UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 20-F

(Mark One)

☐ **REGISTRATION STATEMENT PURSUANT TO SECTION 12(b) OR(g) OF THE SECURITIES EXCHANGE ACT OF 1934**

OR

☒ **ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the fiscal year ended December 31, 2008

OR

☐ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the transition period from_____to_____

OR

☐ **SHELL COMPANY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

Commission file number 1-10882

AEGON N.V.
(Exact name of Registrant as specified in its charter)

Not Applicable
(Translation of Registrant's name into English)

The Netherlands
(Jurisdiction of incorporation or organization)

AEGONplein 50, PO Box 85, 2501 CB The Hague, The Netherlands
(Address of principal executive offices)

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Securities registered or to be registered pursuant to Section 12(b) of the Act.

Title of each class	Name of each exchange on which registered
Common shares, par value EUR 0.12 per share	**New York Stock Exchange**

Securities registered or to be registered pursuant to Section 12(g) of the Act.

Not applicable
(Title of Class)

Securities for which there is a reporting obligation pursuant to Section 15(d) of the Act.

Not applicable
(Title of Class)

Indicate the number of outstanding shares of each of the issuer's classes of capital or common stock as of the close of the period covered by the annual report: 1,578,227,139 common shares

Indicate by check mark if the Registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act
☒ Yes No ☐

If this report is an annual or transition report, indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934. ☐ Yes No ☒

Indicate by check mark whether the Registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirement for the past 90 days. ☒ Yes No ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer or a non-accelerated filer. See definition of "accelerated filer and large accelerated filer" in Rule 12b-2 of the Exchange Act
☒ Large accelerated filer ☐ Accelerated filer ☐ Non-accelerated filer

Indicate by checkmark which basis of accounting the registrant has used to prepare the financial statements included in this filing
☐ U.S. GAAP ☒ International Financial Reporting Standards as issued by the International Accounting Standards Board ☐ Other

If "other" has been checked in response to the previous question, indicate by check mark which financial statement item the registrant has elected to follow.
☐ Item 17 ☐Item 18

If this is an annual report, indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). ☐ Yes No ☒

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PRESENTATION OF CERTAIN INFORMATION

AEGON N.V. is referred to in this Annual Report on Form 20-F as "AEGON," "we", "us" or "the Company" and AEGON N.V. together with its member companies are together referred to as the "AEGON Group". For such purposes, "member companies" means, in relation to AEGON N.V., those companies that are required to be consolidated in accordance with legislative requirements of the Netherlands relating to consolidating accounts. References to the "NYSE" are to the New York Stock Exchange. References to the "SEC" are to the Securities and Exchange Commission.

In this Annual Report on Form 20-F, references to "EUR" and "euro" are to the lawful currency of the member states of the European Monetary Union that have adopted the single currency in accordance with the Treaty establishing the European Community, as amended by the Treaty on European Union. References to "$," "USD," "US$" and "US dollars" are to the lawful currency of the United States of America, references to "GBP," "pound sterling" and the "UK pound" are to the lawful currency of the United Kingdom, references to "CAD" and "Canadian dollars" are to the lawful currency of Canada and references to "CNY" are to the lawful currency of the People's Republic of China.

FORWARD LOOKING STATEMENTS

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

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

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.

PART I

ITEM 1. IDENTITY OF DIRECTORS, SENIOR MANAGEMENT AND ADVISORS

Not applicable

ITEM 2. OFFER STATISTICS AND EXPECTED TIMETABLE

Not applicable

ITEM 3. KEY INFORMATION

3A Selected financial data

A summary of historical financial data is found in the table below. Our consolidated financial statements are prepared in accordance with International Financial Reporting Standards as adopted by the European Union and with International Financial Reporting Standards as issued by the International Accounting Standards Board (IFRS).

It is important to read this summary in conjunction with the consolidated financial statements and related notes included elsewhere in this Report.

All per share amounts have been calculated based on the weighted average number of common shares outstanding after giving effect to all stock dividends through December 31, 2008.

Consolidated income statement information

	Years ended December 31,				
In million EUR (except per share amount)	**2008**	2007	2006	2005	2004
Amounts based upon IFRS [1]					
Premium income	22,409	26,900	24,570	18,882	18,329
Investment income	9,965	10,457	10,376	9,937	9,339
Total revenues [2]	34,082	39,271	36,615	30,336	29,300
Income/(loss) before tax	(1,061)	3,077	3,971	2,796	2,441
Net income/(loss)	(1,082)	2,551	3,169	2,147	2,010
Net income per common share [3]					
Basic	(0.92)	1.47	1.87	1.25	1.22
Diluted	(0.92)	1.47	1.86	1.25	1.22

[1] Our consolidated financial statements are prepared in accordance with IFRS.

[2] Excluded from the income statements prepared in accordance with IFRS are receipts related to investment-type annuity products and investment contracts.

[3] Per share data has been calculated based on the weighted average number of common shares outstanding after giving effect to all stock dividends, stock splits and share repurchases through December 31, 2008. Diluted per share data gives effect to all dilutive securities.

Consolidated balance sheet information

	as at December 31,				
In million EUR (except per share amount)	**2008**	2007	2006	2005	2004
Amounts based upon IFRS [1]					
Total assets	287,259	314,120	314,813	311,215	286,692
Insurance and investment contracts	240,030	266,735	262,052	264,334	223,969
Trust pass-through securities and (subordinated) borrowings [2]	4,824	5,152	4,395	5,014	5,295
Shareholders' equity	6,055	15,151	18,605	18,715	14,458

[1] Our consolidated financial statements are prepared in accordance with IFRS.

[2] Excludes bank overdrafts.

In thousand	**2008**	2007	2006	2005	2004
Number of common shares					
Balance at January 1	1,636,545	1,622,927	1,598,977	1,552,685	1,514,378
Stock dividends	41,452	25,218	23,950	46,292	38,307
Share withdrawal	(99,770)	(11,600)	-	-	-
Balance at end of period	1,578,227	1,636,545	1,622,927	1,598,977	1,552,685

Dividends

AEGON has declared interim and final dividends for the years 2004 through 2008 in the amounts set forth in the table below. Dividends in US dollars are calculated based on the foreign exchange reference rate (the rate based on the daily concertation procedure between central banks as published each working day at 14:15 hours by the European Central Bank) on the business day following the announcement of the interim dividend or on the business day following the shareholder meeting approving the relevant final dividend.

Year	EUR per common share [1]			USD per common share [1]		
	Interim	Final	Total	Interim	Final	Total
2004	0.21	0.21	0.42	0.26	0.27	0.53
2005	0.22	0.23	0.45	0.27	0.29	0.56
2006	0.24	0.31	0.55	0.31	0.42	0.73
2007	0.30	0.32	0.62	0.41	0.50	0.91
2008	0.30	-	0.30	0.45	-	0.45

[1] Paid, at each shareholder's option, in cash or in stock.

On August 7, 2008, AEGON declared an interim dividend for 2008 of EUR 0.30 per common share. AEGON repurchased 17.8 million shares to neutralize the dilutive effect of the 2007 final dividend. On October 28, 2008, AEGON announced that it would be issuing 750 million new convertible core capital securities to Vereniging AEGON. The Dutch state agreed to fund the purchase by Vereniging AEGON. The new securities rank *pari passu* with common shares and are entitled to a dividend only in the event and to the extent that AEGON elects to pay a dividend on common shares. AEGON retains the discretion to set its own dividend policy without regard to the new capital securities. AEGON has decided to forego a final dividend for 2008.

Annual dividends on AEGON's preferred shares are calculated as a percentage of the paid-in capital on the preferred shares using a rate equal to the European Central Bank's fixed interest percentage for basic refinancing transactions plus 1.75% (as determined on the first Euronext Amsterdam working day of the financial year to which the dividend relates) resulting in a rate of 5.75% for 2008. Applying this rate to the weighted average paid-in capital of our preferred shares during 2008, the annual dividend on our preferred shares payable for 2008 is EUR 122 million. The rate for annual dividends on preferred shares in 2009, as determined on January 2, 2009, is 4.25% and the annual dividend on preferred shares for 2009, based on the paid-in capital on the preferred shares on January 2, 2009, will be EUR 90 million.

Exchange rates

Fluctuations in the exchange rate between the euro and the US dollar will affect the dollar equivalent of the euro price of our common shares traded on Euronext Amsterdam and, as a result, are likely to impact the market price of our common shares in the United States. Such fluctuations will also affect any dollar amounts received by holders of common shares upon conversion of any cash dividends paid in euros on our common shares.

As of March 2, 2009 the USD exchange rate [1] was EUR 1 = USD 1.2580.

The high and low exchange rates [1] for the US dollar per euro for each of the last six months through February 2009 are set forth below:

	Sept. 2008	Oct. 2008	Nov. 2008	Dec. 2008	Jan. 2009	Feb. 2009
High (USD per EUR)	1.4737	1.4058	1.3039	1.4358	1.3946	1.3064
Low (USD per EUR)	1.3939	1.2446	1.2525	1.2634	1.2804	1.2547

The average exchange rates[1] for the US dollar per euro for the five years ended December 31, 2008, calculated by using the average of the exchange rates on the last day of each month during the period, are set forth below:

Year ended December 31,	Average rate
2004	1.2478
2005	1.2400
2006	1.2661
2007	1.3797
2008	**1.4695**

[1] The US dollar exchange rates are the noon buying rates in New York City for cable transfers in euros as certified for customs purposes by the Federal Reserve Bank of New York.

3B Capitalization and indebtedness

Not applicable

3C Reasons for the offer and use of proceeds

Not applicable

3D Risk factors

i Risks relating to our business

The following discusses some of the key risk factors that could affect AEGON's business and operations, as well as other risk factors that are particularly relevant to us in the current period of significant economic and market disruption. Additional risks to which we are subject include, but are not limited to, the factors mentioned under "Forward-Looking Statements" above and the risks of our businesses described elsewhere in this Annual Report on Form 20-F. Other factors besides those discussed below or elsewhere in this Annual Report also could adversely affect our business and operations, and the following risk factors should not be considered a complete list of potential risks that may affect AEGON and our subsidiaries.

i Risks related to the global financial markets and general economic conditions

Disruptions in the global financial markets and general economic conditions have affected, and could have material adverse effects on, AEGON's business, results of operations and financial condition.

Global financial markets have been experiencing extreme and unprecedented volatility and disruption, which may have a material adverse effect on our results of operations, financial condition and liquidity. Our results of operations and financial condition may be materially affected from time to time by general economic conditions, such as levels of employment, consumer lending or inflation in the countries in which we operate. As part of the slowdown in world economies during 2008, with many countries going into recession, there have been large numbers of redundancies in developed countries. Unemployment rates are expected to rise further in 2009. Bank lending has been severely reduced and the housing markets in Europe and North America are declining. In addition to the other risks described in this section, these conditions have resulted and may continue to result in a reduction in demand for our products as well as a reduction in the value of the assets in our general account. We also may experience a higher incidence of claims and lapses or surrenders of policies. Our policyholders may choose to defer or stop paying insurance premiums. We cannot predict definitively whether or when such actions, which could impact our business, results of operations, cash flows and financial condition, may occur.

In view of ongoing uncertainty with respect to the financial and economic environment, on December 1, 2008, AEGON's core capital was increased through a special transaction with Vereniging AEGON and the State of The Netherlands (see Item 10C "Material Contracts" of this Form 20-F). As part of this arrangement, the State of the Netherlands nominated two representatives to AEGON's Supervisory Board. Governmental action in The Netherlands and elsewhere to address the financial crisis could further impact our business. We cannot predict with any certainty whether these actions will be effective or the effect they may have on the financial markets or on our business, results of operations, cash flows and financial condition.

Credit risk

Defaults in our debt securities, private placements and mortgage loan portfolios may adversely affect profitability and shareholders' equity.

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.

Equity market risk

A decline in equity markets may adversely affect our profitability and shareholders' equity, sales of savings and investment products and the amount of assets under management.

Fluctuations in the equity markets have affected our profitability, capital position and sales of equity related products in the past and continue to do so. Exposure to equity markets exists in both assets and liabilities. Asset exposure exists through direct equity investment where we bear 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 that we earn on the asset balance in these products. In addition, some of this business has minimum return or accumulation guarantees, which requires AEGON to establish reserves to fund these future guaranteed benefits when equity market returns do not meet or exceed these guarantee levels. Our reported results under IFRS are also at risk if returns are not sufficient to allow amortization of deferred policyholder acquisition costs (DPAC), which could impact our reported net income as well as shareholders' equity. Volatile or poor market conditions may also significantly reduce the demand for some of our savings and investment products, which could lead to lower sales and net income. Deteriorating general economic conditions, have led to and may again result in significant decreases in the value of our equity investments. Equity markets fell markedly in 2008 due to the turmoil in credit markets and the worldwide recession leading to a recognition of impairment losses on equity securities held in general account of EUR 203 million (2007: EUR 45 million; 2006: EUR 36 million).

Interest rate risk

Interest rate volatility or sustained low interest rate levels may adversely affect our profitability and shareholders' equity.

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 us requiring the sale of invested assets at a time when the prices of those assets are affected adversely by the increase in market interest rates. This may result in realized investment losses. These cash payments to policyholders also result in a decrease in total invested assets and net income. Early withdrawals may also require accelerated amortization of deferred policy acquisition costs, which in turn reduces net income.

During periods of sustained low interest rates, we may not be able to preserve margins as a result of minimum interest rate guarantees and minimum guaranteed crediting rates provided in 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. Life insurance and annuity products may be relatively more attractive to consumers, resulting in increased premium payments on products with flexible premium features and a higher percentage of insurance policies remaining in force year to year. Mortgages and redeemable bonds in the investment portfolio are more likely to be repaid as borrowers seek to re-finance at lower interest rates and we may be required to reinvest the proceeds in securities bearing lower interest rates. Risk is heightened in the current market and economic environment in which certain securities may be unavailable. Accordingly, net income may decline 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.

If interest rates rise there may be unrealized losses on some of our assets that will be recorded as negative income under IFRS. This is inconsistent with the IFRS accounting on much of our liabilities, where corresponding unrealized gains when interest rates rise do not affect income in the shorter term. Over time, the short-term reduction in income due to rising interest rates would be offset by higher income in later years, all else being equal.

Base interest rates set by central banks and government treasuries fell significantly in 2008 in an attempt to free-up the credit markets and soften the world-wide recession. Management believes these rates are likely to remain low for the remainder of 2009. However, credit spreads increased in 2008 and remain high.

The profitability of spread-based business depends in large part upon the ability to manage interest rate spreads, credit risk and other risks inherent in the investment portfolio. We may not be able to successfully manage interest rate spreads or the potential negative impact of those risks. Investment income from general account fixed income investments for the years 2006, 2007 and 2008 was EUR 7.0 billion, EUR 7.1 billion and EUR 6.7 billion, respectively. The value of the related general account fixed income investment portfolio at the end of the years 2006, 2007 and 2008 was EUR 126 billion, EUR 126 billion and EUR 125 billion, respectively.

See Item 18.4, "Quantitative and Qualitative Disclosure about Market Risk", of this Annual Report for detailed sensitivity analyses.

Currency exchange rate risk

Fluctuations in currency exchange rates may affect our reported results of operations.

As an international group, we are subject to foreign currency translation risk. Foreign currency exposure also 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 our self-imposed capital requirements. Therefore, currency exchange rate fluctuations may affect the level of our consolidated shareholders' equity as a result of translation of the equity of our subsidiaries into euro, our reporting currency. We hold the remainder of our capital base (capital securities, subordinated and senior debt) in various currencies in amounts that are targeted to correspond to the book value of our operating units. This balancing is intended to mitigate currency translation impacts on equity and leverage ratios. We may also hedge the expected dividends from our principal operating units that maintain their equity in currencies other than the euro. To the extent these expected dividends are not hedged or actual dividends vary from expected, our net income and shareholders' equity may fluctuate. As we have 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. We may experience significant changes in net income and shareholders' equity because of these fluctuations.

