to which AEGON N.V. will cause AFA to have a tangible net worth of at least 3% of its total liabilities under financial guaranty policies which it issues up to a maximum of EUR 3 billion.

A group company entered into a net worth maintenance agreement with AEGON subsidiary Transamerica Life International (Bermuda) Ltd ensuring the company is adequately capitalized and has sufficient cash for its operations.

AEGON N.V. has guaranteed and is severally liable for the following:

- Due and punctual payment of payables due under letter of credit agreements applied for by AEGON N.V. as co-applicant with its subsidiary companies Transamerica Corporation, AEGON USA, Inc. and Commonwealth General Corporation. At December 31, 2008, the letter of credit arrangements amounted to EUR 3,544 million; as that date no amounts had been drawn or were due under these facilities;
- Due and punctual payment of payables by the consolidated Group companies Transamerica Corporation, AEGON Funding Company LLC, Commonwealth General Corporation and Transamerica Finance Corp. with respect to bonds, capital trust pass-through securities and notes issued under commercial paper programs (EUR 694 million), as well as payables with respect to certain derivative transactions of Transamerica Corporation (nominal amount EUR 1,003 million);
- Due and punctual payment of any amounts owed to third parties by the consolidated group company AEGON Derivatives N.V. in connection with derivative transactions. AEGON Derivatives N.V. only enters into derivative transactions with counterparties with which ISDA master netting agreements including collateral support annex agreements have been agreed; net (credit) exposure on derivative transactions with these counterparties was therefore minimal as at December 31, 2008.

AEGON is involved in litigation in the ordinary course of business, including litigation where compensatory or punitive damages and mass or class relief are sought. In particular, certain current and former customers, and groups representing customers, have initiated litigation and certain groups are encouraging others to bring lawsuits in respect of certain products in the Netherlands. The products involved, include securities leasing products and unit-linked products (so called 'beleggingsverzekeringen' including the KoersPlan product). AEGON has established adequate litigation policies to deal with the claims defending when the claim is without merit and seeking to settle in certain circumstances. This and any other litigation AEGON has been involved in over the last twelve months have not had any significant effects on the financial position or profitability of AEGON N.V. or the Group. However, there can be no assurances that AEGON will be able to resolve existing litigation in the manner it expects, or that existing or future litigation will not result in unexpected liability.

In addition, in recent years, the insurance industry has increasingly been the subject of litigation, investigations and regulatory activity by various governmental and enforcement authorities concerning certain practices. AEGON subsidiaries have received inquiries from local authorities in various jurisdictions including the United States, the United Kingdom and the Netherlands. In certain instances, AEGON subsidiaries modified business practices in response to such inquiries or the findings thereof. Certain AEGON subsidiaries have been informed that the regulators may seek fines or other monetary penalties or changes in the way AEGON conducts its business.

AEGON is involved in a dispute between AEGON N.V., the foundation that sold the insurance company OPTAS, and the unions and employers in the harbors of Rotterdam and Amsterdam on the pensions insured by AEGON's subsidiary OPTAS. This dispute led to litigation on the accuracy of AEGON's financial statements over 2007 further to the allegation of the plaintiff (a foundation representing the employers and insured employees in the harbors) that the equity of OPTAS should not have been consolidated as AEGON's equity and that as a result, the profit of OPTAS should not have been reported as being part of AEGON's consolidated profit. Parties expect the judgment in near future after which they may appeal from it with the supreme court of the Netherlands.

Future lease payments	2008 Not later than 1 year	2008 1 - 5 years	2008 Later than 5 years	2007 Not later than 1 year	2007 1 - 5 years	2007 Later than 5 years
Finance lease obligations	3	8	–	1	2	–
Operating lease obligations	98	305	499	93	305	493
Operating lease rights	38	103	63	35	99	69

The operating lease obligations relate mainly to office space leased from third parties. The total of future minimum sublease payments expected to be received on non-cancelable subleases is EUR 8 million.

The operating lease rights relate to non-cancelable commercial property leases.

Note 51 SECURITIES LENDING AND REPURCHASE ACTIVITIES AND ASSETS ACCEPTED AND PLEDGED AS COLLATERAL

SECURITIES LENDING AND REPURCHASE ACTIVITIES

The following table reflects the carrying amount of non-cash financial assets that have been transferred to another party under security lending and repurchase activities where the counterparty has the right to sell or repledge.

Financial assets for general account	2008	2007
Available-for-sale	6,618	13,804
Loans	–	1,236
Financial assets at fair value through profit or loss	39	113
TOTAL	**6,657**	**15,153**
Financial assets for account of policyholders	**947**	**9,214**

AEGON retains substantially all risks and rewards of the transferred assets, this includes credit risk, settlement risk, country risk and market risk. The assets are transferred in return for cash collateral or other financial assets.

The carrying amount of non-cash financial assets that have been transferred to another party under security lending and repurchase activities where the counterparty does not have the right to sell or repledge the security lending and repurchase activities amount to EUR 139 million (2007: EUR 212 million).

ASSETS ACCEPTED

AEGON receives collateral related to securities lending and reverse repurchase activities. Non-cash collateral is not recognized in the balance sheet.

Cash collateral is recorded on the balance sheet as an asset and an offsetting liability is established for the same amount as AEGON is obligated to return this amount upon termination of the lending arrangement or repurchase agreement. Cash collateral is usually invested in pre-designated high quality investment strategies. The sum of cash and non-cash collateral is typically greater than the market value of the related securities loaned.

The following table analyses the fair value of the collateral received in relation to securities lending and (reverse) repurchase activities:

	2008	2007
Cash collateral		
- Securities lending	3,577	8,280
- Repurchase agreements	3,929	14
Non-cash collateral	436	9,648
TOTAL	**7,942**	**17,942**
Non-cash collateral that can be sold or repledged in the absence of default	259	9,648
Non-cash collateral that has been sold or transferred	–	–

In addition, AEGON can receive collateral related to derivative transactions that it enters into. The credit support agreement will normally dictate the threshold over which collateral needs to be pledged by AEGON or its counterparty. Transactions requiring AEGON or its counterparty to post collateral are typically the result of over-the-counter derivative trades, comprised mostly of interest rate swaps, currency swaps and credit swaps.

The above items are conducted under terms that are usual and customary to standard derivative, and securities lending activities, as well as requirements determined by exchanges where the bank acts as intermediary.

ASSETS PLEDGED

AEGON pledges assets that are on its balance sheet in securities borrowing transactions, in repurchase transactions, and against long-term borrowings. In addition, in order to trade derivatives on the various exchanges, AEGON posts margin as collateral.

These transactions are conducted under terms that are usual and customary to standard long-term borrowing, derivative and securities borrowing activities, as well as requirements determined by exchanges where the bank acts as intermediary.

AEGON has pledged EUR 9,034 million (2007: EUR 3,723 million) financial assets as collateral for general account liabilities and contingent liabilities. None (2007: none) of the financial assets pledged can be sold or repledged by the counterparty.

EUR 56 million of the financial assets and other assets were pledged as collateral for liabilities and contingent liabilities for account of policyholders in 2008 (2007: none).

Non-cash financial assets that are borrowed or purchased under agreement to resell are not recognized in the balance sheet.

To the extent that cash collateral is paid, a receivable is recognized for the corresponding amount. If other non-cash financial assets are given as collateral, these are not derecognized.

AEGON has pledged EUR 128 million (2007: EUR 333 million) cash collateral on securities borrowed and derivative transactions and EUR 8 million (2007: EUR 66 million) on reverse repurchase agreements, refer to note 13.2.

Note 52 BUSINESS COMBINATIONS

ACQUISITIONS

In December 2008, AEGON acquired an additional 40% stake in the Spanish Caja Cantabria Vida y Pensiones, of which already 10% was acquired in 2007. As a result, AEGON holds a 50% stake as of December 31, 2008. The total purchase price amounted to EUR 27 million for the 40% stake. Acquired assets included EUR 2 million cash positions. Goodwill of EUR 63 million was recognized. Since the acquisition date, the company has attributed EUR 0 million to net income. If the acquisition had been as of January 1, 2008, contribution to net income and total revenues would amount to EUR 0 million and EUR 12 million respectively.

On October 1, 2008, AEGON signed an agreement to acquire a 50% interest in Mongeral SA Seguros e Previdência (Brazil). The transaction is expected to close by the end of the first quarter of 2009, subject to approval from Brazil's regulatory authorities. The total consideration to be paid up front will amount to EUR 44 million. Based on the performance of the company, AEGON may pay a maximum additional consideration to the company of EUR 11 million.

In October 2008, AEGON acquired a 50% stake in Caixa Terrassa Vida y Pensiones, a Spanish life insurance, pension and health company. The total purchase price amounted to EUR 186 million. Acquired assets included EUR 11 million cash positions. Goodwill of EUR 167 million was recognized. Since the acquisition date, the company has attributed EUR 0 million to net income. If the acquisition had been as of January 1, 2008, contribution to net income and total revenues would amount to EUR 4 million and EUR 109 million respectively.

In July 2008, AEGON finalized the acquisition of 100% of the shares of the Turkish life insurance and pension company Ankara Emeklilik Anonim Şirketi. The total purchase price amounted to EUR 34 million. Since the acquisition date, the company has attributed EUR (3) million (loss) to net income. If the acquisition had been as of January 1, 2008, contribution to net income and total revenues would amount to respectively EUR (7) million (loss) and EUR 11 million. As a result of the acquisition, assets and liabilities were recognized for EUR 54 million and EUR 20 million respectively, including a cash position of EUR 5 million. Goodwill of EUR 30 million reflects the future new business and synergies with existing business.

In June 2008, AEGON acquired 100% of the shares of the Polish pension fund company PTE Skarbiec-Emerytura SA. The total purchase price amounted to EUR 139 million. Since the acquisition date, the company has attributed EUR 1 million to net income. If the acquisition had been as of January 1, 2008, contribution to net income and total revenues would amount to respectively EUR 4 million and EUR 14 million.

As a result of the acquisition, assets and liabilities were recognized for EUR 156 million and EUR 17 million respectively, including a cash position of EUR 4 million. Goodwill of EUR 39 million reflects the future new business and potential synergies with existing businesses.

In June 2008, AEGON completed the acquisition of 100% of the shares of Heller-Saldo 2000 Pension Fund Management Co., UNIQA Investment Service Co. and UNIQA Financial Service Co. in Hungary for a total purchase price of EUR 21 million. The companies merged subsequently. Since the acquisition date, the company has attributed EUR 1 million to net income. If the acquisition had been as of January 1, 2008, contribution to net income and total revenues would amount to respectively EUR 2 million and EUR 4 million. As a result of the acquisition, assets and liabilities were recognized for EUR 24 million and EUR 3 million respectively, including cash position of EUR 1 million. Goodwill of EUR 6 million reflects the future new business and potential synergies with existing business.

In April 2008, AEGON acquired a 49% stake in Industrial Fund Management Co., Ltd, a Chinese mutual fund manager. The company is renamed AEGON Industrial Fund Management Co. The total purchase consideration amounted EUR 22 million. As a result of the acquisition, assets and liabilities were recognized for EUR 28 million and EUR 6 million respectively, including EUR 6 million of goodwill and EUR 15 million cash and cash equivalents. The company is accounted for as a joint venture.

In December 2007, AEGON USA acquired 100% of the shares of Merrill Lynch Life Insurance Company and ML Life Insurance Company of New York, companies that sell non-participation life insurance and annuity products such as variable life insurance, variable annuities, market value adjusted annuities and immediate annuities. The total purchase price amounted to EUR 849 million cash consideration. The opening balance sheet of the acquired business was recorded provisionally at December 31, 2007, as the acquisition occurred within a few days of year end. The provisionally determined opening balance sheet includes total assets of EUR 10.8 billion, including EUR 8.3 billion separate account assets, EUR 1.8 billion general account investments and EUR 149 million cash and cash equivalents. Total liabilities are EUR 9.9 billion and comprise separate account liabilities of EUR 8.3 billion and insurance contract liabilities of EUR 1.7 billion. Goodwill amounted to EUR 111 million reflecting the expected profitability of new business. The carrying amount of the assets and liabilities of the acquired companies amounted to EUR 10.8 billion and EUR 9.9 billion respectively. As the acquisition was completed at the end of December 2007, the net income of the acquired operations was not material to the AEGON's consolidated net income. Had the acquisition taken place on 1 January 2007, the contribution of these companies to the Group's net income is estimated at EUR 75 million; contribution to revenues would have been approximately EUR 271 million.