Direct currency speculation or program trading is not permitted at our operating units unless explicit approval is granted by appropriately authorized senior management.

The exchange rates between our primary operating currencies (US dollar, euro and UK pound) fluctuated widely during 2008. The US dollar to euro exchange rate fluctuated by as much as 15% over the year but finished little changed from the start of 2008. The UK pound fell to record lows against the euro.

For the Americas segment, which primarily conducts its business in US dollars, total revenues and net loss in 2008 amounted to EUR 13 billion and EUR 1,379 million, respectively. For the United Kingdom segment, which primarily conducts its business in UK pounds, total revenues and net income in 2008 amounted to EUR 12 billion and EUR 80 million, respectively. On a consolidated basis, these two segments represented 73% of the total revenues and 120% of the net loss for the year 2008. Additionally, we borrow in various currencies to hedge the currency exposure arising from our operations. On December 31, 2008 we have borrowed or swapped amounts in proportion to the currency mix of capital in units, which was denominated approximately 50% in US dollars, 35% in euro, 10% in UK pounds and 5% in Canadian dollars.

Liquidity risk

Illiquidity of certain investment assets may prevent us from selling investments at fair prices in a timely manner.

Liquidity risk is inherent in much of our 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. Consistent with the latter half of 2007, 2008 was characterized by adverse market conditions generally affecting the value and liquidity of assets and in particular asset-backed securities. These conditions were exacerbated by the sharp reduction in demand for most global financial assets that began towards the end of the third quarter of 2008. Due to the current reduced liquidity in capital markets, we may be unable to sell or buy significant volumes of assets at quoted prices. In addition, any securities we issue of significant volume may be issued at higher financing costs due to these current impaired liquidity conditions. Although AEGON manages its liquidity position for extreme events, including greatly reduced liquidity in capital markets, if these conditions were to persist for an extended period of time, we may need to sell assets to meet our insurance obligations while still in this impaired liquidity market.

Approximately 35% of our general account investments are less liquid.

Underwriting risk

Differences between actual claims experience and underwriting and reserve assumptions may require liabilities to be increased.

Our earnings depend significantly upon the extent to which actual claims experience is consistent with the assumptions used in setting the prices for our products and establishing the technical liabilities for expected claims. To the extent that actual claims experience is less favorable than the underlying assumptions used in establishing such liabilities, our income would be reduced. Furthermore, if the less favorable claims experience were expected to be a sustained trend we may be required to increase liabilities for other related products, which could reduce our 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 an expectation of unrecoverability. This could have a materially adverse effect on our reported results of operations and financial condition.

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

ii Other risks

We may be required to increase our statutory reserves for certain of our products.

The National Association of Insurance Commissioners' (NAIC) Model Regulation entitled “Valuation of Life Insurance Policies,” commonly known as “Regulation XXX,” requires insurers in the United States to establish additional statutory reserves for term life insurance policies with long-term premium guarantees. In addition, “The Application of the Valuation of Life Insurance Policies Regulation”, commonly known as “Regulation AXXX” requires insurers to establish additional statutory reserves for certain universal life insurance policies with secondary guarantees. Virtually all of our newly issued term and universal life insurance products are now affected by Regulations XXX and AXXX, respectively.

In response to these regulations, we have implemented reinsurance and capital management actions to mitigate their impact. However, we may not be able to implement actions to mitigate the impact of Regulation XXX and AXXX on future sales of term or universal life insurance products, potentially resulting in an adverse impact on these products and our market position in the life

insurance market. Additionally, any change to or repeal of Regulation XXX or AXXX could also reduce the effectiveness of our reinsurance and capital management actions, adversely affecting our life insurance operations.

For certain of our products, market performance impacts the level of statutory reserves and statutory capital we are required to hold, and may have an adverse effect on returns on capital associated with these products. Capacity for reserve funding available in the marketplace is currently limited as a result of market conditions generally. Our ability to manage efficiently capital and economic reserve levels may be impacted, thereby impacting profitability and return on capital.

A downgrade in our ratings may increase policy surrenders and withdrawals, adversely affect relationships with distributors and negatively affect our results.

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

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

As of March 2009 the Standard and Poor's (S&P), Moody's and Fitch insurance financial strength ratings and ratings outlook of our primary life insurance companies in our major country units are as follows:

	AEGON USA	AEGON NL	AEGON Scottish Equitable
S&P rating	AA	AA	AA
S&P outlook	CWN[1]	CWN[1]	CWN[1]
Moody's rating	A1	Not rated	Not rated
Moody's outlook	Negative	Not rated	Not rated
Fitch rating	AA	Not rated	Not rated
Fitch outlook	Negative	Not rated	Not rated

[1] Credit Watch Negative

During 2008, the credit ratings for AEGON remained unchanged, however, the outlook for all three credit ratings was changed to negative. Early 2009, Moody's lowered the senior debt rating for AEGON N.V. to A3 with a negative outlook, Fitch lowered its senior debt rating to AA 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.

The rating agencies have recently heightened the level of scrutiny that they apply to financial institutions, have increased the frequency and scope of their credit reviews, have requested additional information from the companies that they rate, and may adjust upward the capital and other requirements employed in the rating agency models for maintenance of certain ratings levels. The outcome of such reviews may have adverse ratings consequences, which could have a material adverse effect on our results of operations and financial condition.

In late September and early October 2008, Fitch Ratings Ltd., Moody's Investor Service, and Standard & Poor's, respectively, each revised its outlook for the US life insurance sector to negative from stable, citing, among other things, the significant deterioration and volatility in the credit and equity markets, economic and political uncertainty, and the expected impact of realized and unrealized investment losses on life insurers' capital levels and profitability.

We cannot predict what additional actions rating agencies may take, or what actions we may take in response to the actions of rating agencies, which could adversely affect our business. As with other companies in the financial services industry, our ratings could be downgraded at any time and without notice by any rating agency.

Changes in government regulations in the countries in which AEGON operates may affect profitability.

Our insurance business is subject to comprehensive regulation and supervision in all countries in which we operate. The primary purpose of such regulation is to protect policyholders, not holders of securities. Changes in existing insurance laws and regulations may affect the way in which we conduct business and the products offered. Changes in pension and employee benefit regulation, social security regulation, financial services regulation, taxation and the regulation of securities products and transactions may

adversely affect our ability to sell new policies or claims exposure on existing policies. Additionally, the insurance laws or regulations adopted or amended from time to time may be more restrictive or may result in higher costs than current requirements. The continuing financial markets dislocation may lead to extensive changes in existing laws and regulations, and regulatory frameworks, applicable to our businesses in the countries in which we operate. Changes in these laws and regulations may materially increase our direct and indirect compliance and other expenses of doing business thus having a material adverse effect on our financial condition or results of operations.

Litigation and regulatory investigations may adversely affect our business, results of operations and financial condition.

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

AEGON may be unable to manage our risks successfully through derivatives.

We are exposed to currency fluctuations, changes in the fair value of our investments, the impact of interest rate, equity markets and credit spread changes and changes in mortality and longevity. We use common financial derivative instruments such as swaps, options, futures and forward contracts to hedge some of the exposures related to both investments backing insurance products and company borrowings. This is a more pronounced risk to us in view of the stresses suffered by financial institutions and the volatility of credit and equity markets. We may not be able to manage the risks associated with these activities successfully through the use of derivatives. In addition, a counterparty may fail to honor the terms of its derivatives contracts with us. Our inability to manage risks successfully through derivatives or a counterparty's failure to honor its obligations or the systemic risk that failure is transmitted from counterparty to counterparty, could have a materially adverse effect on our business, results of operations and financial condition.

State statutes and foreign country regulators may limit the aggregate amount of dividends payable by subsidiaries of AEGON, thereby limiting the Company's ability to make payments on debt obligations.

Our ability to make payments on debt obligations and pay certain operating expenses is dependent upon the receipt of dividends from subsidiaries. Certain of these subsidiaries have regulatory restrictions that can limit the payment of dividends.

Changes in accounting policies may affect our reported results and shareholders' equity.

Since 2005, our financial statements have been prepared and presented in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board and adopted by the European Union. Any future change in these accounting principles may have a significant impact on our reported results, financial condition and shareholders' equity. This includes the level and volatility of reported results and shareholders' equity.

Tax law changes may adversely affect our profitability, as well as the sale and ownership of AEGON's products.

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 limits. Taxes on this inside build-up of earnings may not be payable at all and, if payable, generally are due only when the earnings are actually paid.

The US Congress has, from time to time, considered possible legislation that could make our products less attractive to consumers, including legislation that would reduce or eliminate the deferral of taxation on the accretion of value within certain annuities and life insurance products. In addition, the US Congress passed legislation in 2001 that provided for reductions in the estate tax and the possibility of permanent repeal of the estate tax continues to be discussed. This could have an impact on insurance products and sales in the United States.

The US Government, as well as state and local governments, also considers from time to time tax law changes that could increase the amount of taxes that we pay. For example, the US Treasury Department and the Internal Revenue Service are expected to propose new regulations regarding the methodology to determine the dividends received deduction (DRD) related to variable life insurance and annuity contracts. The DRD reduces the amount of dividend income subject to tax and is a significant component of the difference between our effective tax rate and the federal statutory tax rate of 35%. A change in the DRD, including the possible elimination of this deduction, could reduce our consolidated net income.

Changes to tax laws in the Netherlands at the end of 2005 have reduced the attractiveness of early retirement plans, but tax advantages have been granted from January 1, 2006 for savings products known as Levensloop.

Any changes in United States or Dutch tax law affecting similar products could have a materially adverse effect on our business, results of operations and financial condition.

Competitive factors may adversely affect our market share.

Competition in our business segments is based on service, product features, price, commission structure, financial strength, claims paying ability, ratings and name recognition. We face intense competition from a large number of other insurers, as well as non-insurance financial services companies such as banks, broker-dealers and asset managers, for individual customers, employers, other group customers, agents and other distributors of insurance and investment products. Consolidation in the global financial services industry can enhance the competitive position of some of our competitors by broadening the range of their products and services, increasing their distribution channels and their access to capital. In addition, development of alternative distribution channels for certain types of insurance and securities products, including through the internet, may result in increasing competition as well as pressure on margins for certain types of products. These competitive pressures could result in increased pricing pressures on a number of products and services, particularly as competitors seek to win market share. This may harm our ability to maintain or increase profitability.

The adverse market and economic conditions that began in the second half of 2007 and that have continued and worsened since then can be expected to result in changes in the competitive landscape. For example, the financial distress experienced by certain financial services industry participants as a result of such conditions may lead to acquisition opportunities, although our ability or that of our competitors to pursue such opportunities may be limited due to lower earnings, reserve increases, and a lack of access to debt capital markets and other sources of financing. Such conditions may also lead to changes by us or our competitors in product offerings and product pricing that could affect our and their relative sales volumes, market shares and profitability. Additionally, the competitive landscape in which we operate may be further affected by certain government sponsored programs in the United States and similar governmental actions outside of the United States in response to the severe dislocations in financial markets.

AEGON USA ranked tenth in individual term life sales, fifth in individual universal life sales (source: internal research for the nine months ended September 30, 2008) and twelfth in variable life sales (source: Towers Perrin survey for nine months ended September 30, 2008). AEGON USA ranked third in sales of fixed annuities sold through banks, fourteenth in variable annuities sold through banks and second overall in annuity sales through banks (source: internal research for the nine months ended September 30, 2008) and first in Synthetic Guaranteed Investment Contracts (source: internal research for the nine months ended September 30, 2008). Our major insurance competitors in the United States include American International Group (AIG), Hartford, ING, Manulife, Metropolitan Life, Nationwide, New York Life and Prudential.

In the Netherlands, AEGON is the fourth largest life insurer. AEGON is the largest pension insurer and sixth largest individual life insurer based on gross life premium income (source: Regulatory Returns 2007). AEGON also owns the second largest insurance broker in the Netherlands (source: Yearly Report Assurantie Magazine 2008). AEGON's major competitors in the Netherlands include ING, Delta Lloyd, Eureko, ASR Verzekeringen (formerly known as Fortis) and SNS Reaal.

AEGON UK faces strong competition in all its markets from three key sources: life and pension companies, investment management houses and independent financial adviser firms. AEGON's key competitors in the United Kingdom life and pension market include Aviva, AXA, Friends Provident, Legal and General, Prudential UK and Standard Life. AEGON's main competitors in the UK retail investment market are typically the investment management houses (e.g., Fidelity, Henderson, Merrill Lynch etc). The independent financial advisor market is fragmented, with a large number of relatively small firms.

In Canada, AEGON ranks seventh in overall individual life insurance sales (new business premiums) and fifth in the universal life market, (source: LIMRA's Canadian Individual Life Insurance Sales – Third Quarter 2008). AEGON's primary competitors in Canada are: Manulife Financial, Sun Life Financial, Industrial-Alliance, RBC Life, Canada Life, AIG Life, Empire Life, Equitable and Desjardins.

AEGON Spain's main competitors are Santander Seguros, Mapfre, Ibercaja, Vidacaixa, Adeslas, Sanitas, Zurich and Asisa. In Hungary, AEGON's major competitors include Allianz, Generali-Providencia, ING and OTP-Garancia. In Taiwan, the major competitors of AEGON's agency channel are Prudential UK, ING, Prudential US, Manulife and New York Life while in the bank and broker channels the major competitors are Allianz, Metlife and Cardiff. The main competitors of AEGON-CNOOC in China are AVIVA-COFCO, Allianz, Generali, Heng An Standard and Citic-Prudential.

The default of a major market participant could disrupt the markets.

The failure of a sufficiently large and influential institution could disrupt securities markets or clearance and settlement systems in our markets. This could cause market declines or volatility. Such a failure could lead to a chain of defaults that could adversely affect us and our contract counterparties. In addition, such a failure could impact future product sales as a potential result of reduced confidence in the insurance industry.

The experience suffered by AIG in the aftermath of the bankruptcy of Lehman Brothers in September 2008 is an example of this type of risk. Management believes that despite increased attention recently systemic risk to the markets in which we operate continues to exist, and dislocations caused by the interdependency of financial market participants continues to be a potential source of material adverse changes to our business, results of operations and financial condition.

We may be unable to retain personnel who are key to the business.

As a global financial services enterprise with a decentralized management structure, we rely, to a considerable extent on the quality of local management in the various countries in which we operate. The success of our operations is dependent, among other things, on our ability to attract and retain highly qualified professional personnel. Competition for key personnel in most countries in which we operate is intense. Our ability to attract and retain key personnel, in particular senior officers, experienced portfolio managers, mutual fund managers and sales executives, is dependent on a number of factors, including prevailing market conditions and compensation packages offered by companies competing for the same talent. In connection with the special transaction dated December 1, 2008, among AEGON, Vereniging AEGON and the State of the Netherlands securing the provision of capital to AEGON by the State of the Netherlands, AEGON agreed to develop a sustainable remuneration policy for the Executive Board and Senior Management that is aligned to new international standards. AEGON also agreed to amend the employment agreements of the present members of its Executive Board in such a way that no member will be entitled to any performance-related remuneration for the year 2008 and no member will upon termination of his employment be entitled to any severance payment in excess of one year's fixed salary. Likewise, AEGON agreed not to enter into new employment agreements with new or existing Executive Board members that are not in line with the foregoing, as long as the loan provided by the State of the Netherlands to Vereniging AEGON has not been redeemed. These restrictions, alone or in combination with the other factors described above, could adversely affect our ability to hire and retain qualified employees.

Judgments of US courts are not enforceable against AEGON in Dutch courts.

The United States and the Netherlands do not currently have a treaty providing for the reciprocal recognition and enforcement of judgments (other than arbitration awards) in civil and commercial matters. Judgments 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, our shareholders that obtain a judgment against us in the United States may not be able to require us to pay the amount of the judgment unless a competent court in the Netherlands gives binding effect to the judgment. It may, however, be possible for a US investor to bring an original action in a Dutch court to enforce liabilities against us, our affiliates, directors, officers or any expert named therein who reside outside the United States, based upon the US federal securities laws.

Reinsurers to whom AEGON has ceded risk may fail to meet their obligations.

Our insurance subsidiaries cede premiums to other insurers under various agreements that cover individual risks, group risks or defined blocks of business, on a co-insurance, yearly renewable term, excess or catastrophe excess basis. These reinsurance agreements spread the risk and minimize the effect of losses. The amount of each risk retained depends on evaluation of the specific risk, which is subject, in certain circumstances, to maximum limits based on the characteristics of coverage. Under the terms of the reinsurance agreements the reinsurer agrees to reimburse for the ceded amount in the event the claim is paid. However, our insurance subsidiaries remain liable to their policyholders with respect to ceded insurance if any reinsurer fails to meet the obligations assumed by it. See Item 18, “Financial Statements”—“Schedule to Financial Statements”—“Reinsurance” of this Annual Report for a table showing life insurance in force amounts on a direct, assumed and ceded basis for 2006, 2007 and 2008. See also Item 18, “Financial Statements”, Note 18.11 of this Annual Report for the amount of reinsurance assets at each balance sheet date for reinsurance ceded.

In accordance with industry practices, we reinsure a portion of our life insurance exposure with unaffiliated insurance companies under traditional indemnity reinsurance arrangements. Approximately 33% of our total direct and assumed (for which we act as a reinsurer for others) life insurance in force is ceded to other insurers. In the United States, Transamerica Reinsurance retrocedes a significant portion of the risk it assumes. The major reinsurers of AEGON USA are Munich American Reassurance Company, RGA Reinsurance Company, Swiss Re and US Branch Sunlife Assurance Company of Canada. AEGON Canada's major reinsurers are Munich Re, RGA and Swiss Re. The major reinsurers of AEGON UK include GE Frankona, Munich Re, RGA, Swiss Re and XL Re. The major reinsurer for life insurance for AEGON The Netherlands is Swiss Re and for non-life insurance are Munich Re, Partners Re and Swiss Re. The major reinsurers of AEGON Hungary for non-life are Swiss Re, Munich Re and Hannover Re and for life insurance are Munich Re and RGA. AEGON Spain's major reinsurers are General Re, Nacional de Reaseguros, Scor Life, RGA and Swiss Re. AEGON Taiwan's major reinsurers are Swiss Re, Hannover Re, General Re and the local Central Reinsurance Corporation. AEGON China's major reinsurers are General Re, Munich Re and Swiss Re.

Reinsurance may not be available, affordable or adequate to protect us against losses.

As part of our overall risk and capacity management strategy we purchase reinsurance for certain risks underwritten by our various business segments. Market conditions beyond our control determine the availability and cost of the reinsurance protection we purchase. Accordingly, we may be forced to incur additional expenses for reinsurance or may not be able to obtain sufficient reinsurance on acceptable terms, which could adversely affect our ability to write future business.

AEGON may have difficulty managing its expanding operations and AEGON may not be successful in acquiring new businesses or divesting existing operations.

In recent years we have made a number of acquisitions and divestitures around the world and may make further acquisitions and divestitures in the future. Growth by acquisition involves risks that could adversely affect our operating results and financial condition. These include: the potential diversion of financial and management resources from existing operations; difficulties in assimilating the operations, technologies, products and personnel of the acquired company; significant delays in completing the integration of acquired companies; the potential loss of key employees or customers of the acquired company; potential losses from unanticipated litigation; and tax and accounting issues.

Our acquisitions could result in additional indebtedness, costs, contingent liabilities and impairment expenses related to goodwill and other intangible assets. In addition, they may divert management's attention and other resources. Divestitures of existing operations could result in us assuming or retaining certain contingent liabilities. All of the foregoing could adversely affect our businesses, results of operations and financial condition. Future acquisitions may also have a dilutive effect on the ownership and voting percentages of existing shareholders. There can be no assurance that we will successfully identify suitable acquisition candidates or that we will properly value acquisitions made. We are unable to predict whether or when any prospective acquisition candidate will become available or the likelihood that any acquisition will be completed once negotiations have commenced.

Catastrophic events, which are often unpredictable by nature, could result in material losses and abruptly and significantly interrupt AEGON's business activities.

Our operating results and financial position can be adversely affected by volatile natural and man-made disasters such as hurricanes, windstorms, earthquakes, terrorism, riots, fires and explosions, pandemic disease and other catastrophes. 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, we seek to reduce our exposure to these events through individual risk selection, monitoring risk accumulation and purchasing reinsurance. However, such events could lead to considerable financial loss to our business. Furthermore, natural disasters, terrorism and fires could disrupt our operations and result in significant loss of property, key personnel and information about our clients and us. If our business continuity plans have not included effective contingencies for such events they could adversely affect our business, results of operations, corporate reputation and financial condition for a substantial period of time.

We regularly develop new financial products to remain competitive in our markets and to meet the expectations of our clients. If clients do not achieve expected returns on those products, we may be confronted with legal claims, pressure groups and negative publicity.

We may face claims from customers and adverse negative publicity if our 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 us and by the intermediaries who distribute our products. New products that are less well understood and that have less of a historical performance track record may be more likely to be the subject of such claims. Any such claims could have a materially adverse effect on our results of operations, corporate reputation and financial condition.

Our operations support complex transactions and are highly dependent on the proper functioning of information technology and communication systems. Any failure of AEGON's information technology or communications systems may result in a material adverse effect on our results of operations and corporate reputation.

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

Inadequate or failed processes or systems, human factors or external events could adversely affect our profitability, reputation or operational effectiveness.

Operational risk is inherent in our business and can manifest itself in many ways including business interruption, poor vendor performance, information systems malfunctions or failures, regulatory breaches, human errors, employee misconduct, and/or internal and external fraud. These events can potentially result in financial loss, harm to our reputation and hinder our operational effectiveness. Management attempts to control these risks and keep operational risk at appropriate levels by maintaining a well-controlled environment and sound policies and practices. Notwithstanding these control measures, however, operational risk is part of the business environment in which we operate and is inherent in our size as well as our geographic diversity and the scope of the businesses we operate. Our risk management activities cannot anticipate every economic and financial outcome or the specifics and timing of such outcomes. We may incur losses from time to time due to these types of risks.

II RISKS RELATING TO AEGON'S COMMON SHARES

Our share price could be volatile and could drop unexpectedly making it difficult for investors to resell our common shares at or above the price paid.

The price at which our common shares trade will be influenced by a large number of factors, some of which will be specific to AEGON and its operations and some of which will be related to the insurance industry and equity markets in general. As a result of these factors, investors may not be able to resell their common shares at or above the price paid for them. In particular, the following factors, in addition to other risk factors described in this section, may have a material impact on the market price of AEGON's common shares:

- Investor perception of AEGON as a company;
- Actual or anticipated fluctuations in AEGON's revenues or operating results;
- Announcement of intended acquisitions, disposals or financings, speculation about such acquisitions, disposals or financings;
- Changes in AEGON's dividend policy, which could result from changes in AEGON's cash flow and capital position;
- Sales of blocks of AEGON's shares by significant shareholders, including Vereniging AEGON;
- Price and timing of any refinancing or conversion of AEGON's convertible core capital securities;
- A downgrade or rumored downgrade of AEGON's credit or financial strength ratings, including placement on credit watch;
- Potential litigation involving AEGON or the insurance industry in general;
- Changes in financial estimates and recommendations by securities research analysts;
- Fluctuations in capital markets including foreign exchange rates, interest rates and equity markets;
- The performance of other companies in the insurance sector;
- Regulatory developments in the Netherlands, the United States, Canada, the United Kingdom and Other Countries;
- International political and economic conditions, including the effects of terrorist attacks, military operations and other developments stemming from such events and the uncertainty related to these developments;
- News or analyst reports related to markets or industries in which AEGON operates; and
- General insurance market conditions.

The high and low prices of AEGON's common shares on Euronext Amsterdam were EUR 16.06 and EUR 11.46 respectively in 2007 and EUR 11.98 and EUR 2.68 respectively in 2008. The high and low sales prices of our common shares on the NYSE were USD 21.90 and USD 16.75 respectively in 2007 and USD 16.75 and USD 3.50 respectively in 2008. All share prices are closing prices.

AEGON and its significant shareholders may offer (additional) common shares in the future, and these and other sales may adversely affect the market price of the outstanding common shares.

It is possible that AEGON may decide to offer additional common shares in the future, for example, to effect an acquisition. In connection with Vereniging AEGON's refinancing in September 2002, it entered into an equity repurchase facility ("Repo Facility") and a back-up credit facility ("Back-up Facility") (both facilities were updated in April 2005). As is customary in these repurchase agreements, if sufficient collateral is not maintained by Vereniging AEGON (which in this case is based on the number of common shares and the prevailing share price) and amounts are not available under the Back-up Facility, the lenders under the Repo Facility may dispose of our common shares held by them under the Repo Facility in order to satisfy amounts outstanding. An additional offering of common shares by us, sales of common shares by significant shareholders or by lenders to Vereniging AEGON, or the public perception that an offering or such sales may occur, could have an adverse effect on the market price of our common shares. As of December 31, 2008, the total authorized share capital of AEGON consisted of 3,000,000,000 common shares, par value euro 0.12 per share, and 1,000,000,000 preferred shares A and B, par value euro 0.25 per share. All our outstanding common shares are freely tradable, and all shareholders, including large shareholders such as Vereniging AEGON, are free to resell their shares at any time.

The convertible core capital securities recently issued to Vereniging AEGON may be converted into common shares and dilute existing common shareholders.

On December 1, 2008, AEGON issued new convertible core capital securities to Vereniging AEGON as part of the special transaction securing the provision of capital to AEGON by the State of the Netherlands via Vereniging AEGON. The terms of the convertible core capital securities permit AEGON, on or after December 1, 2011, to convert any or all of the convertible core capital securities into common shares on a one-for-one basis. Any conversion to common shares would dilute existing common shareholders. If AEGON exercises its conversion right, Vereniging AEGON may opt to require AEGON to redeem the convertible core capital securities on the conversion date.

Vereniging AEGON, AEGON's major shareholder, holds a large percentage of the voting shares and therefore has significant influence over AEGON's corporate actions.

Prior to September 2002, Vereniging AEGON, beneficially owned approximately 52% of the voting shares and thus held voting control over AEGON. In September 2002, Vereniging AEGON reduced its beneficial ownership to approximately 33% of the voting shares (excluding issued common shares held in treasury by AEGON). Pursuant to the 1983 Merger Agreement between AEGON and Vereniging AEGON, as amended, in case of an issuance of shares by AEGON, Vereniging AEGON may purchase as many class B preferred shares as would enable it to prevent or correct a dilution to below its actual percentage of the voting shares, unless Vereniging AEGON as a result of exercising these option rights would increase its voting power to more than 33%. The option granted to Vereniging AEGON permits it to purchase class B preferred shares up to a maximum of the non-issued part of the class B preferred shares included from time to time in AEGON's authorized capital if necessary to prevent or correct such dilution. The class B preferred shares would then be issued at par value (euro 0.25), unless a higher 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.

In addition, we have implemented certain changes to our corporate governance structure and the relationship with Vereniging AEGON pursuant to which Vereniging AEGON has voluntarily waived its right to cast 25/12 vote per class A or class B preferred share. Consequently, under normal circumstances Vereniging AEGON's voting power, based on the current numbers of outstanding and voting shares, is reduced to approximately 23.73% of the votes exercisable in the General Meeting of Shareholders. However, this reduction in voting percentage is not applicable in all circumstances. In certain limited circumstances at the sole discretion of Vereniging AEGON (such as the acquisition of 15% of the voting shares, a tender offer for shares or a proposed business combination, each by any person or group of persons whether individually or acting as a group, other than in a transaction approved by the Executive Board and Supervisory Board), Vereniging AEGON's voting rights for a limited period of 6 months, will increase to a percentage that currently amounts to 33.77%. Consequently, Vereniging AEGON may have substantial influence on the outcome of corporate actions requiring shareholder approval, including:

- Adopting amendments to the Articles of Incorporation;
- Adopting the annual accounts;
- Approving a consolidation or liquidation;
- Approving a tender offer, merger, sale of all or substantially all of the assets or other business combination;
- In particular during the periods when Vereniging AEGON is entitled to exercise its increased voting rights, it will generally have sufficient voting power to veto certain decisions presented to the General Meeting of Shareholders, including any proposal relating to the following matters:
  (1) Rejecting binding Supervisory Board nominations for membership on the Supervisory Board and Executive Board;
  (2) Appointing an Executive Board or Supervisory Board member other than pursuant to Supervisory Board nomination; and
  (3) Suspending or removing an Executive Board or Supervisory Board member other than pursuant to a Supervisory Board proposal.

Currency fluctuations may adversely affect the trading prices of AEGON's common shares and the value of any cash distributions made.

Because our common shares listed on Euronext Amsterdam are quoted in euros and our common shares listed on the New York Stock Exchange (NYSE) are quoted in US dollars, fluctuations in exchange rates between the euro and the US dollar may affect the value of AEGON shares. In addition, we declare cash dividends in euros, but pay cash dividends, if any, on our New York shares in US dollars based on an exchange rate set the business day following the shareholder meeting approving the dividend. As a result, fluctuations in exchange rates may affect the value of any cash dividends paid.

Convertible securities (or other securities that permit or require AEGON to satisfy its obligations by issuing common shares) that AEGON may issue could influence the market price for AEGON's common shares.

Any market that develops for convertible securities or other securities that permit or require us to satisfy obligations by issuing common shares that we have issued or may issue in the future would be likely to influence, and be influenced by, the market for AEGON's common shares. For example, the price of AEGON's common shares could become more volatile and could be depressed by investors' anticipation of the potential resale in the market of substantial amounts of AEGON's common shares received at maturity. Our common shares could also be depressed by the acceleration of any convertible securities (or other such securities) that AEGON has issued by investors who view such convertible securities (or other such securities) as a more attractive means of participation in AEGON's equity. Negative results could also be produced by hedging or arbitrage trading activity that may develop involving such convertible securities (or other such securities) and AEGON's common shares. Any such developments could negatively affect the value of AEGON's common shares.

ITEM 4. INFORMATION ON THE COMPANY

4A History and development of the AEGON Group

i General

AEGON N.V., domiciled in the Netherlands, is a limited liability stock company organized under Dutch law.

AEGON N.V. was formed in 1983 through the merger of AGO and Ennia, both of which were successors to insurance companies founded in the 1800's.

AEGON N.V., through its member companies that are collectively referred to as AEGON or the AEGON Group, is one of the world's largest listed life insurance and pension companies as ranked by market capitalization and assets on December 31, 2008 (source: Bloomberg). AEGON is headquartered in the Netherlands and employs, through its subsidiaries, about 31,000 people worldwide. AEGON's common shares are listed on stock exchanges in Amsterdam (Euronext), New York (NYSE), London and Tokyo.

AEGON's businesses focus on life insurance, pensions, savings, and investment products. The AEGON Group is also active in accident, supplemental health, general insurance, and some limited banking activities. AEGON N.V. is a holding company. The operations described above are conducted through operating subsidiaries.

AEGON's established markets are the United States, the Netherlands and the United Kingdom. In addition, AEGON is present in over more than 20 markets in the Americas, Europe and Asia.
AEGON encourages product innovation and fosters an entrepreneurial spirit within its businesses. New products and services are developed by local business units with a continuous focus on cost control. AEGON uses a multi-brand, multi-channel distribution approach to meet its customers' needs.

The AEGON Group has the following reportable geographic segments: the Americas (which include the United States, Canada and Mexico), the Netherlands, the United Kingdom and Other Countries, which includes Hungary, Spain, Taiwan, China, Poland, India and a number of other countries with smaller operations.