In June 2007, AEGON acquired OPTAS N.V., a Dutch life insurance company specializing in employee benefit products and services within the Dutch group pension market for EUR 1.5 billion OPTAS N.V., the successor of Stichting Pensioenfonds voor de Vervoer- en Havenbedrijven (a pension fund for companies active in the transport and port industries), was converted into a public company in 1997. At the end of 2006, OPTAS had 60,000 policyholders and reported total gross written premiums of EUR 86 million, with total assets of EUR 4.5 billion. Assets held as investment amounted to EUR 3.4 billion, the insurance liabilities were EUR 2.9 billion.

A portion of the shareholders' equity of OPTAS is subject to restrictions as set out in the articles of association of the company. These restrictions assure continued fulfillment of existing policy obligations and will remain in force after the acquisition. OPTAS has contributed EUR 11 million to AEGON's income before tax in 2007. Had the acquisition taken place on January 1, 2007, OPTAS' contribution to the Group's net income is estimated at EUR 22 million, contribution to revenues would have been approximately EUR 251 million.

In March 2007, AEGON USA completed the acquisition of 100% of the shares of Clark Inc., a public company specializing in the sale of corporate-owned life insurance, bank-owned life insurance and other benefit programs. The total purchase price was EUR 263 million, consisting of EUR 207 million cash consideration, EUR 36 million of Clark debt assumed by AEGON and EUR 20 million cost basis of Clark common stock already owned by AEGON and transaction costs. Since the acquisition date, Clark has contributed EUR 4.6 million to the net income of AEGON. If the acquisition had taken place as of January 1, 2007, Clark should have contributed an amount of EUR 90 million to total revenues and EUR 4.7 million to net income of AEGON USA. AEGON has disposed operations for an amount of EUR 42 million regarding Clark business, not considered to be core to AEGON, to Clark's former management after the acquisition. As a result of the acquisition, assets and liabilities were recognized for EUR 549 million and EUR 325 million respectively, which included a cash position of EUR 14 million. Goodwill was recognized for an amount of EUR 84 million, reflecting the future commission revenue from inforce contracts. In addition an intangible asset was established for the present value of future commission receivables in the amount of EUR 365 million.

In March 2007, AEGON has completed the acquisition of the Polish pension fund management company PTE Ergo Hestia S.A. The company was renamed to PTE AEGON Poland. The cost of the acquisition amounted to EUR 72 million, which was paid in cash. Since the acquisition date, the company has contributed EUR 2 million to net income. If the acquisition had been as of January 1, 2007, contribution to net income and total revenues would amount to respectively EUR 3 million and EUR 12 million. Assets of EUR 81 million and liabilities of EUR 9 million were recognized due to the acquisition. Goodwill amounting to EUR 23 million reflects the future new business to be generated and potential synergies with existing businesses.

In September 2006, AEGON The Netherlands acquired the remaining 55% of the Unirobe shares. The distribution activities of the Dutch operations are placed under the Unirobe Meeùs Groep. No operations have been disposed off as a result of the combination. The cost of acquiring the remaining 55% of the shares was EUR 59 million, which was paid in cash. In total an amount of EUR 96 million was paid to acquire the 100% interest. At the acquisition date assets and liabilities were recognized for EUR 186 million and EUR 134 million respectively which included a cash position of EUR 0 million. Since the acquisition date, Unirobe has contributed EUR 5 million to the net income of AEGON in 2006. The acquisition resulted in the recognition of EUR 49 million goodwill, of which EUR 18 million had previously been included in the measurement of the interest held in Unirobe as an associate. Goodwill reflects the commission income that is expected to be generated by Unirobe in future years.

DISPOSALS

During 2006 AEGON sold its interest in Scottish Equitable International S.A. for EUR 29 million, together with an earn-out arrangement. The cash and cash equivalents held at the end of March by Scottish Equitable International S.A. prior to the sale was EUR 20 million. The acquiring company, La Mondiale Participations S.A., is a 35% associate of AEGON. 35% of the gain on the sale was eliminated on consolidation.

Note 53 GROUP COMPANIES

SUBSIDIARIES

The principal subsidiaries of the parent company AEGON N.V. are listed by geographical segment. All are wholly owned, directly or indirectly, unless stated otherwise, and are involved in insurance or reinsurance business, asset management or services related to these activities. The voting power in these subsidiaries held by AEGON is equal to the shareholdings.

AMERICAS

- AEGON USA, LLC., Cedar Rapids, Iowa (United States)
- Commonwealth General Corporation, Wilmington, Delaware (United States)
- Merrill Lynch Life Insurance Company, Little Rock, Arkansas (United States)
- ML Life Insurance Company of New York, New York, New York (United States)
- Monumental Life Insurance Company, Cedar Rapids, Iowa (United States)
- Stonebridge Casualty Insurance Company, Columbus, Ohio (United States)
- Stonebridge Life Insurance Company, Rutland, Vermont (United States)
- Transamerica Corporation, Wilmington, Delaware (United States)
- Transamerica Financial Life Insurance Company, Inc., Purchase, New York (United States)
- Transamerica Life Canada, Toronto, Ontario (Canada)
- Transamerica Life Insurance Company, Cedar Rapids, Iowa (United States)
- Western Reserve Life Assurance Co. of Ohio, Columbus, Ohio (United States)
- Transamerica Life International Ltd, Hamilton (Bermuda)
- Transamerica International Re Ltd, Hamilton (Bermuda)
- Transamerica International Reinsurance Ireland Ltd, Dublin (Ireland)
- AEGON Global Institutional markets Plc, Dublin (Ireland)
- AEGON Financial Assurance Ireland Ltd, Dublin (Ireland)

THE NETHERLANDS

- AEGON Bank N.V., Utrecht
- AEGON International B.V., The Hague
- AEGON Derivatives N.V., The Hague
- AEGON Investment Management B.V., The Hague
- AEGON Levensverzekering N.V., The Hague
- AEGON NabestaandenZorg N.V., Groningen
- AEGON Nederland N.V., The Hague
- AEGON Schadeverzekering N.V., The Hague
- AEGON Spaarkas N.V., The Hague
- AEGON Vastgoed Holding B.V., The Hague
- OPTAS Pensioenen N.V., Rotterdam
- TKP Pensioen B.V., Groningen
- Unirobe Meeùs Groep B.V., The Hague

UNITED KINGDOM

- AEGON Asset Management UK plc, London
- AEGON UK Distribution Holdings Ltd., London
- AEGON UK plc, London
- Guardian Assurance plc, Lytham St Annes

- Guardian Linked Life Assurance Limited, Lytham St Annes
- Guardian Pensions Management Limited, Lytham St Annes
- HS Administrative Services Limited, Chester
- Scottish Equitable International Holdings plc, London
- Scottish Equitable plc, Edinburgh

OTHER COUNTRIES

- AEGON España S.A., Madrid (Spain) (99.98%)
- AEGON Life Insurance (Taiwan) Inc., Taipei (Taiwan)
- AEGON Magyarország Általános Biztosító Zrt., Budapest (Hungary)
- AEGON Pension Fund Management Company Slovakia, Bratislava (Slovakia)
- AEGON Pojistóvna a.s., Prague (Czech Republic)
- AEGON Towarzystwo Ubezpieczen na Zycie S.A., Warsaw (Poland)
- AEGON Emeklilik, Ankara (Turkey)

The legally required list of participations as set forth in articles 379 and 414 of Book 2 of the Dutch Civil Code has been registered with the Trade Register in The Hague. AEGON N.V. has issued a statement of liability as meant in article 403 of Book 2 of the Dutch Civil Code for its subsidiary company AEGON Derivatives N.V.

JOINT VENTURES

The principal joint ventures are listed by geographical segment.

THE NETHERLANDS

- AMVEST Vastgoed B.V., Utrecht (50%), property management and development

OTHER COUNTRIES

- AEGON-CNOOC Life Insurance Company Ltd, Shanghai (China), life insurance company (50%)
- Caja Badajoz Vida y Pensiones, Sociedad Anónima de Seguros, Badajoz (Spain), life and accident insurance and pension company (50%)
- CAN Vida y Pensiones, Sociedad Anónima de Seguros, Pamplona (Spain), life insurance and pension company (50%)
- Caja Cantabria Vida y Pensiones, Sociedad Anónima de Seguros, Santander (Spain), life insurance company (50%)
- Caixa Terrassa Vida y Pensiones, Sociedad Anónima de Seguros, Terrassa (Spain) life and accident insurance and pension company (50%)
- AEGON Industrial Fund Management Co., Ltd, Shanghai (China) (49%)
- BT AEGON Fond de Pensii, S.A., Cluj (Romania) (50%)
- Religare AEGON Asset Management Company, Mumbai (India) (50%)

SUMMARIZED FINANCIAL INFORMATION OF JOINT VENTURES FOR 2008 ACCOUNTED FOR USING PROPORTIONATE CONSOLIDATION:

	Current assets	Long-term assets	Current liabilities	Long-term liabilities	Income	Expenses
AMVEST	72	1,122	10	741	53	29
AEGON-CNOOC	28	124	8	129	63	75
Caja Badajoz Vida y Pensiones	6	86	12	76	34	32
CAN Vida y Pensiones	11	583	8	504	179	171
Caja Cantabria Vida y Pensiones	5	72	–	49	2	2
Caixa Terrassa Vida y Pensiones	43	810	9	656	22	21
AEGON Industrial Fund Management	15	18	4	–	18	9
TOTAL	**180**	**2,815**	**51**	**2,155**	**371**	**339**

INVESTMENTS IN ASSOCIATES

The principal investments in associates are listed by geographical segment.

THE NETHERLANDS

- N.V. Levensverzekering-Maatschappij 'De Hoop', The Hague (33.3%)

UNITED KINGDOM

- Tenet Group Limited, Leeds (19.6%)

OTHER COUNTRIES

- CAM AEGON Holding Financiero, Alicante (Spain) (49.99%)
- La Mondiale Participations S.A., Lille (France) (35%)
- Seguros Argos, S.A. de C.V., Mexico City (Mexico) (49%)
- Afore Argos, S.A. de C.V., Mexico City (Mexico) (49%)
- AEGON Religare Life Insurance Company, Mumbai (India) (26%)

AEGON owns a 57% limited partnership interest in Prisma Capital Partners LP ('Prisma LP') which serves as an investment manager for certain of AEGON's hedge fund investments as well as for other third parties, in exchange for management fees. The remaining 42% limited partnership interest is owned by unrelated entities made up of various employees and individuals. Prisma GP LLC is the general partner with a 1% interest and is responsible for day-to-day activities. A management board with seven voting members (three appointed by AEGON, three appointed by Prisma GP LLC and one independent member appointed collectively by the other six voting members) must approve certain actions, including restructuring transactions, hiring senior management and the annual operating budget. As a result, notwithstanding AEGON's 57% economic interest, the company can not exercise voting control since AEGON only appoints three out of the seven board members, AEGON cannot remove the majority of the management board members and AEGON does not have other arrangements, contractual or otherwise, that would give AEGON more than half of the voting power of Prisma LP.

Refer to note 10 for further details on investments in associates.

Note 54 RELATED PARTY TRANSACTIONS

Related party transactions for the period under review include transactions between AEGON N.V. and Vereniging AEGON.

On December 1, 2008, AEGON secured EUR 3 billion of convertible core capital securities from the Vereniging AEGON. Refer to note 16 for further details.

On July 23, 2007, and September 17, 2007, Vereniging AEGON exercised its option rights to purchase 2,690,000, respectively 3,190,000 class B preferred shares at par value to correct dilution caused by AEGON's stock dividend issuances and treasury stock sales during the year.

On November 24, 2006, Vereniging AEGON exercised its option rights to purchase in aggregate 5,440,000 class B preferred shares at par value to correct dilution caused by AEGON's stock dividend issuances during the year.

On December 21, 2006, Vereniging AEGON sold at intrinsic value and transferred to AEGON International N.V. all shares of its subsidiary company Albidus B.V. for an immaterial amount.

AEGON provides reinsurance, asset management and administrative services for employee benefit plans relating to pension and other post-employment benefits of AEGON employees. Certain post-employment insurance benefits are provided to employees in the form of insurance policies issued by affiliated insurance subsidiaries.

In the Netherlands, AEGON employees may make use of financing and insurance facilities for prices which are equivalent to the price available for agents. The benefit for AEGON employees is equivalent to the margin made by agents.

In 2008, the Management Board has been extended with the CEO for Central and Eastern Europe. The Management Board is now formed by members of the Executive Board, and the CEO's of AEGON USA, AEGON The Netherlands, AEGON UK and AEGON Central and Eastern Europe. The total remuneration for the members of the Management Board over 2008 was EUR 16.6 million (2007: EUR 15.6 million), consisting of EUR 5.3 million (2007: EUR 5.7 million) salary and other short term benefits, EUR 4.8 million (2007: EUR 7.1 million) cash performance payments, EUR 1.2 million (2007: EUR 1.3 million) pension premiums, EUR 1.0 million (2007: EUR 0.8 million) share-based payments, EUR 0.6 million (2007: EUR 0.7 million) other long-term benefits. Remuneration of Mr. Van der Werf who stepped down as CEO of AEGON the Netherlands at the beginning of 2008 amounted to EUR 3.7 million and included salary, pension premiums, compensation for entitlements to incentive plans and severance. Additional information on the remuneration and share-based compensation of members of the Executive Board and the Supervisory Board are disclosed in the sections on the following pages.

Remuneration of active and retired members of the Executive Board Amounts in EUR thousands	Short-term periodic payments Salary	Other [3]	Performance related Cash [4]	Shares [5]	Pension premiums	**Total**
2008						
Alexander R. Wynaendts	865	14	301	175	220	1,575
Joseph B.M. Streppel	763	15	238	207	195	1,418
Donald J. Shepard	244 [1]	1,157	3,161	396	115	5,073
TOTAL	**1,872**	**1,186**	**3,700**	**778**	**530**	**8,066**
2007						
Donald J. Shepard	731 [1]	1,545	4,292	252	256	7,076
Joseph B.M. Streppel	721 [2]	14	542	194	184	1,655
Alexander R. Wynaendts	676 [2]	14	717	137	172	1,716
TOTAL	**2,128**	**1,573**	**5,551**	**583**	**612**	**10,447**
2006						
Donald J. Shepard	796 [1]	1,219	4,059	–	277	6,351
Joseph B.M. Streppel	679 [2]	16	475	–	220	1,390
Alexander R. Wynaendts	575 [2]	164	602	–	186	1,527
Johan G. van der Werf	575 [2]	13	697	–	186	1,471
TOTAL	**2,625**	**1,412**	**5,833**	**–**	**869**	**10,739**

1 Mr. Shepard earned an annual base salary of USD 1 million. He retired as CEO and Chairman of AEGON's Executive Board in April 2008. His 2008 salary covers only the first four months of the year.

2 2006 and 2007 salaries for Messrs. Wynaendts, Streppel and Van der Werf included customary Dutch employee benefits for profit sharing and tax deferred savings scheme.

3 Other periodic payments are additional remuneration elements, including social security contributions borne by the Group. For Mr. Shepard, the Group had also borne expenses and non-monetary benefits which were provided in his employment agreement with AEGON. These benefits included compensation to the extent that the total actual annual taxation on his total income exceeded the taxation if he were only subject to U.S. taxes, personal life insurance and tax planning. For Mr. Wynaendts, the amount in 2006 also includes compensation for relocation and cost of living related to his temporary secondment to AEGON USA.

4 2008 performance related cash benefits are in respect of the 2007 STI plans under the Remuneration Policy for Executive Board members, approved by the shareholders in April 2007. In accordance with the provisions of the Short-term Incentive (STI) Plan for the years 2005 and 2006, it was established that the value of new business of the Group and of the relevant country units for those years was positive. Accordingly, operating earnings were calculated and established per area of responsibility. After adoption of the 2005 and 2006 annual accounts by the shareholders, the disclosed STI cash bonuses for the years 2005 and 2006 were paid in 2006 and 2007 respectively. In addition to the STI plan, Mr. Shepard was entitled to a short-term incentive bonus equal to 0.1% of the net income of AEGON N.V. according to the adopted accounts. The amount included in the table for 2008 is based on net income over 2007 as reported in the 2007 IFRS financial statements. Similarly the amounts included in the table for the years 2006 and 2007 are based on the net income of 2005 and 2006 respectively.

5 In accordance with the terms of the 2005 LTI plan, the Executive Board received bonus shares in April 2008. The number of shares for each member was: Mr. Shepard 38,542; Mr. Streppel 20,169; and Mr. Wynaendts 17,066. These have been converted using the share price of EUR 10.275 at April 22, 2008. In accordance with the elections made by the Executive Board members under the terms of the 2003 STI plan, the Executive Board received bonus shares in April 2007. The number of bonus shares varied from 0 to 100% of the number of shares paid in 2003, calculated through performance based matching, on the basis of earnings per share growth over inflation over the years 2004, 2005 and 2006. The number of shares for each member was: Mr. Shepard 16,143; Mr. Streppel 12,409; and Mr. Wynaendts 8,771. These have been converted using the share price of EUR 15.61 at April 25, 2007.

Members of the Executive Board are not entitled to performance related remuneration related to the financial year 2008 based on the remuneration policy as approved by the General Meeting of Shareholders.

The two tables below show the number of shares and options conditionally granted based on LTI plans related to financial years prior to 2008.

Total overview of conditionally granted shares	Grant date	Number of shares per January 1, 2008	Number of shares granted in 2008	Number of shares vested in 2008	Number of shares expired / forfeited in 2008	Number of shares per December 31, 2008	Reference period
Alexander R. Wynaendts	22-Apr-05	17,066		17,066		–	2005 – 2007
	26-Apr-06	11,769				11,769 [1]	2006 – 2008
	24-Apr-08		18,506			18,506	2007
Joseph B.M. Streppel	22-Apr-05	20,169		20,169		–	2005 – 2007
	26-Apr-06	13,909				13,909 [1]	2006 – 2008
	24-Apr-08		16,278			16,278	2007
Donald J. Shepard	22-Apr-05	38,542		38,542		–	2005 – 2007
	26-Apr-06	26,213				26,213 [1]	2006 – 2008
	24-Apr-08		50,092			50,092	2007

[1] These shares will vest in 2009 at 75%.

Total overview of conditionally granted options	Grant date	Number of options per January 1, 2008	Number of options granted in 2008	Number of options vested in 2008	Number of options expired / forfeited in 2008	Number of options per December 31, 2008	Exercise price	Reference period
Alexander R. Wynaendts	22-Apr-05	34,132		34,132		–	9.91	2005 – 2007
	26-Apr-06	67,789				67,789 [1]	14.55	2006 – 2008
Joseph B.M. Streppel	22-Apr-05	40,338		40,338		–	9.91	2005 – 2007
	26-Apr-06	80,115				80,115 [1]	14.55	2006 – 2008
Donald J. Shepard	22-Apr-05	77,084		77,084		–	9.91	2005 – 2007
	26-Apr-06	150,989				150,989 [1]	14.55	2006 – 2008

[1] These options will vest in 2009 at 75%.

The numbers of shares and options conditionally granted were based on the closing price on the day of the grant. This is also the exercise price of the options. The fair value information on the conditionally granted shares will be provided in the year when these vest and on the options when these will be exercised.

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

	Grant date	Number of rights / options per January 1, 2008	Number of rights / options vested in 2008	Number of rights / options exercised in 2008	Number of rights / options expired / forfeited in 2008	Number of rights / options per Dec. 31, 2008	Number of exercisable rights / options	Exercise price EUR	Shares held in AEGON at Dec. 31, 2008
Alexander R. Wynaendts	10-Mar-02	40,000 [1]				40,000	40,000	26.70	
	10-Mar-03	50,000 [1]				50,000	50,000	6.30	
	16-Mar-04	50,000				50,000	50,000	10.56	
	22-Apr-05		34,132			34,132	34,132	9.91	35,383
Joseph B.M. Streppel	10-Mar-02	50,000				50,000	50,000	26.70	
	16-Mar-04	50,000				50,000	50,000	10.56	
	22-Apr-05		40,338			40,338	40,338	9.91	46,173

[1] The share appreciation rights were granted before becoming a member of the Executive Board.

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 continued a 5% mortgage loan of EUR 608,934 at unchanged terms; and Mr. Wynaendts had four mortgage loans totaling to EUR 1,485,292, with interest rates of 4.1%, 4.3%, 4.4% and 5.4%, of which two commenced in 2008. In accordance with the terms of the contracts, no principal repayments were received on the loans in 2008.

Remuneration of active and retired members of the Supervisory Board

In EUR	2008	2007	2006
Dudley G. Eustace	77,000	84,500	79,000
Irving W. Bailey, II	85,203	68,750	56,669
Antony Burgmans (as of April 25, 2007)	63,000	39,718	–
Cecelia Kempler (as of April 23, 2008)	45,673	–	–
Shemaya Levy	72,000	59,000	65,000
Karla M.H. Peijs (as of April 25, 2007)	50,417	30,718	–
Robert J. Routs (as of April 23, 2008)	40,673	–	–
Willem F.C. Stevens	73,000	71,750	73,000
Kornelis J. Storm	45,942	47,500	46,250
Ben van der Veer (as of October 1, 2008)	18,000	–	–
Dirk P.M. Verbeek (as of April 23, 2008)	33,481	–	–
Leo M. van Wijk	51,185	48,750	47,500
TOTAL FOR ACTIVE MEMBERS	**655,574**	**450,686**	**367,419**
René Dahan (up to April 23, 2008)	18,900	64,500	59,500
O. John Olcay (up to April 23, 2008)	22,054	66,250	65,000
Toni Rembe (up to April 23, 2008)	18,137	57,000	60,000
Peter R. Voser (up to April 25, 2006)	–	–	15,138
Clifford Sobel (from April 25, 2006 up to July 17, 2006)	–	–	9,231
TOTAL	**714,665**	**638,436**	**576,288**

Starting January 1, 2005, a three-components structure has been introduced for the remuneration of the Supervisory Board:
- A base fee for membership of the Supervisory Board;
- An additional fee for membership of a Committee; and
- An attendance fee for face-to-face Committee meetings.

Members of the Supervisory Board do not have any share options or share appreciation rights in AEGON N.V. at December 31, 2008.

In 2008, an amount of EUR 7,000 has been paid to Mr. Docters van Leeuwen, the proposed member of the Supervisory Board, whose appointment will be submitted for approval at the General Meeting of shareholders on April 22, 2009. Not included in the table on the previous page is a premium for state health insurance paid on behalf of Dutch Supervisory Board members.

Common shares held by Supervisory Board members

Shares held in AEGON at December 31	2008	2007	2006
Irving W. Bailey, II	29,759	29,759	29,759
Cecelia Kempler (as of April 23, 2008)	15,968	n.a.	n.a.
Karla M.H. Peijs (as of April 25, 2007)	1,400	900	n.a.
Kornelis J. Storm	226,479	276,479	276,479
Ben van der Veer (as of October 1, 2008)	1,407	n.a.	n.a.
TOTAL	**275,013**	**307,138**	**306,238**

Shares held by Supervisory Board members are only disclosed for the period they have been part of the Supervisory Board.

Note 55 EVENTS AFTER THE BALANCE SHEET DATE

On January 7, 2009, AEGON announced that it has agreed to acquire Banca Transilvania's 50% shareholding in BT AEGON, the two companies' jointly-owned Romanian pension business. AEGON will pay approximately EUR 11 million for the stake, which will give AEGON full control of the pension business. AEGON and Banca Transilvania (BT) will remain partners. As part of the transaction, the two companies will sign a distribution agreement covering both life insurance and pension products. The transaction is expected to close in the second quarter of 2009, subject to prior regulatory approval.

On January 13, 2009, AEGON announced that the Supervisory Board of AEGON N.V. will propose Jan Nooitgedagt to succeed Joseph B.M. Streppel as Chief Financial Officer and a member of the Executive Board, effective April 22, 2009 at AEGON's annual General Meeting of Shareholders. Mr. Streppel, who has served as CFO since 1998 and a member of the Executive Board since 2000, will step down from AEGON at the next annual General Meeting of Shareholders in line with AEGON's retirement policy for Executive Board members. Mr. Nooitgedagt, age 55 and a Dutch national, is retired Chairman of the Board of the Dutch and Belgian firms of Ernst & Young, the international organization for assurance, tax, transaction and advisory services.