For information on our business segments, see Note 18.5 "Segment Information", to our financial statements in Item 18 of this Annual Report. The business activities of our principal subsidiaries are more fully described within the country sections that follow.

Our headquarters are located at:

AEGONplein 50
PO Box 85
2501 CB The Hague
The Netherlands
Telephone number: +31.70.344.3210
Internet site: www.aegon.com

ii Strategic framework

Commitment to core business

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

Serving local needs with global resources

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

Pursuing sustainable, profitable growth

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.

Aiming to be a market leader

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

Expand into new, high-growth markets

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

iii Recent developments and capital expenditures and divestments

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 business.

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, the estimated fair values are subject to adjustment at the initial allocation for a one year period as more information relative to the fair values as of the acquisition date become available. As the acquisition was completed at the end of December, the net income of the acquired operations was not material to the AEGON's consolidated net income. Had the acquisition taken place on 1 January 2007, the contribution of these companies to the Group's net income is estimated at EUR 75 million; contribution to revenues would have been approximately EUR 271 million.

In June 2007 AEGON acquired OPTAS N.V., a Dutch life insurance company specializing in employee benefit products and services within the Dutch group pension market for EUR 1.5 billion OPTAS N.V., the successor of Stichting Pensioenfonds voor de Vervoer- en Havenbedrijven (a pension fund for companies active in the transport and port industries) was converted into a public company in 1997. At the end of 2006, OPTAS had 60,000 policyholders and reported total gross written premiums of EUR 86 million, with total assets of EUR 4.5 billion. Assets held as investment amounted to EUR 3.4 billion, the insurance liabilities were EUR 2.9 billion. A portion of the shareholders' equity of OPTAS is subject to restrictions as set out in the articles of association of the company. These restrictions assure continued fulfillment of existing policy obligations and will remain in force after the acquisition. Since the acquisition, OPTAS has contributed EUR 11 million to AEGON's income before tax. Had the acquisition taken place on 1 January 2007, OPTAS' contribution to the Group's net income is estimated at EUR 22 million, contribution to revenues would have been approximately EUR 251 million.

In 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 Group. No operations have been disposed off as a result of the combination. The cost of acquiring the remaining 55% of the shares was EUR 59 million, which was paid in cash. In total an amount of EUR 96 million was paid to acquire the 100% interest. At the acquisition date assets and liabilities were recognized for EUR 186 million and EUR 134 million respectively which included a cash position of EUR 0 million. Since the acquisition date, Unirobe has contributed EUR 5 million to the net income of AEGON in 2006. The acquisition resulted in the recognition of EUR 49 million goodwill, of which EUR 18 million had previously been included in the measurement of the interest held in Unirobe as an associate. Goodwill reflects the commission income that is expected to be generated by Unirobe in future years.

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 2006 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.

4B Business overview

i Supervision

Individual companies in the AEGON Group are each subject to solvency supervision in their respective home countries. Based on European Union legislation (Directive 98/79/EC) adopted in 1998, the supervisory authority in the Netherlands (De Nederlandsche Bank, or DNB) is required, as a lead supervisor, to carry out "supplementary supervision". The supplementary supervision of insurance companies in an insurance group enables the lead supervisors to make a detailed assessment of the financial position of the insurance companies that are part of that group. The Directive requires DNB to take into account the relevant financial affiliations between the insurance companies and other entities in the group. In this respect, AEGON is required to submit reports to DNB twice a year setting out all the significant transactions and positions between insurance and non-insurance companies in the AEGON Group.

Both the insurance and banking companies in the AEGON Group are required to maintain a minimum solvency margin based on local requirements. The required solvency margin is the sum of the margins of each of AEGON's insurance and banking subsidiaries, based on the local requirements. Available liability capital includes shareholders' equity, convertible core capital securities, perpetual capital securities, and dated subordinated debt and senior debt.

The Americas

1.1 Background

AEGON Americas comprises AEGON USA, AEGON Canada as well as the Group's operations in Mexico.

- ***AEGON USA***

AEGON USA[1] is one of the leading life insurance organizations in the United States and the largest of AEGON's country units. AEGON USA has more than twenty million customers and employs over 13,000 people. AEGON USA companies can trace their roots back as far as the mid-nineteenth century. AEGON USA includes some of the best known names in the US insurance business, including Transamerica and Monumental Life. AEGON USA's main offices are in Cedar Rapids, Iowa, and Baltimore, Maryland, but with many affiliated companies' offices located throughout the United States.

Through these subsidiaries and affiliated companies, AEGON USA provides a wide range of life insurance, pensions, long-term savings, investment and reinsurance products. In addition, AEGON USA has a significant asset management business, with almost USD 116 billion invested in bonds, equities, home loans, cash and treasuries.

Like other AEGON companies around the world, AEGON USA uses a variety of distribution channels to ensure customers can access the group's products in a way that best suits them. For many years, AEGON USA has had close relations with banks across the United States, but the group also distributes products and services via agents, broker-dealers and specialized financial advisors, online as well as through direct and worksite marketing.

- ***AEGON Canada***

Based in Toronto, AEGON Canada offers a range of insurance products and financial services, primarily through its Transamerica Life Canada subsidiary, first established in 1927. Total employment of AEGON Canada on December 31, 2008 was 645.

- ***AEGON Mexico***

In 2006, AEGON acquired a 49 percent interest in Seguros Argos, a Mexican life insurance companies. As part of their joint venture, AEGON and Seguros Argos set up a jointly owned pension fund management company, Afore Argos.

1.2 Organizational structure

- ***AEGON USA***

AEGON USA, LLC., is a principal holding company of AEGON USA. AEGON USA was founded in 1989 when AEGON decided to bring all its operating companies in the United States under a single financial services holding company. Business is conducted through subsidiaries of two holding companies – AEGON USA, LLC. and Commonwealth General. AEGON has operating licenses in every US state, the District of Columbia, Puerto Rico, the Virgin Islands and Guam.

AEGON USA's primary insurance subsidiaries are:

- Transamerica Life Insurance Company
- Transamerica Financial Life Insurance Company
- Merrill Lynch Life Insurance Company
- ML Life Insurance Company of New York
- Monumental Life Insurance Company
- Stonebridge Life Insurance Company
- Stonebridge Casualty Insurance Company
- Western Reserve Life Assurance Co. of Ohio

AEGON's subsidiary companies in the United States contain four operating groups acting through one or more of the AEGON USA life insurance companies: Agency, Direct to Consumer, Institutional, and Pension and Asset Management.

[1] Throughout this report, 'AEGON USA' refers to AEGON companies managed from the United States. Similarly, 'AEGON Canada' refers to all AEGON companies operating in Canada. AEGON's operations in North America – the United States, Canada and Mexico – are referred to collectively as AEGON Americas.

AEGON USA companies are present in five main lines of business:

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

These lines of business, which are described in further detail below, represent groups of products that are sold through our operating groups to the various distributions and sales channels. The group structure is designed to enable AEGON USA to manage the organization efficiently, to identify business synergies, to pursue cross-selling opportunities, and to improve operating efficiencies. Coordinated support services complement operations by providing functional support in systems technology, investment management, regulatory compliance, and various corporate functions. Products are offered and distributed through one or more of the AEGON USA licensed insurance or brokerage subsidiary companies.

- ***AEGON Canada***

AEGON Canada's main operating subsidiaries are:

- Transamerica Life Canada
- AEGON Capital Management Inc.
- AEGON Fund Management Inc.

- ***AEGON Mexico***

In Mexico, AEGON has a 49 percent interest in:

- Seguros Argos S.A. de C.V.
- Afore Argos S.A. de C.V.

1.3 Overview sales and distribution channels

1.3.1 AEGON USA

As in other countries, AEGON USA uses a variety of sales and distribution channels in the United States. These include:

- independent and career agents
- financial planners
- registered representatives
- independent marketing organizations
- banks
- regional and independent broker-dealers
- benefit consulting firms
- wirehouses
- affinity groups
- institutional partners

In addition, AEGON USA provides a range of products and services online and uses direct and worksite marketing. This approach allows AEGON USA customers to access products and services in a way that best suits them. Generally, AEGON USA companies are focused on particular products or market segments, ranging from lower income to high net worth individuals and large corporations.

AEGON USA has distribution agreements in place with a network of banks across the United States, giving the company access to millions of potential customers, particularly for individual savings, pension and retirement products as well as some institutional products. AEGON USA works closely with banks across the country to ensure its products are tailored to the individual and changing needs of the company's customers.

1.3.2 AEGON Canada

AEGON Canada uses a variety of sales channels to distribute its products and services, including, most notably, independent financial advisors. Other channels are:

- independent general agencies
- agencies owned by Transamerica Life Canada and operated as separate profit centers
- bank-owned national broker-dealers
- World Financial Group, part of AEGON Americas
- other national, regional or local niche broker-dealers

1.4 Overview lines of business

1.4.1 United States

1.4.1.1 Life and protection

General description

AEGON USA provides permanent life, universal life, term life and variable universal life insurance and protection products. A number of subsidiaries offer life insurance products tailored to a specific segment of the US market.

Products

Permanent life

Permanent life insurance provides life-long financial protection. Most permanent policies have a cash value feature with implicit minimum interest rate guarantees prescribed by statutory requirements of between 4 and 5%. A customer may either withdraw the cash value, subject to withdrawal charges, or receive the benefit upon a predetermined event, such as the death of the insured.

Permanent life insurance is also known as whole life insurance in the United States. It can be participating or non-participating. Premiums are generally fixed and are payable over the life of the policy or for a limited time period. Participating policies allow the policyholder to receive policy dividends, as declared by the insurer's board of directors. These dividends are not guaranteed and are based on the insurer's experience for a given class of policies.

Universal life

Universal life insurance has either a flexible or single premium. The contract has a feature that allows the customer greater flexibility as to when to pay premiums and with regard to the amount of the premiums, subject to a minimum and a maximum. The interest rate at which the cash value accumulates is adjusted periodically.

Minimum interest rate guarantees exist in all generations of fixed universal life products, as they are required by non-forfeiture regulations. These are mostly at 4%, with newer products at 3%. No lapse guarantees were introduced in recent universal life products. The no lapse guarantee feature provides a policyholder the guarantee that the universal life policy will stay in force, even if the cash value becomes zero or less than zero, provided that a specified minimum premium payment is made when due or a shadow account remains positive. The guarantee period can vary from five years to the entire contract term.

Equity indexed universal life products have both interest rate guarantees of between 1 and 2% and equity index return guarantees, with a cap currently around 12%.

Term life insurance

Term life insurance provides protection for a certain period of time and allows the customer to select the duration of coverage and the amount of protection. The policy pays death benefits only if the customer dies during the specified term. Most term life policies do not accumulate a cash value. The policies can usually be renewed upon expiration and premiums normally increase upon renewal. Certain term life insurance products sold in the United States, such as mortgage insurance and credit life insurance, provide a death benefit that decreases over the term period, based on a stated method. The rate of decrease usually corresponds with the decrease in the principal balance of the loan. Some term life insurance products include a cash value feature designed to return premiums after a specified number of years.

Variable universal life

Variable universal life products in the United States are similar to universal life products, but include investment options and maintenance of investments for the account of policyholders. Some products contain minimum death benefit guarantees and the risk is that poor market performance may erode the policyholder account value to the extent that available cost of insurance charges prove inadequate. The fixed account has a minimum guaranteed interest rate of either 3% or 4% depending on the product. Newer products have a 2% guarantee. This product also contains a no lapse guarantee, which is an equity option. Under the no lapse guarantee, the contract is guaranteed to remain in force regardless of the level of underlying account value, provided the policyholder continues to meet minimum premium requirements. The value of this guarantee increases with higher cost of insurance charges and with lower minimum required premiums. This product is not sensitive to equity returns until the no lapse guarantee threshold is breached.

Other life

Life products also include life insurance sold as part of defined benefit pension plans, endowment policies, post-retirement annuity products and group risk products.

Health

AEGON USA offers accident, critical illness, cancer treatment, hospital indemnity and short-term disability policies. Some of these plans provide lump sum or specified income payments when hospitalized, disabled or diagnosed with a critical illness. Others pay scheduled benefits for specific hospital or surgical expenses and cancer treatments, hospice care and cover deductible, as well as co-payment amounts not covered by other health insurance.

Long Term Care ("LTC") insurance products offered through Transamerica Long Term Care provide benefits to policyholders who require care due to a chronic illness or cognitive impairment. LTC Insurance serves as an asset protection tool by reimbursing policyholders for costly expenses associated with LTC services, and it may also help a family better manage the financial, health and safety issues that are associated with LTC.

Sales and distribution

The Monumental Division targets the middle-income market through three distribution channels: a career agency sales force that provides face-to-face sales and service to policyholders, and through Independent Marketing Organizations ("IMOs") focused on two distinct markets – Military (First Command) and Final Needs[1] (formerly Pre-Needs).

During 2008, the Monumental Division implemented a new "Grow Premium, Grow Profit" strategy to streamline Career Agency operations in 22 states to reduce fixed costs and improve productivity and earnings. The plan includes reducing field agent counts and administrative support, and using technology to reengineer systems and expand web-based tools and training. Within the past year, the organization also began recruiting part-time, non-employee producers using two low-cost distribution models: 1) a twin-career opportunity for independent agents assigned to Career Agency managers and a similar dual career opportunity for public safety officers. The ultimate goal of these initiatives is to better align Career Agency with AEGON's middle-market strategies and help agents migrate into higher income (USD 50,000 to USD 75,000) homes.

In the IMO-Military sales channel, general agents sell Monumental Life products and services – predominantly life insurance – to military families living on or near US military bases both in the United States and abroad. Typically, agents have served in the US armed forces. With Monumental's expanded commitment to support First Command's distribution system, the IMO-Military channel is well-positioned to grow while continuing to produce highly profitable and persistent business.

During 2008, the Monumental Division solidified its commitment to deliver life insurance to middle-income customers, age 55 and older. Going forward, Monumental's Final-Needs distributors and regional directors will use existing relationships to help IMOs in the final expense market expand the use of life insurance as a funding vehicle for funerals.

Transamerica Insurance & Investment Group, a marketing unit for Transamerica Life Insurance Company ("TLIC") and its affiliates, focuses on the upper-middle and affluent markets and offers an array of term life insurance, universal life insurance, variable universal life insurance, and fixed annuities to help individuals, families and businesses build, protect, and preserve their assets.

Similarly, career agents sell primarily interest-sensitive and ordinary life insurance to the middle to upper income segments of the US market.

World Financial Group ("WFG") targets the middle-income market in the United States. WFG has a fully owned broker-dealer, World Group Securities Inc. The US middle income market continues to offer substantial growth opportunities. Typically, middle-income households earn between USD 25,000 and USD 100,000 a year. Approximately 40 percent of such households do not currently have life insurance cover. This is largely because, over the past several years, insurance brokers have focused on higher net worth individuals while many US companies have switched money out of employee life insurance contributions and into healthcare to meet rapidly climbing medical bills.

Western Reserve Life has been part of AEGON Group since 1991. Western Reserve Life provides a range of life insurance products and variable annuities, chiefly to individual savers and investors.

Through Transamerica Worksite Marketing, AEGON offers voluntary payroll deduction life and supplemental health insurance for companies ranging in size from just five employees to more than 100,000. Products and services are marketed to employees at their place of work and are designed to supplement employees' existing benefit plans.

[1] Final Needs sells life insurance policies designed to meet funeral costs, and markets its products and services mainly through funeral directors and agents.

AEGON Direct Marketing Services, Inc. ("ADMS") is a direct marketer of life, supplemental health, and specialty insurance products as well as fee-based programs. Using a variety of direct response techniques such as inbound and outbound telemarketing, point-of-sale, direct mail, television, statement inserts, internet, and more, ADMS offers consumers convenient alternatives for purchasing insurance.

With operations in North America, Europe, Asia Pacific, and Latin America, ADMS currently services nearly 23 million policies worldwide. ADMS offers its products through sponsoring organizations as well as directly to consumers.