The Hague, March 11, 2009

Supervisory Board
Dudley G. Eustace
Irving W. Bailey, II
Antony Burgmans
Cecelia Kempler
Shemaya Levy
Karla M.H. Peijs
Robert J. Routs
Willem F.C. Stevens
Kornelis J. Storm
Ben van der Veer
Dirk P.M. Verbeek
Leo M. van Wijk

Executive Board
Alexander R. Wynaendts
Joseph B.M. Streppel

Auditor's report | TO: THE SUPERVISORY BOARD AND THE EXECUTIVE BOARD OF AEGON N.V.

REPORT ON THE CONSOLIDATED FINANCIAL STATEMENTS

We have audited the accompanying consolidated financial statements for the year 2008 (as set out on pages 84 to 218) which are part of the financial statements of AEGON N.V., The Hague, which comprise the consolidated balance sheet as at December 31, 2008, the consolidated income statement, statement of changes in equity and cash flow statement for the year then ended and a summary of significant accounting policies and other explanatory notes.

MANAGEMENT'S RESPONSIBILITY

Management of the company is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with International Financial Reporting Standards as adopted by the European Union, with International Financial Reporting Standards as issued by the International Accounting Standards Board and with Part 9 of Book 2 of the Netherlands Civil Code, and for the preparation of the Report of the Executive Board in accordance with Part 9 of Book 2 of the Netherlands Civil Code. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of the consolidated financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on the consolidated financial statements based on our audit. We conducted our audit in accordance with Dutch law. This law requires that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

OPINION

In our opinion, the consolidated financial statements give a true and fair view of the financial position of AEGON N.V. as at December 31, 2008, and of its result and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union, with International Financial Reporting Standards as issued by the International Accounting Standards Board and with Part 9 of Book 2 of the Netherlands Civil Code.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

Pursuant to the legal requirement under 2:393 sub 5 part f of the Netherlands Civil Code, we report, to the extent of our competence, that the Report of the Executive Board is consistent with the consolidated financial statements as required by 2:391 sub 4 of the Netherlands Civil Code.

The Hague, March 11, 2009
for Ernst & Young Accountants LLP

was signed by A.F.J. van Overmeire

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Balance sheet of AEGON N.V. as at December 31

Before profit appropriation, amounts in EUR million	Note	2008	2007
ASSETS			
Investments			
Shares in group companies	3	6,303	15,258
Loans to group companies	4	6,204	6,927
		12,507	**22,185**
Receivables			
Receivables from group companies	5	4,105	3,446
Other receivables	5	59	13
		4,164	**3,459**
Other assets			
Cash and cash equivalents		3,583	741
Deferred tax assets		–	383
Other	6	599	182
		4,182	**1,306**
Prepayments and accrued income			
Accrued interest and rent		85	181
TOTAL ASSETS		**20,938**	**27,131**
EQUITY			
Shareholders' equity			
Share capital	7	251	258
Paid-in surplus	8	7,096	7,101
Revaluation account	8	(6,919)	(120)
Legal reserves	8	(1,765)	(2,041)
Retained earnings	8	8,474	7,402
Net income / (loss)	8	(1,082)	2,551
		6,055	**15,151**
Convertible core capital securities	9	3,000	–
Other equity instruments	10	4,699	4,795
TOTAL EQUITY		**13,754**	**19,946**
Subordinated borrowings		34	34
Long-term borrowings	11	1,288	2,426
Short-term borrowings	12	1,441	1,041
Current liabilities	13		
Loans from group companies		1,411	314
Payables to group companies		2,294	2,777
Deferred tax liability		55	–
Other		425	459
		4,185	**3,550**
Accruals and deferred income		236	134
TOTAL EQUITY AND LIABILITIES		**20,938**	**27,131**

Income statement of AEGON N.V. for the year ended December 31

Amounts in EUR million	**2008**	2007	2006
Net income / (loss) group companies	(1,337)	2,313	2,935
Other income	255	238	234
NET INCOME / (LOSS)	**(1,082)**	**2,551**	**3,169**

Notes to the financial statements of AEGON N.V.

AMOUNTS IN EUR MILLION, UNLESS OTHERWISE STATED

Note 1 GENERAL INFORMATION

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

AEGON N.V. and its subsidiaries and joint ventures (AEGON or 'the Group') have life insurance and pensions operations in over ten countries in Europe, the Americas and Asia and are also active in savings and investment operations, accident and health insurance, general insurance and limited banking operations in a number of these countries. The largest operations are in the United States. Headquarters are located in The Hague, the Netherlands. The Group employs approximately 31,500 people worldwide.

Note 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Note 2.1 BASIS OF PREPARATION

The financial statements have been prepared in accordance with accounting principles in the Netherlands as embodied in Part 9 of Book 2 of the Netherlands Civil Code. Based on article 2:362.8 of the Netherlands Civil Code, the valuation principles applied are based on International Financial Reporting Standards (IFRS), as used for the preparation of the consolidated financial statements of the Group.

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

Note 2.2 CHANGES IN REPORTING PRESENTATION

As of January 1, 2008, legal reserves are presented on the face of the balance sheet as a separate item within shareholders' equity. Legal reserves contain the Foreign Currency Translation Reserve (FCTR) and Other legal reserves. The comparable numbers have been reclassified accordingly. As of January 1, 2008, AEGON's treasury shares are included in Retained earnings instead of in the Paid-in surplus line item. In the statement of changes in equity a reclassification has been included to show the impact.

Note 2.3 TRANSLATION OF FOREIGN CURRENCY TRANSACTIONS

Transactions in foreign currencies are translated to the functional currency using the exchange rates prevailing at the date of the transaction.

At the balance sheet date, monetary assets, monetary liabilities and own equity instruments denominated in foreign currencies are translated at the prevailing exchange rate. Non-monetary items carried at cost are translated using the exchange rate at the date of the transaction, whilst assets carried at fair value are translated at the exchange rate when the fair value was determined.

Exchange differences on monetary items are recognized in the income statement when they arise, except when they are deferred in equity as a result of a qualifying cash flow or net investment hedge. Exchange differences on non-monetary items are recognized in equity or the income statement accordingly, consistently with other gains and losses on these items.

Note 2.4 OFFSETTING OF ASSETS AND LIABILITIES

Financial assets and liabilities are offset in the balance sheet when AEGON N.V. has a legally enforceable right to offset and has the intention to settle the asset and liability on a net basis or simultaneously.

Note 2.5 INVESTMENTS

The group companies are stated at their net asset value, determined on the basis of IFRS as applied in the consolidated financial statements of the Group. For details on the accounting policies applied for the group companies refer to the consolidated financial statements on page 84 and following.

Note 2.6 DERIVATIVES

All derivatives are recognized on the balance sheet at fair value. All changes in fair value are recognized in the income statement, unless the derivative has been designated as a hedging instrument in a cash flow hedge or a hedge of a net foreign investment. Derivatives with positive fair values are reported as other assets and derivatives with negative values are reported as other liabilities.

Note 2.7 CASH AND CASH EQUIVALENTS

Cash comprises cash at banks and in-hand. Cash equivalents are short-term highly liquid investments that are readily convertible to known cash amounts, are subject to insignificant risks of changes in value and are held for the purpose of meeting short-term cash commitments.

Note 2.8 OTHER ASSETS

Other assets include fixed assets, derivatives with positive fair values, other receivables and prepaid expenses. Other receivables are recognized at fair value when due and are subsequently measured at amortized cost.

Note 2.9 IMPAIRMENT OF ASSETS

An asset is impaired if the carrying amount exceeds the amount that would be recovered through its use or sale. Tangible, intangible and financial assets, if not held at fair value through profit or loss, are tested for impairment when there are indications that the asset may be impaired. Irrespective of the indications, goodwill and other intangible assets that are not amortized are tested at least annually. For assets denominated in a foreign currency, a decline in the foreign exchange rates is considered an indication of impairment.

Note 2.10 EQUITY

Financial instruments that are issued by the company are classified as equity if they represent a residual interest in the assets of the company after deducting all of its liabilities and the company has an unconditional right to avoid delivering cash or another financial asset to settle its contractual obligation. In addition to common shares and preferred shares, the company has issued perpetual securities and convertible core capital securities. Perpetual securities have no final maturity date, repayment is at the discretion of the issuer and AEGON and for junior perpetual capital securities AEGON has the option to defer coupon payments at its discretion. Convertible core capital securities can be converted into ordinary shares of AEGON or repaid at the discretion of AEGON, and coupon payments are payable only if AEGON pays dividend on ordinary shares. Both the perpetual and convertible core capital securities are classified as equity rather than debt, are measured at par. Those that are denominated in US dollars are translated using historical exchange rates.

Incremental external costs that are directly attributable to the issuing or buying back of own equity instruments are recognized in equity, net of tax.

Dividends and other distributions to holders of equity instruments are recognized directly in equity, net of tax. A liability for non-cumulative dividends payable is not recognized until the dividends have been declared and approved.

Revaluation account includes unrealized gains and losses on available-for-sale assets and the positive changes in value that have been recognized in net income / (loss) relating to investments (including real estate) and which do not have a frequent market listing.

Legal reserves include net increases in net asset value of subsidiaries and associates since their first inclusion, less any amounts that can be distributed without legal restrictions.

Treasury shares are own equity instruments of AEGON N.V. reacquired by the Group and are deducted from equity (Retained earnings) regardless of the objective of the transaction. No gain or loss is recognized on the purchase, sale, issue or cancellation of the instruments. The consideration paid or received is recognized directly in equity. All treasury shares are eliminated in the calculation of earnings per common share and dividend per common share.

Note 2.11 SUBORDINATED BORROWINGS AND OTHER BORROWINGS

A financial instrument issued by the company is classified as a liability if the contractual obligation must be settled in cash or another financial asset or through the exchange of financial assets and liabilities at potentially unfavorable conditions for the company.

Subordinated loans and other borrowings are initially recognized at their fair value including directly attributable transaction costs and are subsequently carried at amortized cost using the effective interest rate method. The liability is derecognized when the company's obligation under the contract expires or is discharged or cancelled.

Note 2.12 PROVISIONS

A provision is recognized for present legal or constructive obligations arising from past events, when it is probable that it will result in an outflow of economic benefits and the amount can be reliably estimated.

The amount recognized as a provision is the best estimate of the expenditure required to settle the present obligation at the balance sheet date considering all its inherent risks and uncertainties, as well as the time value of money. The unwinding of the effect of discounting is booked to the income statement as an interest expense.

Note 2.13 CONTINGENT ASSETS AND LIABILITIES

Contingent assets are disclosed in the notes if the inflow of economic benefits is probable, but not virtually certain. When the inflow of economic benefits becomes virtually certain, the asset is no longer contingent and its recognition is appropriate.

A provision is recognized for present legal or constructive obligations arising from past events, when it is probable that it will result in an outflow of economic benefits and the amount can be reliably estimated. If the outflow of economic benefits is not probable, a contingent liability is disclosed, unless the possibility of an outflow of economic benefits is remote.

Note 2.14 EVENTS AFTER THE BALANCE SHEET DATE

The financial statements are adjusted to reflect events that occurred between the balance sheet date and the date when the financial statements are authorized for issue, provided they give evidence of conditions that existed at the balance sheet date.

Events that are indicative of conditions that arose after the balance sheet date are disclosed, but do not result in an adjustment of the financial statements themselves.

Note 3 SHARES IN GROUP COMPANIES

	2008	2007
At January 1	15,258	17,556
Capital contribution and acquisitions	–	292
Divestitures	(305)	–
Dividend paid	(446)	(1,488)
Net income / (loss) for the financial year	(1,337)	2,313
Revaluations	(6,867)	(3,415)
AT DECEMBER 31	**6,303**	**15,258**

For a list of names and locations of the most important group companies, refer to note 53 of the consolidated financial statements of the Group, page 212-213. The legally required list of participations as set forth in article 379 of Book 2 of the Netherlands Civil Code has been registered with the Commercial Register of The Hague.

Note 4 LOANS TO GROUP COMPANIES

Loans to group companies – long-term	2008	2007
At January 1	3,655	4,560
Additions / repayments	(2,662)	(675)
Other changes	(52)	(230)
AT DECEMBER 31	**941**	**3,655**

Loans to group companies – short-term	2008	2007
At January 1	3,272	2,757
Additions / repayments	1,771	615
Other changes	220	(100)
AT DECEMBER 31	**5,263**	**3,272**
TOTAL	**6,204**	**6,927**

Note 5 RECEIVABLES

Receivables from group companies and other receivables have a maturity of less than one year.

Note 6 OTHER ASSETS

Other assets include derivatives with positive fair values of EUR 599 million (2007: EUR 180 million).

Note 7 SHARE CAPITAL

Issued and outstanding	2008	2007
Common shares	189	196
Preferred shares A	53	53
Preferred shares B	9	9
TOTAL SHARE CAPITAL	**251**	**258**

Authorized	2008	2007
Common shares	360	360
Preferred shares A	125	125
Preferred shares B	125	125
	610	**610**

Par value in cents per share	2008	2007
Common shares	12	12
Preferred shares A	25	25
Preferred shares B	25	25

All issued common and preferred shares are fully paid. Repayment of capital can only be initiated by the Executive Board, is subject to approval of the Supervisory Board and must be resolved by the General Meeting of Shareholders. Moreover, repayment on preferred shares needs approval of the related shareholders. There are restrictions on the amount of funds that companies within the Group may transfer in the form of cash dividends or otherwise to the parent company. These restrictions stem from solvency and legal requirements. Refer to note 47 of the consolidated financial statements of the Group for a description of these requirements.

Vereniging AEGON, based in The Hague, holds all of the issued preferred shares. Vereniging AEGON, in case of an issuance of shares by AEGON N.V., may purchase as many class B preferred shares as would enable Vereniging AEGON to prevent or correct dilution to below its actual percentage of voting shares, unless Vereniging AEGON as a result of exercising these option rights would increase its voting power to more than 33%. Class B preferred shares will then be issued at par value (EUR 0.25), unless a higher issue price is agreed. In the years 2003 through 2007, 35,170,000 class B preferred shares were issued under these option rights. In 2008, no option rights were exercised.

AEGON N.V. and Vereniging AEGON have entered into a preferred shares voting rights agreement, pursuant to which Vereniging AEGON has voluntarily waived its right to cast 25/12 vote per class A or class B preferred share. Instead, Vereniging AEGON has agreed to exercise one vote only per preferred share, except in the event of a 'special cause', such as the acquisition of a 15% interest in AEGON N.V., a tender offer for AEGON N.V. shares or a proposed business combination by any person or group of persons, whether individually or as a group, other than in a transaction approved by the Executive Board and the Supervisory Board. If, in its sole discretion, Vereniging AEGON determines that a 'special cause' has occurred, Vereniging AEGON will notify the General Meeting of Shareholders and retain its right to exercise the full voting power of 25/12 vote per preferred share for a limited period of six months.

The following table shows the movement during the year in the number of common shares:

Number of common shares	2008	2007
At January 1	1,636,544,530	1,622,927,058
Withdrawal	(99,769,902)	(11,600,000)
Share dividend	41,452,511	25,217,472
AT DECEMBER 31	**1,578,227,139**	**1,636,544,530**

The weighted average number of EUR 0.12 common shares for 2008 was 1,506,861,993 (2007: 1,561,394,680). The shares repurchased by AEGON, although included in the issued and outstanding number of shares, are excluded from the calculation of the weighted average number of shares. The number has been adjusted for share dividend.

SHARE APPRECIATION RIGHTS AND SHARE OPTIONS

For detailed information on share appreciation rights and share options granted to senior executives and other AEGON employees, refer to note 40 to the consolidated financial statements of the Group, page 192.

BOARD REMUNERATION

Detailed information on remuneration of active and retired members of the Executive Board including their share option rights, remuneration of active and retired members of the Supervisory Board along with information about shares held in AEGON by the members of the Boards is included on page 215-218 of the consolidated financial statements of the Group.

Note 8 SHAREHOLDERS' EQUITY

	Share capital	Paid-in-surplus	Revaluation account	Legal reserves FCTR	Other legal reserves	Retained earnings	Treasury shares	Net income / (loss)	**Total**
At January 1, 2007	255	6,317	2,059	(565)	27	7,343	–	3,169	18,605
Reclassification	–	787	–	–	–	–	(787)	–	–
Net income 2006 retained	–	–	–	–	–	3,169	–	(3,169)	–
Net income 2007	–	–	–	–	–	–	–	2,551	2,551
Total net income	**–**	**–**	**–**	**–**	**–**	**3,169**	**–**	**(618)**	**2,551**
Changes in foreign currency translation reserve	–	–	–	(1,445)	–	–	–	–	(1,445)
Changes in revaluation subsidiaries	–	–	(2,164)	–	–	–	–	–	(2,164)
Transfer to legal reserve	–	–	(15)	–	(58)	15	–	–	(58)
Other	–	–	–	–	–	(31)	–	–	(31)
Other comprehensive income / (loss)	**–**	**–**	**(2,179)**	**(1,445)**	**(58)**	**(16)**	**–**	**–**	**(3,698)**
Dividend common shares	–	–	–	–	–	(583)	–	–	(583)
Dividend preferred shares	–	–	–	–	–	(85)	–	–	(85)
Share dividend	3	(3)	–	–	–	–	–	–	–
Issuance of shares	2	–	–	–	–	–	–	–	2
Repurchased and sold own shares	–	–	–	–	–	–	(1,438)	–	(1,438)
Withdrawal of treasury shares	(2)	–	–	–	–	(170)	172	–	–
Coupons on perpetuals, net of tax	–	–	–	–	–	(175)	–	–	(175)
Other	–	–	–	–	–	(28)	–	–	(28)
Changes in equity from relation with shareholders	**3**	**(3)**	**–**	**–**	**–**	**(1,041)**	**(1,266)**	**–**	**(2,307)**
AT DECEMBER 31, 2007	**258**	**7,101**	**(120)**	**(2,010)**	**(31)**	**9,455**	**(2,053)**	**2,551**	**15,151**
At January 1, 2008	258	7,101	(120)	(2,010)	(31)	9,455	(2,053)	2,551	15,151
Net income 2007 retained	–	–	–	–	–	2,551	–	(2,551)	–
Net loss 2008	–	–	–	–	–	–	–	(1,082)	(1,082)
Total net income / (loss)	**–**	**–**	**–**	**–**	**–**	**2,551**	**–**	**(3,633)**	**(1,082)**
Changes in foreign currency translation reserve	–	–	–	(170)	–	–	–	–	(170)
Changes in revaluation subsidiaries	–	–	(6,651)	–	–	–	–	–	(6,651)
Transfer to legal reserve	–	–	(148)	–	446	(305)	–	–	(7)
Other	–	–	–	–	–	10	–	–	10
Other comprehensive income / (loss)	**–**	**–**	**(6,799)**	**(170)**	**446**	**(295)**	**–**	**–**	**(6,818)**
Dividend common shares	–	–	–	–	–	(548)	–	–	(548)
Dividend preferred shares	–	–	–	–	–	(112)	–	–	(112)
Share dividend	5	(5)	–	–	–	–	–	–	–
Repurchased and sold own shares	–	–	–	–	–	–	(217)	–	(217)
Withdrawal of treasury shares	(12)	–	–	–	–	(1,533)	1,545	–	–
Coupons on convertible core capital securities and perpetuals, net of tax	–	–	–	–	–	(310)	–	–	(310)
Other	–	–	–	–	–	(9)	–	–	(9)
Changes in equity from relation with shareholders	**(7)**	**(5)**	**–**	**–**	**–**	**(2,512)**	**1,328**	**–**	**(1,196)**
AT DECEMBER 31, 2008	**251**	**7,096**	**(6,919)**	**(2,180)**	**415**	**9,199**	**(725)**	**(1,082)**	**6,055**

The balance of the revaluation account, which includes revaluation reserves for real estate and investments that do not have a frequent market listing, consists for EUR 2,728 million (2007: EUR 1,810 million) of items with positive revaluation and for EUR (9,646) million of items with negative revaluation (2007: EUR (1,930) million).

The revaluation account and legal reserves, foreign currency translation reserve and other, cannot be freely distributed. In case of negative balances for individual reserves legally to be retained, no distributions can be made out of retained earnings to the level of these negative amounts.

Certain AEGON subsidiaries, principally insurance companies, are subject to restrictions on the amounts of funds they may transfer in the form of cash dividends or otherwise to their parent companies. There can be no assurance that these restrictions will not limit or restrict AEGON in its ability to pay dividends in the future.

OPTAS N.V., an indirect subsidiary of AEGON N.V., holds statutory reserves of EUR 821 million (2007: EUR 770 million) which are restricted. Included in AEGON N.V.'s legal reserves is an amount of EUR 69 million related to OPTAS N.V. which represents the increase in statutory reserves since the acquisition of OPTAS N.V. by AEGON.

On the balance sheet date, AEGON N.V. and its subsidiaries held 62,778,194 of its own common shares with a face value of EUR 0.12 each. Most of the shares have been purchased to neutralize the dilution effect of issued share dividend, and to hedge share appreciation rights and stock options granted to executives and employees. Movements in the number of repurchased own shares held by AEGON N.V. were as follows:

	2008	2007
At January 1	133,827,535	37,723,865
Transactions in 2008		
Purchase: 10 transactions, average price EUR 8.32	26,300,000	–
Sale: 1 transaction, price EUR 14.65	(92,843)	–
Withdrawal of common share capital	(99,769,902)	–
Transactions in 2007		
Purchase: 3 transactions, average price EUR 13.71	–	33,200,000
Share repurchase program: various transactions, average price EUR 13.41	–	74,569,902
Sale: 7 transactions, average price EUR 15.53	–	(66,232)
Withdrawal of common share capital	–	(11,600,000)
AT DECEMBER 31	**60,264,790**	**133,827,535**

As part of their insurance and investment operations, subsidiaries within the Group also hold AEGON N.V. common shares, both for their own account and for account of policyholders. These shares have been treated as treasury shares and are included at their consideration paid or received.

	2008		2007	
	Number of shares	Consideration	Number of shares	Consideration
Held by AEGON N.V.	60,264,790	679	133,827,535	2,007
Held by subsidiaries	2,513,404	46	2,503,447	46
TOTAL AT DECEMBER 31	**62,778,194**	**725**	**136,330,982**	**2,053**

The consideration for the related shares is deducted from or added to the retained earnings.

Note 9 CONVERTIBLE CORE CAPITAL SECURITIES

On December 1, 2008, AEGON's core capital was increased through a special transaction with the State of the Netherlands in view of the ongoing uncertainty regarding the financial and economic environment during the year. Via Vereniging AEGON a senior loan of EUR 3 billion was provided against issuance of 750 million non-voting convertible core capital securities at EUR 4.00 per security. The newly issued securities rank equal to common shares (pari passu), but carry no voting rights. This structure is designed to avoid dilution of existing common shareholders' value.

Before December 1, 2009, AEGON has the right to repurchase 250 million of the securities at a price between EUR 4.00 and EUR 4.52 per security, depending on AEGON's share price and the date of the repurchase, and after that date at EUR 6.00 per security. AEGON may at any time repurchase the remaining 500 million securities at EUR 6.00 per security (equivalent to 150% of the original issue price). Alternatively, after three years, AEGON may choose to convert these securities into common shares on a one-for-one basis. In this situation, the Dutch State may opt for repayment either in cash (at the original issue price of EUR 4.00) or in shares.

AEGON retains full discretion over its policy regarding dividends paid on common shares. The coupon on the non-voting securities will be paid only if a dividend is also paid to holders of common shares.