Using the endorsement of sponsoring organizations, ADMS develops and executes co-branded marketing. ADMS works through brokers, agents, and third party administrators as well as directly with business partners, partnering with many of the leading financial institutions, associations, retailers, credit unions, dealerships, catalogers, and employer groups. Customized programs range from a full package of product development, administrative, technology, and marketing services, to providing only products or a single service such as product underwriting.

ADMS' affiliated insurance underwriting companies have an extensive insurance product portfolio which includes whole and term life, accidental death, supplemental health and specialty products such as travel, student health, and credit life & disability. ADMS also offers a variety of membership and fee-based products and debt cancellation administration - to complement its insurance products.

Transamerica Long Term Care offers various products and services aimed at meeting the long-term healthcare needs of its customers, an increasingly important concern as life expectancy rates in the United States continue to rise. Sales are focused on the affluent and mass affluent markets as well as the pre-retiree and retiree markets. Distribution includes independent brokerage and other AEGON USA companies and divisions selling to individuals, employer-sponsored groups and associations.

1.4.1.2 Individual savings and retirement

General description

AEGON USA offers a wide range of savings and retirement products, including mutual funds, fixed and variable annuities as well as investment advice.

Products

Fixed annuities

Fixed annuities include both deferred annuities and immediate annuities. A fixed deferred annuity exposes AEGON to interest rate risk and lapse risk. The insurer interest rate risk can be mitigated through product design, close asset/liability management and hedging, though the effects of policyholder behavior can never be fully mitigated. Surrender charges in early policy years serve as a deterrent to early duration lapses. Fixed annuities sold in the United States contain significant interest rate and longevity risks created by guaranteed annuity options and most also offer waiver of account value surrender charges upon the death of the insured. Immediate annuities contain interest rate risk and also longevity risk if annuity payments are life contingent.

In the United States, AEGON USA sells group and individual fixed annuities and retirement plan contracts to large financial institutions. Group fixed annuities are purchased with a single premium that funds the annuities for a group of employees. The single premium includes a fee for the administrative services which are provided by AEGON USA after the annuities are sold.

An immediate annuity is purchased with a single lump sum premium payment and the benefit payments generally begin within a year after the purchase. The benefit payment period can be for a fixed period, for as long as the beneficiary is alive, or a combination of the two. Some immediate annuities and payout options under deferred annuities may also offer the owner or beneficiaries the option to surrender the annuity to have access to the account value if needed for unexpected events.

Fixed deferred annuity contracts may be purchased on either a flexible or single premium basis. Deferred annuities are offered on a fixed interest crediting method or indexed basis. The policyholder can surrender the annuity prior to maturity and receive the cash value less surrender charges. Fixed deferred annuities have a specified crediting rate that can be reset periodically at the company's discretion after an initial guarantee period. Fixed deferred annuity contracts in the United States also offer guaranteed minimum surrender values and payout options. Upon maturity of the annuity, the policyholder can select payout options, including a lump sum payment or income for life, as well as payment for a specified period of time. Should the policyholder die prior to receiving the benefits of the policy, the beneficiary receives either an accumulated cash value death benefit or an enhanced death benefit in the event there are benefit riders attached to the base contract. A discontinued multi-strategy annuity allows a policyholder a choice of investment strategies to allocate funds and provides a cumulative minimum guaranteed interest rate. Early withdrawal by the policyholder of the cash value of the annuity is subject to surrender charges. These surrender charges are generally not a large form of revenue as policyholder surrender rates are typically lower when a surrender charge penalty is still present. Any surrender charges collected are typically used to recoup unamortized deferred acquisition costs.

Minimum interest rate guarantees exist in all generations of deferred annuity products, as they are required by state non-forfeiture regulations. The majority of the in-force business has minimum interest rate guarantees of 3%. In general, products issued in 2003 and after offer 1.5% minimum interest rate guarantees. Equity indexed annuities offer additional returns that are indexed to S&P 500, with a minimum cash value equal to a percentage of the premium increased at a minimum rate that varies, and a cap on the return. The cap is reset periodically based on the cost of hedging instruments and is currently between 6.5% and 8%.

Besides the minimum interest rate guarantee, certain fixed deferred annuity products also offer a bailout provision. Under the bailout provision, if the crediting rate falls below the bailout rate, policyholders can surrender their contracts without incurring any surrender charges.

A structured settlement is a form of an immediate annuity. AEGON USA no longer issues these contracts, but continues to administer the closed block of business. These contracts were typically purchased as a result of a lawsuit or a claim and the injured party receives special tax treatment. Rather than paying the injured party a lump sum, the payments were structured as a lifetime annuity with mortality risk, a period certain annuity, or a combination of both.

Variable annuities

Variable annuities are sold to individuals and pension funds in the United States.

Variable annuities allow a policyholder to provide for the future on a tax-deferred basis and to participate in equity or bond market performance. Variable annuities allow a policyholder to select payout options designed to help meet the policyholder's need for income upon maturity, including lump sum payment or income for life or for a period of time.

Premiums paid on variable annuity contracts are invested in underlying funds chosen by the policyholder, including bond and equity funds. A fixed account is available on most products. In most products, the investment options are selected by a policyholder based on the policyholder's preferred level of risk. The assets and liabilities related to this product are legally segregated in separate accounts of the insurance company for the benefit of variable annuity policyholders. These separate accounts are classified as investments for the account of policyholders. Various riders are available on variable annuity contracts, providing guaranteed minimum death, maturity, withdrawal or income benefits.

The account value of variable annuities reflects the performance of the underlying funds. AEGON USA earns mortality and expense charges as well as various types of rider fees for providing guarantees and benefits. This category includes segregated fund products offered by AEGON Canada. Surrender charges are generally not a large form of revenue as policyholder surrender rates are typically lower when a surrender charge penalty is still present. Any surrender charges collected are typically used to recoup unamortized deferred acquisition costs.

A guaranteed minimum withdrawal benefit is offered on some variable annuity products AEGON USA either issued or assumed from a ceding company. This benefit guarantees a policyholder can withdraw a certain percentage of the account value, starting at a certain age or duration, for either a fixed period or the life of the policyholder.

Certain variable insurance contracts also provide guaranteed minimum death benefits and guaranteed minimum income benefits. 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 guaranteed minimum income benefit feature provides for minimum payments if the policyholder elects to convert to an immediate payout annuity. The guaranteed amount is calculated using the total deposits made by the policyholder, 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. These benefits subject the company to equity market risk, since poor market performance can cause the guaranteed benefits to exceed the policyholder account value.

AEGON USA undertakes to address equity market risk through product design and by using hedging strategies. Variable products also contain a degree of interest rate risk and policyholder behavior risk, which are handled similarly to those in fixed annuities.

Retail mutual funds

AEGON's fee business comprises products that generate fee income by providing management, administrative or risk services related to off balance sheet assets (i.e., equity or bond funds, third party managed assets and collective investment trusts). Fee income is mainly sensitive to shareholder withdrawals and equity market movements.

AEGON's operations in the United States provide various investment products and administrative services, individual and group variable annuities, mutual funds, collective investment trusts and asset allocation (retirement planning) services.

The operations in the United States provide the fund manager oversight for the Transamerica Funds. AEGON USA selects, manages, and retains affiliated and non-affiliated managers from a variety of investment firms based on performance. The manager remains with

the investment company and acts as a sub-adviser for AEGON USA's mutual funds. AEGON USA earns investment management fees on these investment products. AEGON USA also earns direct investment management fees through affiliated managers acting as sub-advisers, which are reported in the pensions and asset management line of business.

Sales and distribution

AEGON USA underwrites fixed and variable annuities through its various life insurance companies. Transamerica Capital Inc., ("TCI"), an affiliated broker-dealer, distributes fixed and variable annuities, mutual funds and single premium life products through major wirehouse firms, regional broker dealers, independent financial planners and the large bank network. TCI serves these distribution channels through company owned and external wholesalers.

InterSecurities Inc., part of AEGON USA, provides a range of financial and investment products, operating as a broker-dealer. These products include mutual funds, fixed and variable life insurance annuities and other securities.

1.4.1.3 Pensions and asset management

AEGON USA offers pensions and related products and services through a number of different outlets:

- Diversified Investment Advisors
- Transamerica Retirement Services
- Transamerica Retirement Management
- Transamerica Investment Management, LLC

Through these subsidiaries, AEGON USA provides a variety of individual and group pensions, as well as retirement planning, investment, administration and technical services.

In addition, AEGON USA covers a range of different pension plans, including:

- 401 (k)
- 403 (b)
- 457 (b)
- Non-qualified deferred compensation
- Money purchase
- Defined benefit
- Defined contribution
- Profit-sharing
- Single premium group annuity contracts

As elsewhere in the developed world, people in the United States are, generally, living longer, healthier lives. As a result, more people are managing their pension assets for longer periods of time. As the baby boomer generation – those people born at the end or shortly after the Second World War – enters retirement, a fundamental shift in the US pension market is occurring. Previously, people focused on 'asset accumulation'. Now, with more people over the age of 65, there is a dual focus – on both asset accumulation and on 'de-accumulation', in other words managing those assets productively and efficiently during retirement. Transamerica Retirement Management provides its customers with comprehensive life and retirement planning. Its services also include the 'retirement management account', a one-stop shop that allows customers easy and effective management of their investments, income needs and asset growth opportunities.

The USD 22 trillion asset management industry in the United States is considered by many to be in a state of significant change. Asset managers are facing increased pressure to provide products addressing the evolving needs of both institutional and retail investors ranging from increased pension liabilities and other risk-management strategies to the search for higher and more consistent returns. Transamerica Investment Management, LLC ("TIM") offers a wide range of investment services and strategies to meet the changing needs of both retail and institutional clients, including separate accounts for foundations/endowments, corporate clients, public funds and union/Taft Hartley clients, and investment vehicles for the separately managed account and broker-dealer industry.

Products

Pensions include individual pension business, 401(k) and similar products, typically sponsored by or obtained through an employer. It comprises products in the accumulation phase as well as in the pay-out phase. In addition, asset management includes products and services provided to third parties.

At Diversified Investment Advisors, the emphasis is on choice. A wide array of investment options is offered to create a fully customized investment lineup for clients and a personalized retirement funding strategy for their retirement plan participants. Diversified Investment Advisors' open architecture investment platform provides its clients access to a broad investment universe, including institutional and

retail mutual funds, registered or non-registered variable annuities, or a collective investment trust. The investment options offered in each plan are selected by the client and/or the client's financial advisor.
Transamerica Retirement Services offers fully bundled and partially bundled retirement plan solutions to small and medium size employers. These plans are predominantly supported by a group variable annuity product, where plan assets are invested primarily in separate account investment choices, including bond and equity investment choices, and cash equivalent choices. A fixed account cash vehicle may also be available on most plans. The investment choices are selected by the client or by the client's financial advisor.

Single premium group annuities (Terminal Funding) are a non-participating group annuity product. This product is usually used for an insurance company takeover of a terminating defined benefit pension plan. The company receives a single deposit from the contractholder and in return guarantees the payment of benefits to participants. Usually these annuity payments are paid monthly for the life of the participant or participant and spouse, commencing immediately for retired participants or at some date in the future for deferred participants.

TIM's products include growth and value equity, fixed income, balanced, and convertible securities portfolios managed in various types of accounts for retail and institutional investors.

Sales and distribution

Diversified Investment Advisors provides a comprehensive and customized approach to retirement plan management, catering to the mid- to large-sized defined contribution, defined benefit and non qualified deferred compensation retirement plans market. Diversified Investment Advisors' clients are generally organizations with 250 to 100,000 employees and between USD 10 million and USD 2 billion in retirement assets.

Transamerica Retirement Services serves more than 14,500 small to mid-sized companies across the United States. Transamerica Retirement Services offers a number of specialized services, including innovative plan design, a wide array of investment choices, extensive education programs and online investment guidance.

Transamerica Retirement Services is also a leading provider of single premium group annuities (Terminal Funding) in the United States, which is used by companies to decrease the liability of their defined benefit plans. This is a growing market segment as more employers look to reduce the cost and complexity of their pension liabilities, often driven by widespread economic and sector restructuring.

To help the millions of baby boomers who are approaching or transitioning into retirement, AEGON USA formed Transamerica Retirement Management, Inc. This new division, which adopted the consumer-facing brand known as SecurePath by Transamerica, has a fully operational team of salaried financial advisors that provide guidance and advice to any consumer who is looking for help with their investment strategies. Financial advisors from SecurePath by Transamerica also help pre-retirees to craft an individual retirement plan that is tailored to be as simple or as detailed as necessary, depending on the growth or income needs of the individual. IRA rollover products and services are also available.

TIM offers its extensive range of investment management services through multiple channels including retail mutual funds, investment consultants that serve foundations/endowments, public funds, union and corporate organizations; separately managed account platforms for many of the major broker-dealers and wealth management for high-net-worth private clients. TIM manages assets in mutual funds, funds of funds, retirement plans, separately managed accounts, institutional accounts, pension funds and variable insurance accounts.

1.4.1.4 Institutional

General description

AEGON USA has a significant position in the highly competitive and relatively mature US market for institutional products and offers a range of sophisticated and highly specialized financial products for leading institutions such as banks and pension and investment funds. AEGON USA first entered this market in the early 1980s, with a distinctive floating rate guaranteed investment contract. Since then, the company's institutional guaranteed products business has expanded significantly. AEGON USA now offers traditional fixed rate guaranteed investment contracts ("GICs"), funding agreements ("FAs") and medium-term notes as well as fee-based products such as synthetic GICs, in which AEGON USA has a leading market position. On February 17, 2009, AEGON announced its plan to reduce its spread based balances by EUR 14 billion over the next two years to reduce capital requirements in the current stressed financial environment.

In addition, AEGON USA entered into structured product transactions, such as credit default swaps, synthetic collateralized debt obligations, affordable housing tax credit guarantees and hedge fund principal protection. New sales for AEGON USA's structured settlement annuity business were discontinued in 2003.

AEGON USA also offers through the Extraordinary Markets division both fixed and variable products to the bank and corporate owned life insurance ("BOLI-COLI") market in the United States. In early 2007, AEGON USA completed its acquisition of Clark Inc., a company specializing in the sale of bank and corporate owned life insurance. BOLI-COLI is marketed to institutional customers to help them fund long-term employee benefits such as executive compensation and post-retirement medical plans. AEGON USA has provided insurance products to the BOLI-COLI market since 1993.

Products

GICs and FAs

GICs are generally issued to tax qualified plans, while FAs and medium-term notes are typically issued to non-tax qualified institutional investors. These products are marketed through an internal sales force in the United States and Ireland.

These spread-based products are issued on a fixed-rate or floating-rate basis and provide the customer a guarantee of principal and a specified rate of return. Some spread products are issued by pledging, selling with the intent to repurchase, or lending investment securities that serve as collateral to these products. Practically all of the fixed-rate contracts are swapped to floating-rate via swap agreements and contracts issued in foreign currencies are swapped at issuance to US dollars to eliminate currency risk. Credited interest on floating-rate contracts predominately resets on a monthly basis to various market indices. The term of the contract can be fixed, generally from six months up to ten years, or it can have an indefinite maturity. Market-indexed contracts provide a return based on the market performance of a designated index, such as the S&P 500. Futures or swap contracts are used to hedge the market risk on market-indexed contracts and effectively convert such contracts to a floating-rate. Indeterminate-maturity contracts allow a customer to withdraw funds without a withdrawal penalty by providing the customer with a put option whereby the contract may be terminated with advance written notice of 12 months. Substantially all holders of indeterminate-maturity contracts have provided written notice in 2008 and these contracts are now classified as floating-rate, fixed maturity instruments. Other contracts offer benefit-responsive withdrawal rights to the customer, but these withdrawals cannot be for economic reasons. The account balances at December 31, 2008 consisted of fixed-rate, fixed-maturity contracts (41.5%); floating-rate, fixed-maturity contracts (57.4%); market-indexed, fixed-maturity contracts (0.3%), and indeterminate-maturity contracts (0.8%).