Note 10 OTHER EQUITY INSTRUMENTS

	Junior perpetual capital securities	Perpetual cumulative subordinated bonds	Share options not yet exercised	**Total**
At January 1, 2007	3,447	567	18	4,032
Instruments issued	745	–	–	745
Share options granted	–	–	18	18
AT DECEMBER 31, 2007	**4,192**	**567**	**36**	**4,795**
At January 1, 2008	4,192	567	36	4,795
Instruments redeemed	–	(114)	–	(114)
Share options granted	–	–	19	19
Share options forfeited	–	–	(1)	(1)
AT DECEMBER 31, 2008	**4,192**	**453**	**54**	**4,699**

Junior perpetual capital securities	Coupon rate	Coupon date: as of	Year of first call	**2008**	2007
USD 500 million	6.5%	Quarterly, December 15	2010	424	424
USD 250 million	floating LIBOR rate [1]	Quarterly, December 15	2010	212	212
USD 550 million	6.875%	Quarterly, September 15	2011	438	438
EUR 200 million	6.0%	Annually, July 21	2011	200	200
USD 1,050 million	7.25%	Quarterly, December 15	2012	745	745
EUR 950 million	floating DSL rate [2]	Quarterly, July 15	2014	950	950
USD 500 million	floating CMS rate [3]	Quarterly, July 15	2014	402	402
USD 1 billion	6.375%	Quarterly, June 15	2015	821	821
AT DECEMBER 31				**4,192**	**4,192**

1 The coupon of the USD 250 million junior perpetual capital securities is reset each quarter based on the then prevailing three-month LIBOR yield plus a spread of 87.5 basis points, with a minimum of 4%.
2 The coupon of the EUR 950 million junior perpetual capital securities is reset each quarter based on the then prevailing ten-year Dutch government bond yield plus a spread of ten basis points, with a maximum of 8%.
3 The coupon of the USD 500 million junior perpetual capital securities is reset each quarter based on the then prevailing ten-year US dollar interest rate swap yield plus a spread of ten basis points, with a maximum of 8.5%.

The interest rate exposure on some of these securities has been swapped to a three-month LIBOR yield.

The securities have been issued at par. The securities have subordination provisions and rank junior to all other liabilities. The conditions of the securities contain certain provisions for optional and required coupon payment deferral and mandatory payment events. Although the securities have no stated maturity, AEGON has the right to call the securities for redemption at par for the first time on the coupon date in the years as specified, or on any coupon payment date thereafter.

Perpetual cumulative subordinated bonds	Coupon rate	Coupon date	Year of first call	2008	2007
EUR 114 million	7.625%	July 10	2008	–	114
EUR 203 million	7.125% [1,4]	March 4	2011	203	203
EUR 114 million	4.156% [2,4]	June 8	2015	114	114
EUR 136 million	5.185% [3,4]	October 14	2018	136	136
AT DECEMBER 31				**453**	**567**

1 The coupon of the EUR 203 million bonds is set at 7.125% until March 4, 2011.
2 The coupon of the EUR 114 million bonds was originally set at 8% until June 8, 2005. As of this date, the coupon is reset at 4.156% until 2015.
3 The coupon of the EUR 136 million bonds was originally set at 7.25% until October 14, 2008. As of this date, the coupon is reset at 5.185% until October 14, 2018.
4 If the bonds are not called on the respective call dates and after consecutive period of ten years, the coupons will be reset at the then prevailing effective yield of ten-year Dutch government securities plus a spread of 85 basis points.

The bonds have the same subordination provisions as dated subordinated debt. In addition, the conditions of the bonds contain provisions for interest deferral and for the availability of principal amounts to meet losses. Although the bonds have no stated maturity, AEGON has the right to call the bonds for redemption at par for the first time on the coupon date in the years as specified.

Note 11 LONG-TERM BORROWINGS

	2008	2007
Remaining terms less than 1 year	8	1,017
Remaining terms 1 - 5 years	540	9
Remaining terms 5 - 10 years	419	989
Remaining terms over 10 years	321	411
AT DECEMBER 31	**1,288**	**2,426**

The repayment periods of borrowings vary from within one year up to a maximum of 23 years. The interest rates vary from 4.125 to 9.000% per annum.

The market value of the long-term borrowings amounts to EUR 1,218 million (2007: EUR 2,437 million).

Note 12 SHORT-TERM BORROWINGS

	2008	2007
Amounts owed to credit institutions	669	1,006
Short term deposits	772	35
AT DECEMBER 31	**1,441**	**1,041**

All short-term borrowings have a maturity of less than one year.

Note 13 CURRENT LIABILITIES

Loans from and payables to group companies have a maturity of less than one year. Other includes derivatives with negative fair values of EUR 403 million (2007: EUR 174 million).

COMMITMENTS AND CONTINGENCIES

AEGON N.V. has entered into a net worth maintenance agreement with its indirect subsidiary AEGON Financial Assurance Ireland Limited (AFA), pursuant to which AEGON N.V. will cause AFA to have a tangible net worth of at least 3% of its total liabilities under financial guaranty policies which it issues up to a maximum of EUR 3 billion.

AEGON N.V. has guaranteed and is severally liable for the following:

- Due and punctual payment of payables due under letter of credit agreements applied for by AEGON N.V. as co-applicant with its subsidiary companies Transamerica Corporation, AEGON USA, Inc. and Commonwealth General Corporation. At December 31, 2008, the letter of credit arrangements amounted to EUR 3,544 million; as at that date no amounts had been drawn or were due under these facilities;
- Due and punctual payment of payables by the consolidated Group companies Transamerica Corporation, AEGON Funding Company LLC, Commonwealth General Corporation and Transamerica Finance Corp. with respect to bonds, capital trust pass-through securities and notes issued under commercial paper programs (EUR 694 million), as well as payables with respect to certain derivative transactions of Transamerica Corporation (nominal amount EUR 1,003 million);
- Due and punctual payment of any amounts owed to third parties by the consolidated group company AEGON Derivatives N.V. in connection with derivative transactions. AEGON Derivatives N.V. only enters into derivative transactions with counterparties with which ISDA master netting agreements including collateral support annex agreements have been agreed; net (credit) exposure on derivative transactions with these counterparties was therefore minimal as at December 31, 2008.

AEGON N.V. is involved in a dispute between AEGON N.V., the foundation that sold the insurance company OPTAS and the unions and employers in the harbors of Rotterdam and Amsterdam on the pensions insured by AEGON's subsidiary OPTAS. This dispute led to litigation on the accuracy of AEGON's financial statements over 2007 further to the allegation of the plaintiff (a foundation representing the employers and insured employees in the harbors) that the equity of OPTAS should not have been consolidated as AEGON's equity and that as a result, the profit of OPTAS should not have been reported as being part of AEGON's consolidated profit. Parties expect the judgment in near future after which they may appeal from it with the supreme court of the Netherlands.

Note 14 NUMBER OF EMPLOYEES

Other than the Executive Board members, there were no employees employed by AEGON N.V. in either 2008 or 2007.

Note 15 ACCOUNTANTS REMUNERATION

	2008	2007
Audit	24	22
Audit-related	2	2
TOTAL	**26**	**24**

Note 16 EVENTS AFTER THE BALANCE SHEET DATE

On January 7, 2009, AEGON announced that it has agreed to acquire Banca Transilvania's 50% shareholding in BT AEGON, the two companies' jointly-owned Romanian pension business. AEGON will pay approximately EUR 11 million for the stake, which will give AEGON full control of the pension business. AEGON and Banca Transilvania (BT) will remain partners. As part of the transaction, the two companies will sign a distribution agreement covering both life insurance and pension products. The transaction is expected to close in the second quarter of 2009, subject to prior regulatory approval.

On January 13, 2009, AEGON announced that the Supervisory Board of AEGON N.V. will propose Jan Nooitgedagt to succeed Joseph B.M. Streppel as Chief Financial Officer and a member of the Executive Board, effective April 22, 2009 at AEGON's annual General Meeting of Shareholders. Mr. Streppel, who has served as CFO since 1998 and a member of the Executive Board since 2000, will step down from AEGON at the next annual General Meeting of Shareholders in line with AEGON's retirement policy for Executive Board members.

Mr. Nooitgedagt, age 55 and a Dutch national, is retired Chairman of the Board of the Dutch and Belgian firms of Ernst & Young, the international organization for assurance, tax, transaction and advisory services.

The Hague, March 11, 2009

Supervisory Board
Dudley G. Eustace
Irving W. Bailey, II
Antony Burgmans
Cecelia Kempler
Shemaya Levy
Karla M.H. Peijs
Robert J. Routs
Willem F.C. Stevens
Kornelis J. Storm
Ben van der Veer
Dirk P.M. Verbeek
Leo M. van Wijk

Executive Board
Alexander R. Wynaendts
Joseph B.M. Streppel

Auditor's report | TO: THE SUPERVISORY BOARD AND THE EXECUTIVE BOARD OF AEGON N.V.

REPORT ON THE COMPANY FINANCIAL STATEMENTS

We have audited the accompanying company financial statements for the year 2008 (as set out on pages 220 to 233) which are part of the financial statements of AEGON N.V., The Hague, which comprise the balance sheet as at December 31, 2008, the income statement for the year then ended and the notes.

MANAGEMENT'S RESPONSIBILITY

Management of the company is responsible for the preparation and fair presentation of the company financial statements and for the preparation of the Report of the Executive Board, both in accordance with Part 9 of Book 2 of the Netherlands Civil Code. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of the company financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on the company financial statements based on our audit. We conducted our audit in accordance with Dutch law. This law requires that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the company financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the company financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the company financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the company financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the company financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

OPINION

In our opinion, the company financial statements give a true and fair view of the financial position of AEGON N.V. as at December 31, 2008, and of its result for the year then ended in accordance with Part 9 of Book 2 of the Netherlands Civil Code.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

Pursuant to the legal requirement under 2:393 sub 5 part f of the Netherlands Civil Code, we report, to the extent of our competence, that the Report of the Executive Board is consistent with the company financial statements as required by 2:391 sub 4 of the Netherlands Civil Code.

The Hague, March 11, 2009
for Ernst & Young Accountants LLP

was signed by A.F.J. van Overmeire

Other information

PROPOSAL FOR PROFIT APPROPRIATION

Appropriation of profit will be determined in accordance with the articles 31 and 32 of the Articles of Incorporation of AEGON N.V. The relevant provisions read as follows:

1. The General Meeting of Shareholders shall adopt the annual accounts.
2. If the adopted profit and loss account shows a profit, the Supervisory Board may decide, upon the proposal of the Executive Board, to set aside part of the profit to augment and/or form reserves.
3. From the net profit as reflected in the profit and loss account, if it is sufficient to this end after a part of the profit has been set aside for augmenting and/or forming reserves in accordance with 2, first of all the holders of preferred shares shall receive, on the amount paid on their preferred shares, a dividend the percentage of which, on an annual basis, shall be equal to the European Central Bank's fixed interest percentage for basic refinancing transactions, to be increased by 1.75 percentage points, all applicable to the first trading day on Euronext Amsterdam in the financial year to which the dividend relates. Apart from this, no other dividend is to be paid on the preferred shares.
4. The profits remaining after application of the above shall be put at the disposal of the General Meeting of Shareholders. The Executive Board, subject to the approval of the Supervisory Board, shall make a proposal for that purpose. A proposal to pay a dividend shall be dealt with as a separate agenda item at the General Meeting of Shareholders.
5. The Executive Board may, subject to the approval of the Supervisory Board, make one or more interim distributions to the holders of common shares and/or to the holders of preferred shares, the latter subject to the maximum dividend amount set forth under 3.
6. The Executive Board may, subject to the approval of the Supervisory Board, decide that a distribution on common shares shall not take place as a cash payment but as a payment in common shares, or decide that holders of common shares shall have the option to receive a distribution as a cash payment and/or as a payment in common shares, in all cases out of the profit and/or at the expense of reserves. Subject to the approval of the Supervisory Board, the Executive Board shall also determine the conditions applicable to the aforementioned choices.
7. The company's policy on reserves and dividends shall be determined and can be amended by the Supervisory Board, upon the proposal of the Executive Board. The adoption and thereafter each amendment of the policy on reserves and dividends shall be discussed and accounted for at the General Meeting of Shareholders under a separate agenda item.

The decline in world financial markets and its effects on the Company have caused AEGON to decide to forego the 2008 final dividend. This was announced on October 28, 2008. Thus no final dividend payment will be made on the common shares. The interim dividend of EUR 0.30, as paid in September 2008, has been charged to the retained earnings reserve. Similarly a cash dividend of 5.75% on the amount paid-in on the class A and class B preferred shares shall be paid to the holder of the preferred shares.

	2008	2007
Dividend on preferred shares	122	112
Interim dividend on common shares (cash portion)	258	281
Final dividend on common shares	–	290
Earnings to be (reduced) / retained	(1,462)	1,868
NET RESULT	**(1,082)**	**2,551**

Major shareholders

VERENIGING AEGON

Vereniging AEGON is the continuation of the former mutual insurer AGO. In 1978, AGO demutualized and Vereniging AGO became the only shareholder of AGO Holding N.V., which was the holding company for its insurance operations. In 1983, AGO Holding N.V. and Ennia N.V. merged into AEGON N.V. Vereniging AGO initially received approximately 49% of the common shares (which was reduced gradually to less than 40%) and all of the preferred shares in AEGON N.V., giving it voting majority in AEGON N.V. At that time, Vereniging AGO changed its name into Vereniging AEGON. The objective of Vereniging AEGON is the balanced representation of the interests of AEGON N.V. and all of its stakeholders, including shareholders, AEGON Group companies, insured parties, employees and other relations of the companies.