Medium-term notes

AEGON USA utilizes consolidated special purpose entities to issue medium-term notes that are backed by FAs. The proceeds of each note series are used to purchase a FA from an AEGON insurance company, which is used to secure that particular series of notes. The payment terms of any particular series substantially match the payment terms of the FA that secures that series. In addition, AEGON utilizes consolidated special purpose entities to issue commercial paper that is backed by the issuance of certain FAs.

AEGON Global Institutional Markets plc ("AGIM") is domiciled in Ireland for the purpose of issuing medium-term notes to non-US investors and investing in a diversified portfolio of eligible assets with the proceeds of the issued notes. AEGON Financial Assurance Ireland Limited ("AFA"), another AEGON Ireland entity, provides a financial guarantee for the medium-term notes issued by AGIM.

Synthetic GICs

Synthetic GICs are sold in the United States primarily to tax-qualified institutional entities such as 401(k) plans and other retirement plans, as well as college savings plans. AEGON provides a synthetic GIC "wrapper" around fixed-income invested assets, which are owned by the plan and managed by the plan or a third party money manager hired by the plan. A synthetic GIC is typically issued with an evergreen maturity and is cancelable by the plan sponsor under certain conditions. Such a contract helps to reduce fluctuations in the value of the wrapped assets for plan participants and provides book value benefit-responsiveness in the event that qualified plan benefit requests exceed plan asset values. The periodically adjusted contract crediting rate is the means by which investment and benefit responsive experience is passed through to participants. In certain contracts, AEGON agrees to make advances to meet benefit payment needs and earns a market interest rate on these advances.

Structured products

AEGON USA's Structured Products group leverages existing strengths in investments, product structuring and risk management, as well as strong institutional relationships. Structured products are generally synthetic transactions that exist to provide guarantees for the client. In these transactions, AEGON USA undertakes contingent purchases/payments in return for a premium.

BOLI/COLI

Fixed and variable life insurance products are sold to banks and corporations as a method of funding employee benefit liabilities. The corporation insures key employees and is the owner and beneficiary of the policies.

Sales and distribution

GICs, FAs and medium-term notes are marketed to institutional investors, such as pension funds, retirement plans, college savings plans, money market funds, municipalities, United States investors and non-US investors.

AEGON USA distributes these institutional products through a multi-channel strategy involving consultants, investment bankers, bidding agents, and its own internal sales force.

BOLI/COLI is distributed through a select number of niche brokers (including an affiliate, Clark) who specialize in sales and administration of the bank and corporate products.

1.4.1.5 Reinsurance

General description

The Transamerica Reinsurance Division, a unit of Transamerica Life Insurance Company, has provided reinsurance products and solutions to life insurance and financial services companies for forty years.

In the United States, Transamerica Reinsurance Division provides reinsurance solutions to primary insurers to support their risk management and redundant reserve financing needs. Transamerica Reinsurance provides mortality risk reinsurance for term, universal, variable universal and whole life portfolios. Reinsurance products include coinsurance as well as yearly renewable term and modified coinsurance agreements. Transamerica Reinsurance Division also offers traditional and modified coinsurance programs for the annuity market, as well as reinsurance of general account guarantees on variable annuity products.

Transamerica Reinsurance Division also provides reinsurance solutions in Europe, Asia Pacific and Latin America and offers risk and capital management solutions on a similar basis to those in the United States.

Products

The core life reinsurance offering, mortality risk transfer, is sold primarily through coinsurance and yearly renewable term arrangements. Under a coinsurance arrangement, reinsurance is ceded and assumed in the same form as the direct policy and the reinsurer shares proportionately in the product risks, including mortality, morbidity, persistency, investment, and capital requirements. Yearly renewable term reinsurance has premium rates that are not related to the original insurance product type and the ceding company only reinsures the mortality or morbidity risk.

Transamerica Reinsurance Division also assumes fixed annuity business on a coinsurance basis. Under a coinsurance arrangement, risk is ceded in the same form as the direct policy and the client company typically pays the reinsurer premiums equal to its share of the premiums that the client company receives on the underlying policies. The reinsurer will pay the client death or surrender benefits upon death or surrender of the policyholder and will reimburse the client specific allowances which are generally intended to cover its share of expenses.

Transamerica Reinsurance Division also reinsures fixed and variable annuity business on a modified coinsurance basis. Like coinsurance, modified coinsurance is ceded and assumed in the same form as the direct policy however, the reserves and assets backing the transaction remain with the ceding company in its accounts. In a typical variable annuity reinsurance transaction, Transamerica Reinsurance Division pays a ceding commission to finance the ceding company's policy acquisition costs and receives a reinsurance premium that is based upon the account value over the life of the business. The reinsurer thereby assumes the lapse risk on the variable annuities.

Transamerica Reinsurance Division assumes certain guaranteed minimum withdrawal, death and income benefits associated with variable annuity policies in exchange for a fee, typically expressed as a fixed percentage of the account value. With this type of cover, the reinsurer pays its share of the minimum benefits the policyholder's account value is unable to fund due to its underlying performance. Minimum underlying fund performance is a primary risk assumed by the reinsurer.

Transamerica Reinsurance Division also works with primary life insurers to develop, underwrite and administer specifically tailored products, as well as provide back-office services such as alternative underwriting and product development where some or all of the insurance risks in the products are reinsured.

Outside of the United States, Transamerica Reinsurance Division offers risk and capital management solutions on a similar basis to those in the United States. Primarily, this consists of risk premium (yearly renewable term) cover for mortality, accidental death, critical illness and group life and disability. Additionally, coinsurance structures are used to help finance acquisition costs as well as transferring other underwriting risks.

Sales and distribution

Transamerica Reinsurance Division writes business through various AEGON companies in the United States and through its own affiliates in Bermuda and Ireland:

- Transamerica International Reinsurance Bermuda Ltd.
- Transamerica International Reinsurance Ireland Ltd.

Additionally Transamerica Reinsurance Division writes some of its European business through AEGON Levensverzekering N.V.

Outside the United States, Transamerica Reinsurance Division has established local offices in a number of different countries, including France, Spain, Japan, Taiwan, South Korea, Hong Kong, Mexico, Chile and Brazil. In these countries and many proximate countries Transamerica Reinsurance Division offers customized solutions, including coinsurance financing, product development with related quota share programs as well as traditional life reinsurance.

1.4.2 Overview Canada

1.4.2.1 Life and protection

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

1.4.2.2 Individual savings and retirement

General description

AEGON Canada's current product offerings comprise the following: segregated funds, mutual funds, segregated funds offered through strategic alliances with investment management companies, guaranteed investment accounts and single premium immediate annuities. The imaxx brand of mutual funds is offered by AEGON Fund Management ("AFM"). TLC offers all of AEGON Canada's other investment products.

Transamerica Life Canada offers term and tax-sheltered universal life insurance, segregated funds, guaranteed investment accounts, and single premium immediate annuities. AEGON Capital Management Inc. ("ACM") was created in November 2001 from the spin-off of the investment management division of TLC. ACM's mandate is to develop products and services for the institutional, high net-worth individual, pension, and retail markets. AFM is the mutual fund subsidiary of AEGON Canada, which offers the imaxx brand of mutual funds as well as core fund portfolios featuring select investment managers from around the world to Canadian investors seeking customized portfolio solutions.

Products

Fixed annuity contracts in Canada have fixed rates for specified terms and contracts are sold as redeemable or non-redeemable. Most redeemable contracts are sold on the basis that a market value adjustment will apply for surrenders prior to maturity, while a small number use a fixed surrender charge. Contracts sold on a redeemable basis provide a lower rate of interest than the non-redeemable contracts. There are no minimum interest rate guarantees on these products.

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).

In Canada, investment management fees are earned by providing portfolio management and investment advisory services.

1.5 Competition

AEGON USA faces significant competition in all of its businesses. Its competitors include other large and highly rated insurance carriers, as well as certain banks, securities brokerage firms, investment advisors, and other financial intermediaries marketing insurance products, annuities, and mutual funds. Some of these competitors have greater financial strength and resources and have penetrated more markets. Many of AEGON USA's competitors in the mutual fund industry are larger, have been established for a longer period of time, offer less expensive products, have deeper penetration in key distribution channels, and have more resources than AEGON USA.

The United States business units that deliver traditional life products focus on a variety of markets, including the middle, upper-middle and affluent markets. The units face significant competition from a broad range of competitors including Genworth, Pacific Life, Lincoln National, John Hancock, Sun Life, Metropolitan Life, Prudential, AIG, and ING. The result is a highly competitive marketplace and increasing commoditization in many product categories. In this kind of environment, AEGON USA believes the best and most enduring competitive advantages are relationships and service.

TLIC's Bermuda company, Transamerica Life (Bermuda) Ltd. ("TLB"), has branches in Hong Kong and Singapore, where the focus is on high-net-worth individuals. The recent influx of new entrants in the market has increased TLB's competition in this segment. However, TLB believes there is significant opportunity in this region and is well positioned for growth.

AEGON USA markets variable universal life, mutual funds, and variable annuities to middle-income clients with equity investment objectives. Sales are often driven by the competitiveness of the living benefits offered by our competitors, with most product development focusing on guaranteed lifetime withdrawal benefits, which guarantee lifetime withdrawals of a certain amount under certain conditions.

AEGON USA's primary competitors in the variable universal life market are IDS, Hartford Financial, John Hancock, Pacific Life, Metropolitan Life, Nationwide, Lincoln National, and AXA/Equitable.

The top five competitors in the mutual fund market are generally considered to be: American Funds, Franklin Templeton; Oppenheimer; Putnam; and Fidelity.

AEGON USA has built long-term relationships with many institutions, and these relationships have enabled AEGON USA to offer many product lines such as fixed annuities, variable annuities, life insurance, mutual funds, and 401(k) products through these institutions. Most fixed annuity sales occur at banks. AEGON USA's primary competitors for fixed annuity sales are AIG, Allstate, New York Life, Principal Financial, Riversource, Jackson National, Western-Southern, and Symetra Financial.

AEGON USA competes in the variable annuity marketplace by maintaining an effective wholesaling force, focusing on strategic business relationships and by developing products with features, benefits and pricing that it believes are attractive in that market place. The market has shown a continued interest in guaranteed lifetime withdrawal products, and there is strong competition among providers. AEGON USA's primary competitors in the variable annuity market are Hartford Financial, AXA/Equitable, Metropolitan Life, John Hancock, Prudential/American Skandia, Lincoln National, ING and Pacific Life.

In the institutional product market, AEGON USA's competitors include insurance companies, domestic and foreign banks, and investment advisors. Customers include investment managers, GIC managers, 401(k) and 457 plans, pension plans, 529 college savings plans, money market funds, municipal debt issuers, US and international banks, and other capital market sectors.

AEGON USA has been a leading issuer of synthetic GICs (source: reports from LIMRA International and the Stable Value Investment Association's Stable Value and Funding Agreement Products, 2008 First and Second Quarter Sales, Landmark Strategies' 2007 Stable Value Wrap Issuance Survey; AEGON USA's Market Research). AEGON USA pioneered the use of synthetic GICs in 1991 and competes against banks such as Bank of America, JP Morgan, Natixis, Rabobank and State Street Bank as well as insurance companies such as AIG, ING and Principal Financial. AEGON USA has been among the top 10 traditional GIC providers (source: reports from LIMRA International and the Stable Value Investment Association's Stable Value and Funding Agreement Products, 2008 First and Second Quarter Sales; AEGON USA's Market Research). Other insurers in the traditional GIC segment include Hartford Financial, Metropolitan Life, Principal Financial, Prudential Financial, and New York Life (source: reports from LIMRA International and the Stable Value Investment Association, Stable Value and Funding Agreement Products, 2008 First and Second Quarter Sales, AEGON USA's Market Research).

Funding agreement-backed medium-term notes have been marketed by AEGON in the United States and abroad. Monumental Life Insurance Company, the insurance company that issued the funding agreements backing these notes, has been among the top 10 issuers in this segment (source: Standard & Poor's "2008 Funding-Agreement Backed Note Issuance: A Tale of Two Half-Years", publication date January 16, 2009). AIG, Allstate, New York Life, John Hancock, Metropolitan Life, Principal Financial, and Pacific Life have also had leading positions.

AEGON USA had a leadership position among issuers of floating rate funding agreements sold directly to money market funds (source: reports from LIMRA International and the Stable Value Investment Association's Stable Value and Funding Agreement Products, 2008 First and Second Quarter Sales; company SEC filings; AEGON USA's Market Research). Other leading competitors in this market were Genworth Financial, ING, Metropolitan Life, and New York Life.

AEGON USA manages a book of approximately USD 5.05 billion (book value) in funding agreements/investment contracts issued to municipal debt issuers, and has been a top 10 provider in this segment. The leading competitors in the municipal GIC market were AIG, Bayerische Landesbank, Citibank, FSA, MBIA and Trinity Funding (source: reports from LIMRA International and the Stable Value Investment Association's Stable Value and Funding Agreement Products, 2008 First and Second Quarter Sales; company SEC filings; AEGON USA's Market Research).

Transamerica Reinsurance Division's major life reinsurance competitors vary based upon solutions and geographical markets. The main competitors are Reinsurance Group of America, Swiss Re, Generali USA Life Re, and Munich Re.

Within the United States, conditions continue to favor large, financially strong reinsurers such as Transamerica Reinsurance Division that can gain access to capital markets for reserve credit collateral and provide full-service solutions. Recent new entrants have had limited influence on the market.

The pension market continues to evolve rapidly and is facing growing regulatory compliance pressures, continuing demand for technological innovation, pricing pressures, and provider consolidation. AEGON USA's ability to achieve greater economies of scale in operations will be assisted if growth in key market segments continues, technology improves, and if process management increases efficiency.

In the defined contribution market, AEGON USA's main competitors are Fidelity, T. Rowe Price, Vanguard, Schwab, Principal Financial, Mass Mutual and New York Life. AEGON USA's main competitors in the defined benefit segment are, Mass Mutual, New York Life, Principal Financial, and Prudential. In the small business retirement plan segment and the multiple employer plan segment, AEGON USA's main competitors are Principal Financial, John Hancock, American Funds, Hartford Financial, Fidelity, and ING. In the single premium group annuity market, AEGON USA's main competitors are Hartford Financial, John Hancock, Metropolitan Life, and Principal Financial.

Canadian life insurance marketplace

The top ten companies in Canada account for 89% of the life insurance sales (source: LIMRA 's Canadian Individual Life Insurance Sales - Third Quarter 2008, issued November 2008). Transamerica Life Canada's primary competitors in Canada are; Manulife Financial, Sun Life Financial, Industrial-Alliance, Canada Life, RBC Life, Empire Life, Equitable, AIG and Desjardins.

Transamerica Life Canada ranks seventh in overall individual life insurance sales (new business premiums) with a market share of 7.9% down from 8.6% at December 31, 2007. Transamerica Life Canada ranks fifth for universal life sales representing 11.5% of the market and sixth for term sales representing 6.2% of the market (source: LIMRA 's Canadian Individual Life Insurance Sales - Third Quarter 2008, issued November 2008).

1.6 Regulation

AEGON USA

The AEGON USA insurance companies are subject to regulation and supervision in the states in which they transact business. Supervisory agencies in each of those states have broad powers to do any of the following: grant or revoke licenses to transact business, regulate trade and marketing practices, license agents, approve policy forms and certain premium rates, set reserve and capital requirements, determine the form and content of required financial reports, examine the insurance companies, prescribe the type and amount of investments permitted, levy fines and seek restitution for failure to comply with applicable regulations. The international businesses of AEGON USA are governed by the laws and regulations of the countries in which they transact business.