In accordance with the 1983 Merger Agreement, Vereniging AEGON had certain option rights on preferred shares to prevent dilution of voting power as a result of share issuances by AEGON N.V. This enabled Vereniging AEGON to maintain voting control at the General Meeting of Shareholders of AEGON N.V. In September 2002, AEGON N.V. effected a non-dilutive capital restructuring whereby Vereniging AEGON sold 350,000,000 of its common shares, of which 143,600,000 common shares were sold directly by Vereniging AEGON in a secondary offering outside the United States and 206,400,000 common shares were purchased by AEGON N.V. from Vereniging AEGON. AEGON N.V. subsequently sold these common shares in a global offering. The purchase price for the 206,400,000 common shares sold by Vereniging AEGON to AEGON N.V. was EUR 2,064,000,000, which amount (less EUR 12,000,000 related costs) Vereniging AEGON contributed as additional paid-in capital on the existing AEGON N.V. preferred shares, all held by Vereniging AEGON. As a result of these transactions, Vereniging AEGON's beneficial ownership interest in AEGON N.V.'s common shares decreased from approximately 37% to approximately 12% and its beneficial ownership interest in AEGON N.V.'s voting shares (excluding issued common shares held in treasury by AEGON N.V.) decreased from approximately 52% to approximately 33%.

On May 9, 2003, AEGON's shareholders approved certain changes to AEGON's corporate governance structure and AEGON's relationship with Vereniging AEGON in an extraordinary General Meeting of Shareholders. AEGON's Articles of Incorporation were subsequently amended on May 26, 2003.

The relationship between Vereniging AEGON and AEGON N.V. was changed as follows:

The 440,000,000 preferred shares with nominal value of EUR 0.12 held by Vereniging AEGON were converted into 211,680,000 new class A preferred shares with nominal value of EUR 0.25 and the paid-in capital on the preferred shares was increased by EUR 120,000 to EUR 52,920,000. The voting rights pertaining to the new preferred shares (the class A preferred shares as well as the class B preferred shares which may be issued to Vereniging AEGON under the option agreement as described in the following sections) were adjusted accordingly to 25/12 vote per preferred share.

AEGON N.V. and Vereniging AEGON have entered into a preferred shares voting rights agreement, pursuant to which Vereniging AEGON has voluntarily waived its right to cast 25/12 vote per class A or class B preferred share. Instead, Vereniging AEGON has agreed to exercise one vote only per preferred share, except in the event of a 'special cause', such as the acquisition of a 15% interest in AEGON N.V., a tender offer for AEGON N.V. shares or a proposed business combination by any person or group of persons whether individually or as a group, other than in a transaction approved by the Executive Board and the Supervisory Board. If, in its sole discretion, Vereniging AEGON determines that a 'special cause' has occurred, Vereniging AEGON will notify the General Meeting of Shareholders and retain its right to exercise the full voting power of 25/12 vote per preferred share for a limited period of six months.

AEGON N.V. and Vereniging AEGON have amended the option arrangements under the 1983 Merger Agreement. Under the amended option arrangements Vereniging AEGON, in case of an issuance of shares by AEGON N.V., may purchase as many class B preferred shares as would enable Vereniging AEGON to prevent or correct dilution to below its actual percentage of voting shares, unless Vereniging AEGON as a result of exercising these option rights would increase its voting power to more than 33 percent. Class B preferred shares will then be issued at par value (EUR 0.25), unless a higher issue price is agreed. In the years 2003 through 2007, 35,170,000 class B preferred shares were issued under these option rights. In 2008, no option rights existed.

DEVELOPMENT OF SHAREHOLDING IN AEGON N.V.

Number of shares	Common	Preferred A	Preferred B
At January 1, 2008	171,974,055	211,680,000	35,170,000
Exercise option right Preferred B shares	–	–	–
AT DECEMBER 31, 2008	**171,974,055**	**211,680,000**	**35,170,000**

Accordingly, under normal circumstances the voting power of Vereniging AEGON, based on the number of outstanding and voting shares (excluding issued common shares held in treasury by AEGON N.V.) at December 31, 2008, amounts to approximately 23.73%. In the event of a 'special cause', Vereniging AEGON's voting rights will increase, currently to 33.77%, for up to six months per 'special cause'.

At December 31, 2008, the General Meeting of Members of Vereniging AEGON consisted of nineteen members. The majority of the voting rights is with the seventeen members not being employees or former employees of AEGON N.V. or one of the AEGON group companies, nor current or former members of the Supervisory Board or the Executive Board of AEGON N.V. The two other members are both elected by the General Meeting of Members of Vereniging AEGON from among the members of the Executive Board of AEGON N.V.

Vereniging AEGON has an Executive Committee consisting of seven members, five of whom, including the chairman and the vice-chairman, are not nor have ever been, related to AEGON. The other two members are also members of the Executive Board of AEGON N.V. Resolutions of the Executive Committee, other than with regard to the amendment of the Articles of Association, are made with an absolute majority of the votes. When a vote in the Executive Committee results in a tie, the General Meeting of Members has the deciding vote. With regards to the amendment of the Articles of Association of Vereniging AEGON, a special procedure is in place to provide for the need of a unanimous proposal from the Executive Committee, thereby including the consent of the representatives of AEGON N.V. at the Executive Committee. Following the amendment of the Articles of Association as effected on September 13, 2005, this requirement does not apply in the event of a hostile change of control at the General Meeting of Shareholders of AEGON N.V., in which event Vereniging AEGON may amend its Articles of Incorporation without the cooperation of AEGON N.V.

OTHER MAJOR SHAREHOLDERS

To AEGON's knowledge there are no other parties holding a capital / voting interest in AEGON N.V. in excess of the thresholds established under Dutch securities law.

Quarterly results

2007 First quarter	2007 Second quarter	2007 Third quarter	2007 Fourth quarter	2007 Total year	Amounts in EUR million	2008 First quarter	2008 Second quarter	2008 Third quarter	2008 Fourth quarter	2008 Total year
					Underlying earnings before tax by line of business					
260	329	349	357	1,295	Life and protection	252	252	286	121	911
125	155	126	90	496	Individual savings and retirement products	116	115	56	(433)	(146)
132	119	110	137	498	Pensions and asset management	121	129	79	179	508
87	67	82	96	332	Institutional products	108	99	98	100	405
36	23	37	18	114	Life reinsurance	43	0	8	(114)	(63)
10	9	8	(21)	6	Distribution	9	8	3	(19)	1
3	14	17	13	47	General insurance	17	20	11	(3)	45
(58)	(47)	(46)	(34)	(185)	Interest charges and other	(17)	(38)	(40)	(17)	(112)
7	10	8	11	36	Share in net results of associates	9	11	(1)	5	24
602	**679**	**691**	**667**	**2,639**	**UNDERLYING EARNINGS BEFORE TAX**	**658**	**596**	**500**	**(181)**	**1,573**
132	(146)	(113)	(145)	(272)	Over/(under) performance of fair value items	(441)	48	(456)	(770)	(1,619)
734	**533**	**578**	**522**	**2,367**	**OPERATING EARNINGS BEFORE TAX**	**217**	**644**	**44**	**(951)**	**(46)**
190	119	156	281	746	Gains/(losses) on investments	86	(212)	25	136	35
7	(4)	(62)	(17)	(76)	Impairment charges	(32)	(98)	(407)	(501)	(1,038)
15	39	10	(24)	40	Other income/(charges)	(54)	9	(5)	38	(12)
946	**687**	**682**	**762**	**3,077**	**Income before tax**	**217**	**343**	**(343)**	**(1,278)**	**(1,061)**
(239)	(32)	(141)	(114)	(526)	Income tax	(64)	(67)	14	96	(21)
707	**655**	**541**	**648**	**2,551**	**NET INCOME**	**153**	**276**	**(329)**	**(1,182)**	**(1,082)**
454	**532**	**531**	**516**	**2,033**	**Net underlying earnings**	**503**	**437**	**363**	**(69)**	**1,234**
553	**415**	**438**	**399**	**1,805**	**Net operating earnings**	**175**	**479**	**38**	**(623)**	**69**
					Underlying earnings geographically					
478	504	508	503	1,993	Americas	478	441	388	(234)	1,073
87	115	107	109	418	The Netherlands	113	116	74	75	378
66	71	67	67	271	United Kingdom	45	48	35	13	141
29	36	55	22	142	Other countries	39	29	42	(17)	93
(56)	(48)	(45)	(46)	(195)	Holding and other activities	(23)	(40)	(45)	(22)	(130)
(2)	1	(1)	12	10	Eliminations	6	2	6	4	18
602	**679**	**691**	**667**	**2,639**	**UNDERLYING EARNINGS BEFORE TAX**	**658**	**596**	**500**	**(181)**	**1,573**
					Revenues by line of business					
3,625	3,653	3,660	3,726	14,664	Life and protection	3,547	3,463	3,597	3,710	14,317
717	705	680	673	2,775	Individual savings and retirement products	638	613	630	622	2,503
4,403	3,650	3,859	3,513	15,425	Pensions and asset management	3,776	3,283	2,860	2,715	12,634
872	625	746	1,113	3,356	Institutional products	484	369	361	479	1,693
430	455	484	479	1,848	Life reinsurance	405	412	410	494	1,721
127	126	126	125	504	Distribution	120	114	105	108	447
184	161	138	137	620	General insurance	185	179	156	145	665
17	17	3	42	79	Other income/(charges)	17	21	27	37	102
10,375	**9,392**	**9,696**	**9,808**	**39,271**	**REVENUES BY LINE OF BUSINESS**	**9,172**	**8,454**	**8,146**	**8,310**	**34,082**
12,976	**9,902**	**12,056**	**9,594**	**44,528**	**Gross deposits (on and off balance sheet)**	**8,636**	**9,131**	**11,051**	**11,933**	**40,751**
318	**(682)**	**2,716**	**118**	**2,470**	**Net deposits (on and off balance sheet)**	**(888)**	**971**	**1,652**	**1,679**	**3,414**
					New life sales					
3,875	3,298	3,794	3,447	14,414	Life single premiums	2,757	2,880	2,568	2,327	10,532
438	472	467	456	1,833	Life recurring premiums annualized	410	441	361	366	1,578
826	**802**	**846**	**800**	**3,274**	**TOTAL RECURRING PLUS 1/10 SINGLE**	**686**	**729**	**618**	**598**	**2,631**
176	160	166	178	680	New premium production accident and health insurance	166	141	146	161	614
12	13	12	21	58	New premium production general insurance	16	16	19	17	68

Glossary

Acquisition date is the date on which the acquirer effectively obtains control of the acquiree. In most cases this includes at least the transfer of risks and rewards related to the acquired business or assets / liabilities.

Actuarial gains and losses relate to the accounting for post-employment benefit plans. They comprise the effects of experience adjustments and changes in assumptions used to determine the cost of a plan.

Amortized cost is the amount at which the financial asset or liability is measured at initial recognition minus principal repayments, plus or minus the cumulative amortization using the effective interest rate method of any difference between that initial amount and the maturity amount and minus any reduction (directly or through the use of an allowance account) for impairment or uncollectability.

Assets held by long-term employee benefit funds are part of plan assets. These are assets (other than non-transferable financial instruments issued by the reporting entity) that:
Are held by an entity that is legally separate from the reporting entity and exists solely to pay or fund employee benefits; and
Are available to be used only to pay or fund employee benefits and are not available to the reporting entity's own creditors.

Bifurcation is the measurement and presentation of embedded derivatives separate from the host contracts, as if they were stand-alone derivative financial instruments.

Binomial option pricing model uses a binomial lattice that represents possible paths that might be followed by the underlying asset's price over the life of the option, for a given number of time steps between valuation date and option expiration. Each node in the lattice represents a possible price of the underlying asset, at a particular point in time. The valuation process is iterative; it starts at each final node and then works backwards through the lattice to the first node, which is the valuation date, where the calculated result is the value of the option.

Business combination is the bringing together of separate entities or operations of entities into one reporting entity. This can be realized through a purchase transaction or by means of a merger. A business combination involving entities (or operations of entities) under common control is a business combination in which all of the combining entities (or operations of entities) ultimately are controlled by the same party or parties both before and after the combination, and that control is not transitory.

Capitalization is the recognition of a cost as part of the cost of an asset on the balance sheet.

Cash generating unit is the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets.

Cedant is the policyholder under a reinsurance contract.

Claims settlement expenses are costs incurred in settling a claim. These costs include internal administration and payout costs, but also such items as attorney's fees and investigation expenses.

Collateral is an asset pledged by a borrower to secure a loan and is subject to seizure in the case of default.

Compound financial instruments are financial instruments that, from the issuer's perspective, contain both a liability and an equity element.

Constructive obligation is an obligation that derives from an entity's actions whereby an established pattern of past practice, published policies or a sufficiently specific current statement, the entity has indicated to other parties that it will accept certain responsibilities, and as a result, the entity has created a valid expectation on the part of those other parties that it will discharge those responsibilities.

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss.

Currency risk is a market risk, namely the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates.

Deferred tax assets are amounts of income taxes recoverable in future periods in respect of deductible temporary differences; the carryforward of unused tax losses; and the carryforward of unused tax credits.

Deferred tax liabilities are amounts of income taxes payable in future periods in respect of taxable temporary differences.

Defined benefit obligation is the present value, without deducting any plan assets, of expected future payments required to settle the obligation resulting from employee service in the current and prior periods.

Defined benefit plans are post-employment benefit plans other than defined contribution plans.

Defined contribution plans are post-employment benefit plans under which an entity pays fixed contributions into a separate entity (a fund) and will have no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employee benefits relating to employee service in the current and prior periods.

Deferred Policy Acquisition Cost (DPAC) are the variable costs related to the acquisition or renewal of insurance contracts and investment contracts with discretionary participation features.

Deposit accounting method includes amounts charged and paid to customers directly into the financial liability and not through the income statement as premium income and claims.

Derecognition is the removal of a previously recognized asset or financial liability from an entity's balance sheet.

Derivatives are financial instruments whose value changes in response to an underlying variable, that require little or no net initial investment and are settled at a future date.

Discretionary participation feature is a contractual right to receive, as a supplement to guaranteed benefits, additional benefits:
- That are likely to be a significant portion of the total contractual benefits;
- Whose amount or timing is contractually at the discretion of the issuer; and
- That are contractually based on:
  - The performance of a specified pool of contracts or a specified type of contract;
  - Realized and/or unrealized investment returns on a specified pool of assets held by the issuer; or
  - The profit or loss of the company, fund or other entity that issues the contract.

Effective interest rate method is a method of calculating the amortized cost of a financial asset or liability and of allocating the interest income or expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period to the net carrying amount of the financial asset or liability.

Embedded derivative is a component of a hybrid instrument that also includes a non-derivative host contract, with the effect that some of the cash flows of the combined instrument vary in a way similar to a derivative.

Equity instruments are financial instruments issued by the Group that are classified as equity if they evidence a residual interest in the assets of the Group after deducting all of its liabilities.

Equity method is a method of accounting whereby the investment is initially recognized at cost and adjusted thereafter for the post-acquisition change in the investor's share of net assets of the investee. The profit or loss of the investor includes the investor's share of the profit or loss of the investee.

Equity volatility is the relative rate at which the price of equity changes.

Exchange differences are differences resulting from translating a given number of units of one currency into another currency at different exchange rates.

Finance lease is a lease that transfers substantially all the risks and rewards incident to ownership of an asset.

Financial asset is any asset that is:
- Cash;
- An equity instrument of another entity;
- A contractual right to receive cash or another financial asset from another entity or to exchange financial instruments with another party under conditions that are potentially favorable; or
- A contract that will or may be settled in the entity's own equity instruments and is:
  - A non-derivative for which the entity is or may be obliged to receive a variable number of the entity's own equity instruments; or
  - A derivative that will or may be settled other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of the entity's own equity instruments.

Financial instrument is any contract that gives rise to both a financial asset of one entity and a financial liability or equity instrument of another entity.

Financial liability is any liability that is:
- A contractual obligation to deliver cash or another financial asset to another entity or to exchange financial assets or financial liabilities with another entity under conditions that are potentially unfavorable to the entity; or
- A contract that will or may be settled in the entity's own equity instruments and is:
  - A non-derivative for which the entity is or may be obliged to deliver a variable number of the entity's own equity instruments; or
  - A derivative that will or may be settled other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of the entity's own equity instruments.

Financial risks are risks of a possible future change in one or more of the following variables: a specified interest rate, financial instrument price, commodity price, foreign exchange rate, index or prices or rates, credit rating or credit index or other variable, provided in the case of a non-financial variable, that the variable is not specific to a party to the contract.

Firm commitment is a binding agreement for the exchange of a specified quantity of resources at a specified price on a specified future date or dates.

Foreign currency is a currency other than the functional currency of an entity within the Group.

Foreign operation is an entity that is a subsidiary, associate, joint venture or branch of a reporting entity within the Group, the activities of which are based or conducted in a country or currency other than those of the reporting entity.

Functional currency is the currency of the primary economic environment in which an entity within the Group operates.

General account investments are investments of which the financial risks are not borne by the policyholder.

Goodwill is the amount of future economic benefits arising from assets that are not capable of being individually identified and separately recognized as an asset in a business combination.

Guaranteed benefits are payments or other benefits to which a particular policyholder or investor has an unconditional right that is not subject to the contractual discretion of the issuer.

Hedge effectiveness is the degree to which changes in the fair value or cash flows of the hedged item that are attributable to a hedged risk are offset by changes in the fair value or cash flows of the hedging instrument.

Incremental cost is one that would not have been incurred if the entity had not acquired, issued or disposed of a financial instrument.

Insurance asset is an insurer's contractual right under an insurance contract.

Insurance contract is a contract under which one party (the insurer) accepts significant insurance risk from another party (the policyholder) by agreeing to compensate the policyholder if a specified uncertain future event (the insured event) adversely affects the policyholder.

Insurance liability is an insurer's contractual obligation under an insurance contract.

Insurance risk is a risk, other than financial risk, transferred from the holder of a contract to the issuer.

Joint control is the contractually agreed sharing of control over an economic activity, which exists when the strategic and operating decisions relating to the activity require the unanimous consent of the parties sharing control.

Liability adequacy testing is an assessment of whether the carrying amount of an insurance liability needs to be increased (or the carrying amount of related deferred acquisition costs or related intangible assets decreased) based on a review of future cash flows.

Liquidity risk is the risk that an entity will encounter difficulty in raising funds to meet commitments associated with financial instruments.

Master netting agreement is an agreement providing for an entity that undertakes a number of financial instrument transactions with a single counterparty to make a single net settlement of all financial instruments covered by the agreement in the event of default on, or termination of, any contract.

Minority interests are that portion of the profit or loss and net assets of a subsidiary attributable to equity interests that are not owned, directly or indirectly through subsidiaries, by the parent.

Monetary items are units of currency held and assets and liabilities to be received or paid in a fixed or determinable number of units of currency.

Onerous contracts are contracts in which the unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received under it.

Operating expenses are all expenses associated with selling and administrative activities (excluding commissions) after reallocation of claim handling expenses to benefits paid.

Past service cost is the increase in the present value of the defined benefit obligation for employee service in prior periods, resulting in the current period from the introduction of, or changes to, post-employment benefits.

Plan assets are assets held by a long-term employee benefit fund and qualifying insurance policies.

Policy acquisition costs are the expenses incurred in soliciting and placing new business as well as renewal of existing business. It includes agent's commissions, underwriting expenses, medical and credit report fees, marketing expenses and all other direct and indirect expenses of the departments involved in such activities.

Policyholder is a party that has a right to compensation under an insurance contract if an insured event occurs.

Presentation currency is the currency in which the financial statements are presented.

Price risk is a market risk, namely the risk that the value of a financial instrument will fluctuate as a result of changes in market prices.

Private loan is a non-derivative financial asset with a fixed interest rate and a maturity date, which is not bought in an active market but negotiated between the two parties involved. Private loans are not embodied in securities. When a private loan takes the form of a private placement of bonds or other investments directly to an institutional investor like an insurance company, it has more the character of a bond loan and such financial instruments are classified as available-for-sale investments rather than as loans and receivables.

Projected unit credit method is an actuarial valuation method that sees each period of service as giving rise to an additional unit of benefit entitlement and measures each unit separately to build up the final obligation.

Qualifying insurance policies are a component of plan assets. These are insurance policies issued by an insurer that is not a related party of the reporting entity, if the proceeds of the policies:
- Can be used only to pay or fund employee benefits under a defined benefit plan; and
- Are not available to the reporting entity's own creditors.

Real estate investments foreclosed are real estate investments purchased through foreclosure on the mortgage. Such purchases are not accounted for as mortgages, but as real estate investments until they can be sold at a better price than at the foreclosure. Meanwhile they yield a rental income.

Realizable value is the amount of cash or cash equivalents that could currently be obtained by selling an asset in an orderly disposal.

Recognition is the process of incorporating in the balance sheet or income statement an item that meets the definition of an element and satisfies the following criteria for recognition:
- It is probable that any future economic benefit associated with the item will flow to or from the entity; and
- The item has a cost or value that can be measured with reliability.

Reinsurance assets are a cedant's net contractual rights under a reinsurance contract.

Reinsurance contract is an insurance contract issued by one insurer to compensate another insurer for losses on one or more contracts issued by the cedant.

Renewal of a contract is when a policyholder takes whatever action is required, typically payment of a premium, in order to maintain benefits under the contract.

Repurchase agreement is a sale of securities with an agreement to buy back the securities at a specified time and price.

Return on plan assets is the investment income derived from plan assets, together with realized and unrealized gains and losses on the plan assets less any costs of administering the plan and less any tax payable by the plan itself.

Reverse repurchase agreement is a purchase of securities with the agreement to resell them at a later specified date and price.

Security lending involves a loan of a security from one party to another.

Settlement date is the date that a financial asset is delivered to the entity that purchased it.

Sovereign exposures are AAA rated government bonds, or lower rated government bonds if purchased in local currency by a reporting unit.

Spot exchange rate is the exchange rate for immediate delivery.

Spread is the difference between the current bid and the current ask or offered price of a given security.

Stochastic modeling is a statistical process that uses probability and random variables to predict a range of probable investment performances.

Temporary differences are differences between the carrying amount of an asset or liability in the balance sheet and its tax base that will reverse over time.

Trade date is the date that an entity commits itself to purchase or sell an asset.

Transaction costs are incremental costs that are directly attributable to the acquisition, issue or disposal of a financial asset or liability.

Trust Pass-Through securities are securities through which the holders participate in a trust. The assets of these trusts consist of debentures issued by an AEGON group company.

Unlocking of DPAC and VOBA refers to the process of updating the DPAC or the VOBA amortization schedule to reflect changes between the past and current expectations of key assumptions used in the projection of future gross profits.

Value of Business Acquired (VOBA) the difference between the fair value and the carrying amount of the insurance liabilities recognized when a portfolio of insurance contracts is acquired (directly from another insurance company or as part of a business combination).

WACC is an abbreviation for Weighted Average Cost of Capital which represents the average cost of capital of an entity, taking into account all sources of capital (from equity and debt), weighted by their current market values.

Corporate and shareholder information

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Forward-looking statements

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

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

Further details of potential risks and uncertainties affecting the company are described in the company's filings with Euronext Amsterdam and the US Securities and Exchange Commission, including the Annual Report on Form 20-F. These forward-looking statements speak only as of the date of this document. Except as required by any applicable law or regulation, the company expressly disclaims any obligation or undertaking to release publicly any updates or revisions to any forward-looking statements contained herein to reflect any change in the company's expectations with regard thereto or any change in events, conditions or circumstances on which any such statement is based.

COLOPHON

Consultancy and design	Dart | Brand guidance & Design, Amsterdam (NL)
Editing and production	AEGON Group Corporate Communications (NL)
Photography	Ad Bogaard (NL)
Typesetting	Dart | Brand guidance & Design, Amsterdam (NL)
Printing	Habo DaCosta bv (NL)
Binding	Hexspoor (NL)

FSC
Mixed Sources
Product group from well-managed forests and other controlled sources
Cert no. SGS-COC-004016
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ANNUAL REPORT **2008**

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