Insurance companies are subject to a mandatory audit every three to five years by their domestic regulatory authorities and every year by their independent auditors. In addition, examinations by non-domestic state insurance departments are conducted, both on a "targeted" and random or cyclical basis. Some State Attorneys General have also commenced investigations into certain insurers' business practices. Within the insurance industry, substantial liability has been incurred by insurance companies based on their past sales and marketing practices. AEGON USA has focused and continues to focus on these compliance issues, and costs can increase as a result of these activities.

States have adopted risk-based capital (“RBC”) standards for life insurance companies, established by the National Association of Insurance Commissioners (“NAIC”). The RBC Model Act (“Model Act”) provides for various actions should an insurer’s adjusted capital, based on statutory accounting principles, fall below certain prescribed levels (defined in terms of its risk-based capital). The adjusted capital levels of the AEGON USA insurance companies currently exceed all of the regulatory action levels as defined by the Model Act. Any modifications of these adjusted capital levels by the regulators or rating agency capital models may impact AEGON USA.

US federal and state privacy laws and regulations impose restrictions on financial institutions’ use and disclosure of customer information. Legislation has been introduced in the US Congress, and in the states from time to time that would either impose additional restrictions on the use and disclosure of customer information or would require financial institutions to enhance the security of personal information and impose new obligations in the event of data security breaches. States are also considering and the US Congress may again consider legislation that would restrict the ability of insurers to underwrite based in whole or in part on specified risks or practices such as genetic testing. These laws, regulations and legislation, if enacted, could impact AEGON’s ability to market or underwrite its products or otherwise limit the nature or scope of AEGON’s insurance and financial services operations in the United States.

Federal law and the Federal Trade Commission (“FTC”) and the Federal Communications Commission (“FCC”) rules prohibit telephone solicitations to customers who have placed their telephone numbers on the National Do-Not-Call Registry. Additionally, proposals to place restrictions on direct mail are considered by the US Congress and the States from time to time. These restrictions adversely impact AEGON USA company telemarketing efforts and new proposals, if enacted, will likely directly impact AEGON USA company direct mail efforts.

Insurance holding company statutes and the regulations of each insurer’s domiciliary state in the United States impose various limitations on investments in affiliates and require prior approval of the payment of dividends above certain threshold levels by the registered insurer to AEGON or certain of its affiliates.

Some of AEGON USA’s investment advisory activities are subject to federal and state securities laws and regulations. Mutual Funds managed, issued and distributed by AEGON USA companies are registered under the Securities Act of 1933, as amended (the "Securities Act"), and the Investment Company Act of 1940 (the "Investment Company Act"). With the exception of its investment accounts which fund private placement investment options that are exempt from registration, or support fixed rate investment options that are also exempt from registration, all of AEGON USA’s separate investment accounts that fund retail variable annuity contracts and retail variable life insurance products issued by AEGON USA companies are registered both under the Securities Act and the Investment Company Act. Institutional products such as group annuity contracts, guaranteed investment contracts, and funding agreements are sold to tax qualified pension plans or to other sophisticated investors and are exempt from registration under both acts.

The Securities Exchange Commission (“SEC”) has implemented a rule (“Rule 151A”) under the Securities Act that requires any annuity to be registered under the Securities Act that makes reference to securities or a securities index and is likely to generate performance greater than the guaranteed amount under the contract. Management expects Rule 151A to significantly complicate and increase the cost of equity indexed annuities, which will likely have an impact on sales of indexed life insurance products in the future.

Some of the AEGON USA companies are registered as broker-dealers with the SEC under the Securities Exchange Act of 1934, as amended (the "Securities Exchange Act") and are regulated by the Financial Industry Regulatory Authority (“FINRA”, formerly known as the National Association of Securities Dealers, Inc. or “NASD”). A number of AEGON USA companies are also registered as investment advisors under the Investment Advisers Act of 1940. AEGON USA insurance companies and other subsidiaries also own or manage other investment vehicles that are exempt from registration under the Securities Act and the Investment Company Act but may be subject to other requirements of those laws, such as anti-fraud provisions and the terms of applicable exemptions.

The financial services industry, which includes businesses engaged in issuing, administering, and selling variable insurance products, mutual funds, and other securities, as well as broker-dealers, has come under heightened scrutiny and increased regulation in various jurisdictions. Such scrutiny and regulations have included matters relating to so-called producer compensation arrangements, selling practices, revenue sharing, and valuation issues involving mutual funds and life insurance separate accounts and their underlying funds. AEGON USA companies, like other businesses in the financial services industry, have received inquiries, examinations, and requests for information from regulators and others relating to certain AEGON USA companies’ historical and current practices with respect to these and other matters. Some of those inquiries have led to investigations, which remain open or have resulted in fines, corrective actions or restitution. AEGON USA companies continue to cooperate with these regulatory agencies. In certain instances, AEGON companies modified business practices in response to those inquiries or findings. Certain AEGON companies have paid or been informed that the regulators may seek restitution, fines or other monetary penalties or changes in the way we conduct our business. The impact of fines or other monetary penalties is not expected to have a material impact on AEGON’s financial position, net income or cash flow. Since 2004, there has been an increase in litigation in the industry, legislation, new regulations, and regulatory initiatives aimed at curbing alleged abuse of annuity sales to seniors. As many of the estimated 77 million baby boomers have or will soon reach the age of sixty, the industry will likely see an increase in senior issues presented in various legal arenas. In addition, certain industry practices in respect of market conduct have been the subject of investigations by various state regulators. With the significant decline in financial markets in late 2008 and early 2009, management expects there will be further regulation and litigation which could increase costs and limit AEGON’s ability to operate.

Some of AEGON USA companies offer products and services to pension and welfare benefit plans that are subject to the federal Employment Retirement Income Security Act ("ERISA"). ERISA is administered by the US Department of Labor ("DOL") and Internal Revenue Service ("IRS"). Accordingly, the DOL and IRS have jurisdiction to regulate the products and services sold by these AEGON USA businesses. DOL has issued regulations requiring increased fee disclosure from defined contribution plan service providers and to plan participants. In addition, legislation has been introduced in Congress that would mandate additional defined contribution plan fee disclosure. Enactment of certain of this legislation could increase the cost and administrative burdens of defined contribution plan administration.

In an attempt to increase the number of workers covered by a retirement savings plan, several states have or are considering legislation that would permit non-governmental workers to join the state government workers retirement plan or a similar governmental plan. If enacted, this legislation could impact the products and services sold by some of AEGON USA companies to private employers in those states.

Transamerica Reinsurance Division's reinsurance activities are subject to laws and regulations including those related to credit for reinsurance. Most states have implemented a Life and Health Reinsurance Agreement regulation, which specifies the time frames for completion of contracts and defines which risks must pass from cedant to reinsurer to constitute reinsurance. Transamerica International Re (Bermuda) Ltd. is subject to the laws and regulations governing the reinsurance business in Bermuda, as overseen by the Bermuda Monetary Authority.

Transamerica International Reinsurance Ireland Limited is subject to the laws and regulations governing the reinsurance business in Ireland, as overseen by the Irish Financial Services Regulatory Authority. AEGON Levensverzekering N.V. is subject to the laws and regulations governing insurance in The Netherlands as overseen by the Dutch Central Bank.

Although the insurance business is regulated on the state level, the US federal tax preferences of life insurance and annuity products are governed by the US federal tax code. Proposals to remove or decrease the value of these tax preferences, both in and of themselves and relative to other investment vehicles, have sometimes been debated in the US Congress. This risk is heightened when Congress seeks additional revenue, either to address widening budget deficits resulting from increased spending by the US government in response to the current economic crisis, or as in the past two years, the US Congress follows the "pay as you go," or "PAYGO," system, which requires any increases in program spending to be offset with increases in taxes or cuts in other programs. In addition, any consideration of either proposal to extend any of the individual tax cuts first enacted in 2001 or broad tax reform in this Congress will likely increase the pressure to eliminate certain tax preferences or incentives for insurance.

Moreover, legislative proposals which impose restrictions on executive compensation by companies receiving federal funds under US government programs designed to stabilize the financial markets, as well as proposals restricting employment-based savings plans, including restrictions on nonqualified deferred compensation, adversely impacts the sale of life insurance products used in funding those plans and their attractiveness relative to other investment products.

There also have been legislative proposals in the US Congress from time to time that target foreign owned companies, such as a proposal that would deny US shareholders of such a company the preferential tax rate on dividends in certain circumstances. To the extent that any of these proposals would directly impact AEGON USA, they could adversely impact either US shareholders or investment in the US.

The current economic crisis has resulted in calls for regulatory reform of the financial services industry, both in the U.S. and world wide. The U.S. federal government may introduce a systemic risk regulator to oversee large financial services conglomerates. In addition, Congress is expected to consider financial services regulatory reform, and as part of this reform, a federal regulator for insurance. AEGON USA and many other insurers have actively supported an optional federal insurance regulator in the name of efficiency and in order to represent the insurance industry in international matters. However, the nature of a U.S. federal insurance regulator and regulatory reform proposals in general have yet to be determined and may result in additional regulatory burden and expense for insurers. Depending on federal legislation changes, regulation of the insurance industry by the States may be broadly redefined or limited, resulting in a yet unknown impact on product and service pricing availability.

Pension reform legislation enacted in 2006 both increases funding obligations of defined benefit plans and creates opportunities for increased savings through defined contribution plans and other savings vehicles, as well as group annuity products into which an employer or plan sponsor can transfer defined benefit plan liabilities to guarantee benefits of the pension plan's retired, active, or deferred vested participants. While some relief from these increased funding obligations has been provided recently, such relief is either temporary or in management's view is insufficient given the current economic crisis. AEGON USA companies administer and provide both asset management services and products used to fund defined contribution plans, 529 plans and other savings vehicles impacted by the pension reform legislation. AEGON USA companies also provide plans used to administer benefits distributed upon termination of defined benefit plans.

In the past year the DOL finalized rules prescribing additional annual disclosure of plan service provider compensation and disclosure of plan fees to defined contribution plan participants. In addition, the DOL also issued regulations clarifying the Pension reform legislation exemption for investment advice to qualified plan participants. Management believes that additional reforms may considered

during 2009 including the delivery of investment advice to plan participants, as well as increased fee disclosure, increased auto-enrollment, including low-cost index funds as investment options, reduced vesting periods and improved portability of 401(k) accounts, all in an effort to preserve and strengthen the current employer plan system. The likelihood of enactment of some of these reforms is not yet known.

Any proposals that seek to either restrict fees and services to employer plans or change the manner in which AEGON USA companies may charge for such services inconsistent with business practices, will adversely impact the AEGON companies that provide administration and investment services and products to employment based plans.

Many other federal tax laws affect the business in a variety of ways. Legislative proposals to repeal, substantially reform or permanently repeal the estate tax are being considered, but are not likely to be enacted in 2009. Under existing law, the federal estate, gift, and generation skipping taxes are temporarily repealed in 2011. AEGON believes a permanent repeal of the federal estate tax would have an adverse impact on sales and surrenders of life insurance in connection with estate planning; however, failure to permanently reform the estate tax to avoid its total repeal in 2011 and return to pre-2001 rates creates a lack of certainty that adversely impacts efficient estate planning.

AEGON Canada

Transamerica Life Canada ("TLC") is incorporated under the Canadian Business Corporation Act and is regulated under the Insurance Companies Act of Canada. In addition, TLC is subject to the laws, regulations and insurance commissions of each of Canada's ten provinces. The laws of these jurisdictions generally establish supervisory agencies with broad administrative powers that include the following: granting and revoking licenses to transact business, regulating trade practices, licensing agents, establishing reserve requirements, determining permitted investments and establishing minimum levels of capital. TLC's ability to continue to conduct its insurance business depends upon the maintenance of its licenses at both the federal and provincial levels. The primary regulator for TLC is the Office of the Superintendent of Financial Institutions. TLC is required under the Insurance Companies Act of Canada to have at least seven directors, 50% of whom must be residents of Canada and no more than two-thirds of whom can be affiliated with TLC.

The life insurance and securities operations of AEGON Canada are also governed by policy statements and guidelines established by industry associations such as the Canadian Life & Health Insurance Association, Mutual Fund Dealers Association, and Investment Funds Institute of Canada.

1.7 Asset liability management

The AEGON USA insurance companies are primarily subject to regulation under the laws of the states in which they are domiciled. Each state's laws prescribe the nature, quality, and percentage of various types of investments that may be made by the companies. Such laws generally permit investments in government obligations, corporate debt, preferred and common stock, real estate, and mortgage loans. Limits are generally placed on other classes of investments.

The key investment strategy for traditional insurance-linked portfolios is asset/liability management, whereby predominately high-quality investment assets are matched in an optimal way to the corresponding insurance liability. This strategy takes into account currency, yield and maturity characteristics as well as asset diversification and quality considerations on the one hand and the policyholders' guaranteed or reasonably expected excess interest sharing on the other hand. Investment-grade fixed income securities are the main vehicle for asset/liability management, and AEGON USA's investment personnel are highly skilled and experienced in these investments.

The AEGON USA companies manage their asset/liability matching through the work of several committees. These committees review strategies, define risk measures, define and review asset/liability management studies, examine risk-hedging techniques, including the use of derivatives, and analyze the potential use of new asset classes. Cash flow testing analysis is performed using computer simulations, which model assets and liabilities under stochastically projected interest rate scenarios and commonly used stress-test interest rate scenarios. Based on the results of these computer simulations, the investment portfolio is structured to maintain a desired investment spread between the yield on the portfolio assets and the rate credited on the policy liabilities. Interest rate scenario testing is a continual process and the analysis of the expected values and variability for three critical risk measures (cash flows, present value of profits, and interest rate spreads) forms the foundation for modifying investment strategies, adjusting asset duration and mix, and exploring hedging opportunities. On the liability side, AEGON USA has some offsetting risks; some liabilities perform better in rising interest rate environments while others tend to perform well in falling interest rate environments. The amount of offset can vary depending on the absolute level of interest rates and the magnitude and timing of interest rate changes, but it generally provides some level of diversification. On the asset side, hedging instruments are continuously studied to determine whether their cost is commensurate to the risk reduction they offer.

1.8 Reinsurance ceded

1.8.1 United States

AEGON USA reinsures part of its life insurance exposure with third-party reinsurers under traditional indemnity, quota share reinsurance treaties, as well as, less frequently, excess-of-loss contracts. AEGON USA's reinsurance strategy is in line with typical industry practice.

These reinsurance contracts are designed to diversify AEGON USA's overall risk and limit the maximum loss on risks that exceed policy retention levels. The maximum retention limits vary by product and class of risk, but generally fluctuate between USD 3,000 and USD 3 million per life insured.

AEGON USA remains contingently liable with respect to the amounts ceded should the reinsurance company fail to meet its obligations. To minimize its exposure to such defaults, AEGON USA regularly monitors the creditworthiness of its reinsurers. AEGON USA has experienced no material reinsurance recoverability problems in recent years. Where appropriate, the company arranges additional cover through letters of credit or trust agreements. For certain agreements, funds are withheld for investment by the ceding company.

The AEGON USA insurance companies also enter into contracts with company-affiliated reinsurers, both within the United States and overseas, including Transamerica Reinsurance Division, a unit of Transamerica Life Insurance Company. These contracts have been excluded from the company's consolidated financial statements, except in certain circumstances that include profit-sharing arrangements.

1.8.2 Canada

In the normal course of business, AEGON Canada reinsures part of its mortality and morbidity risk with outside reinsurance companies. The maximum life insurance exposure retained is CAD 1.25 million per life insured.

Ceding reinsurance does not remove AEGON Canada's liability as the primary insurer. AEGON Canada could incur losses should reinsurance companies fail to meet their obligations. To minimize its exposure to the risk of such defaults, AEGON Canada regularly monitors the creditworthiness of its reinsurers. AEGON Canada only contracts business with reinsurance companies that are registered with Canada's Office of the Superintendent of Financial Institutions.

2. The Netherlands

2.1. Background

AEGON was created by the merger of two Dutch insurance companies – AGO and Ennia – in 1983. AEGON's history in the Netherlands, however, goes back more than 150 years. Today, AEGON The Netherlands[1] is one of the country's leading providers of life insurance and pensions, with millions of customers and more than 6,200 employees. The fully owned Unirobe Meeùs Group is one of the largest intermediaries in the Netherlands. AEGON The Netherlands has its headquarters in The Hague, but also has offices in Leeuwarden, Groningen and Nieuwegein.

2.2. Organizational structure

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

AEGON The Netherlands' primary subsidiaries are:
- AEGON Levensverzekering N.V.
- AEGON Schadeverzekering N.V.
- AEGON NabestaandenZorg N.V.
- AEGON Spaarkas N.V.
- AEGON Bank N.V.
- Unirobe Meeùs Groep B.V.
- TKP Pensioen B.V.
- Nedasco B.V.
- OPTAS N.V.
- OPTAS Pensioenen N.V.
- OPTAS Leven N.V.
- OPTAS Schade N.V.

The business organization of AEGON The Netherlands is based on five service centers (SC's) and three sales organizations (SO's).

The SC's, which are responsible for all 'back office' activities, are the following:
- SC Pensions
- SC Life insurance
- SC Non-life insurance
- SC Banking
- SC Asset management

In recent years, AEGON The Netherlands has taken significant steps to reorganize its businesses as part of broader efforts to improve overall efficiency and customer service. In 2003, the company combined its various business units into a single, more centralized structure. By bringing product knowledge, administration, IT and other back office support under one roof, AEGON The Netherlands has created a more effective and better structured organization. Since 2006 a process of centralizing staff functions including HRM, Marketing and Finance has been effected in order to standardize processes and improve efficiency.

AEGON The Netherlands is present in five lines of business:

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

[1] Throughout this report, 'AEGON The Netherlands' refers to all AEGON companies operating in the Netherlands.

2.3. Overview sales and distribution channels

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

2.4. Overview lines of business

2.4.1 Life and protection

General description

AEGON The Netherlands provides a range of life insurance and personal protection products and services, including traditional, universal and term life, funeral insurance as well as accident and health cover. Life and protection is AEGON The Netherlands' one of the most important line of business, accounting for 46 percent of the company's overall operating earnings before tax in 2008.

Products

The life products of AEGON The Netherlands consist largely of endowment insurance and annuity insurance.

Endowment insurance

This category includes various products that accumulate a cash value. Premiums are paid 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%.

There are different kinds of profit sharing arrangements. Bonuses are either paid in cash (mainly in pension business, as discussed in the following section) or used to increase the sum assured. For one common form of profit sharing, the bonus levels are set by reference to external indices that are based on predefined portfolios of Dutch government bonds. The bonds included in the portfolio have different remaining durations and interest rates and together are considered an approximation of the long-term rate of return on Dutch high quality financial investments. Another common form of profit sharing is via interest rebates, whereby policyholders receive a discount on single premium business which reflects the expectation that the actual rate of return on the contract will exceed the minimum interest guarantee used to determine the premiums and sums assured. Here too, the expected actual rate of return is based on a portfolio of Dutch government bonds.

Term and whole life insurance

Term life insurance pays out death benefits when the insured dies during the term of the contract. Whole life insurance pays out death benefits when the insured dies, regardless of the timing of this event. Premiums and amounts insured are established at inception of the contract and are guaranteed. The amount insured may be adjusted on request of the insured. In principle, term life insurance policies will not include profit sharing arrangements. Part of the portfolio of whole life insurance has profit-sharing features, which are based on external indices or return of related assets.

Annuity insurance

This category includes products in accumulation phase and in payout phase. Payout commences at a date determined in the policy and usually continues until death of the insured or the beneficiary. Premiums are paid at inception of the policy or during the accumulation phase of the policy. The contracts contain minimum guarantees of 3% or 4%.

Interest rebates are given on both single and regular premium annuity insurance and may be based on a portfolio of Dutch government bonds, although other calculation bases are also applied. There are also profit sharing schemes set by reference to external indices that are based on predefined portfolios of Dutch government bonds.

Tontine plans

Tontine plans in the Netherlands are linked endowment savings contracts with a specific bonus structure. Policyholders can choose from several AEGON funds to invest premiums paid. The main characteristic of a tontine system is that when the policyholder dies, the balance is not paid out to the policyholder's estate, but is distributed at the end of the year to the surviving policyholders of the specific series to which the deceased policyholder belonged. In general, a new series starts at the beginning of each calendar year, but there are also open ended tontine plans in the portfolio. When the policyholder dies before maturity, AEGON The Netherlands pays a death benefit equal to the premiums paid accumulated at a 4% compound interest, subject to a minimum of 110% of the fund value during the first half of the contract term.

Variable unit linked products

In the Netherlands, variable unit linked products are sold. These products have a minimum benefit guarantee if premiums are invested in certain funds. The initial guarantee period is 10 years. The 10-year period 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 (MER) charged to the funds is not guaranteed and can be increased at management's discretion.

Accident and health insurance

AEGON The Netherlands offers sick leave products to employers that cover the sick leave payments to employees that are not covered by social security and where the employers bear the risk. Over the past several years, the Dutch government has gradually shifted responsibility for sick leave and workers' disability from the state to the private sector. This has helped stimulate demand for private health insurance. In 2006, AEGON The Netherlands introduced a new product providing companies with additional employee disability cover.

Sales and distribution

AEGON's traditional life insurance is sold primarily by AEGON Intermediary and AEGON Bank Bemiddeling. The vast majority are standardized financial products.

Accident and health products are sold mainly through AEGON Intermediary, though Corporate & Institutional Clients also provides products for larger corporations in the Netherlands.

2.4.2 Individual savings and retirement products

General description

In addition to life insurance and pensions, AEGON The Netherlands also provides a variety of individual savings and retirement products. In 2008, these products did contribute an amount of EUR (14) million to AEGON The Netherlands' overall pre-tax operating earnings.

AEGON discontinued selling security lease products in early 2003. At the end of 2005, the Dutch government decided to reform its retirement legislation. As part of a wider policy of reducing state benefits, the government ended a pre-retirement savings plan, known as VUT, and replaced it with 'Levensloop' – or 'Life cycle'.

Products

Saving products are only sold by AEGON The Netherlands and include savings accounts and investment contracts. Both products generate investment-spread income for AEGON. Savings accounts retain flexibility to withdraw cash with limited restrictions. Banking products also include investment products that offer index-linked returns and generate fee income on the performance of the investments.

'Levensloop' allows savers to put aside a certain amount each year, tax free, either to fund their retirement, retire early, or even finance a break in their careers. Many companies in the Netherlands have decided to include 'Levensloop' in their overall employee benefit packages.

Sales and distribution

Individual savings and retirement products are sold through all three sales organizations. AEGON Intermediary and AEGON Bank Bemiddeling sell the majority of the contracts. The Levensloop contracts that large organizations can offer to their employees are sold through our Corporate & Institutional Clients sales organization.

2.4.3 Pensions and asset management

General description

Pensions and asset management is of the most important lines of business of AEGON The Netherlands'. In 2008, it accounted for 52 percent of the AEGON The Netherlands' total operating earnings before tax.

Products

For the majority of the company/industry pensions funds and some large companies, AEGON The Netherlands provides full service pension solutions and also administration-only services.

The full service pension products for account of policyholders are separate account group contracts with or without guarantees.

Separate account group contracts of AEGON The Netherlands are large group contracts that have an individually determined asset investment underlying the pension contract. The contracts are written with and without a guarantee. The guarantee given is that the profit sharing is the minimum of the technical interest of either 3% or 4% or the realized return (on an amortized cost basis). If there is a negative profit sharing, the minimum is effective, but the loss in any given year is carried forward to be offset against any future surpluses during the contract period. 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 premium tariffs are fixed over this period.

Separate account guaranteed group contracts provide a guarantee on the benefits paid. The longevity risk therefore lies with AEGON The Netherlands. Non-guaranteed separate account group contracts provide little guarantee on the benefits. AEGON The Netherlands has the option not to renew a contract at the end of the contract period.

For most large companies and some small and medium-sized enterprises, AEGON The Netherlands provides defined benefit products for which profit sharing is based upon a pre-defined benchmark. Benefits are guaranteed. Premium tariffs are fixed over the contract period and the longevity risk lies with AEGON The Netherlands. Minimum interest guarantees are given for nominal benefits, based on 3% actuarial interest (4% on policies sold before the end of 1999).

For small and medium-sized enterprises, AEGON The Netherlands provides pensions that are defined contribution products with single and recurring premiums. Profit sharing is based on investment returns on specified funds. Premium tariffs are not fixed over the contract period. Minimum interest guarantees are given for nominal benefits, based on 0% or 3% actuarial interest (4% on policies sold before the end of 1999).

Both AEGON Asset Management (AEAM) and TKP Investments (TKPI, a 100% subsidiary of TKP Pensioen) provide asset management products with AEAM having strengths in in-house managed fixed income and Asian equities and TKPI providing fiduciary management using multi-manager investment pools. AEAM is also the main asset manager for AEGON The Netherlands' insurance activities. Both AEAM and TKPI are able to tailor products to customers' needs, including hedging of liability risks.

Sales and distribution

Most of AEGON The Netherlands' pensions are sold through two sales organizations: Corporate and Institutional Clients and AEGON Intermediary. Customers vary from individuals to company and industry pension funds and large, medium-sized and small corporations. AEGON The Netherlands is one of the country's leading providers of pensions.

For the majority of company and industry customers, AEGON The Netherlands provides a full range of pension products and services. In addition, TKP Pensioen specializes in pension administration.

Most of AEGON The Netherlands' asset management products are channeled through the Corporate & Institutional Clients sales organization.

2.4.4 Distribution

AEGON The Netherlands offers financial advice and is involved in intercession activities in real estate. The financial advice activities include selling insurance, pensions, mortgages, financing, savings and investment products. The intercession activities in real estate comprise brokerage activities of residential as well as commercial real estate and real estate management business. In order to focus more on financial advice, it was announced in December 2008 that the brokerage activities of residential real estate will be sold.

2.4.5 General insurance

AEGON The Netherlands offers a limited range of non-life insurance products through AEGON Intermediary. These are aimed at both the corporate and retail markets. They include house, car and fire insurance. In 2008, general insurance accounted for approximately 4 percent of AEGON The Netherlands' overall operating earnings before tax.

2.5 Competition

AEGON The Netherlands faces strong competition in all of its markets from insurers, banks, and investment management companies. These competitors are nearly all part of international financial conglomerates, such as ING Group, Eureko (Achmea), Fortis and Aviva (Delta Lloyd).

AEGON The Netherlands has been a key player in the total life market for a long time. The life insurance market in the Netherlands, comprising both pensions and life insurance, is very concentrated. The top 6 companies account for approximately 89% of premium income in The Netherlands (source: DNB Regulatory Returns 2007). In the pensions market AEGON The Netherlands ranks first, whereas in the individual life insurance market AEGON The Netherlands takes sixth place behind ING, SNS Reaal, Eureko, Fortis and Delta Lloyd (based on premium income, source: DNB Regulatory Returns 2007).

AEGON The Netherlands is one of the smaller players on the non-life market. Achmea, Fortis, Delta Lloyd and ING have substantial market shares, whereas the rest of the market is very fragmented. The P&C market share of AEGON The Netherlands is around 3.4% in premium income. (source: DNB Regulatory Returns 2007).

In recent years, several changes in regulations have limited opportunities in the Dutch insurance market, especially in the life insurance market (e.g. company savings plans and premiums of certain products are no longer tax deductible). Furthermore, the low economic growth and volatility of financial markets have created uncertainty among customers and a reluctance to commit to long-term contracts. These changed legal and market conditions have augmented competition. The result is competitive pricing, focus on service levels, client retention, and product innovation.

The pensions business has been affected by an increase in the number of new government regulations (e.g. the Surviving Relative Pension Act, the Non-Discriminatory Pensions Act and the new Pension Law). Timely compliance, flexibility in implementation and execution of these regulations may give AEGON The Netherlands a competitive advantage and distinguish the company in this highly competitive market. IT activities are essential in realizing these goals.

In the non-life segment, opportunities are expected to grow as the Dutch government gradually withdraws from the subject market.

2.6. Regulation

Two institutions are responsible for the supervision of financial institutions in the Netherlands:

- Autoriteit Financiële Markten (the Netherlands Authority for the Financial Markets) or AFM and
- De Nederlandsche Bank (the Dutch Central Bank) or DNB.

The AFM supervises the conduct of and the provision of information by all parties on the financial markets in the Netherlands. The objective of the AFM is to promote an orderly and transparent market process on the financial markets, the integrity of relations between market players and the protection of the consumer. DNB is responsible for safeguarding financial stability and supervises financial institutions and the financial sector.

New regulations pertaining to the supervision of financial institutions referred to as 'Wet Financieel Toezicht' (Act on Supervision of the Financial System) took effect in January 2007. The new law pertains equally to banking and insurance operations and introduces a greater degree of consistency in both requirements and supervision.

2.6.1 Insurance companies

The European Union Insurance Directives issued in 1992 have been incorporated into Dutch law. The Directives are based on the "home country control" principle. This means that an insurance company that has a license issued by the regulatory authorities in its

home country is allowed to conduct business, either directly or through a branch, in any country of the European Union. Separate licenses are required for each of the insurance company's branches in which it conducts business. The regulatory body that issued the license is responsible for monitoring the solvency of the insurer. However, the local regulatory body is responsible for monitoring market conduct and enforcing consumer protection laws.

Dutch law does not permit a company to conduct both life insurance and non-life insurance business within one legal entity. Nor is the company allowed to carry out both insurance and banking business within the same legal entity.

Insurance companies in the Netherlands are subject to the supervision of DNB. The relevant legal requirements are now comprised in the Wet Financieel Toezicht whereas previously supervision was pursuant to the Act on the Supervision of Insurance Companies 1993. Each and every life and non-life insurance company licensed by and falling under the supervision of DNB must file audited regulatory reports at least annually. These reports, primarily designed to enable DNB to monitor the solvency of the insurance company, include a (consolidated) balance sheet, a (consolidated) income statement, extensive actuarial information, and detailed information on the investments. As part of the process of modernization brought about by the introduction of IFRS in 2005 and the new supervisory legislation in 2006, DNB has revised the format of regulatory reporting. The new reporting with a single entity focus is designed to highlight risk assessment and risk management, and came into effect in 2008.

DNB may request any additional information it considers necessary and may conduct an audit at any time. DNB can also make recommendations for improvements and publish these recommendations if the insurance company does not follow them. Finally, DNB can appoint a trustee for an insurance company or, ultimately, withdraw the insurance company's license.

The following insurance entities of AEGON The Netherlands are subject to the supervision of DNB:

- AEGON Levensverzekering N.V.
- AEGON Schadeverzekering N.V.
- AEGON NabestaandenZorg N.V.
- AEGON Spaarkas N.V.
- OPTAS Leven N.V.
- OPTAS Pensioenen N.V.
- OPTAS Schade N.V.

Life insurance companies are required to maintain certain levels of shareholders' equity in accordance with EU directives (approximately 5% of their general account technical provision, or, if no interest guarantees are provided, approximately 1% of the technical provisions with investments for the account of policyholders).

General insurance companies are required to maintain shareholders' equity equal to or greater than 18% of gross written premiums per year or 23% of the three-year average of gross claims.

2.6.2. Banking institutions

AEGON Bank N.V. falls under the supervision of the DNB, pursuant to the Wet Financieel Toezicht, and must file monthly regulatory reports and an annual report. The annual report and one of the monthly reports must be audited.

Banking institutions are required to maintain solvency and liquidity ratios in line with the requirements of the Wet Financieel Toezicht, which incorporate the requirements of the relevant EU directives.

2.7. Asset liability management

The investment strategy of AEGON The Netherlands is determined and monitored by the AEGON NL Risk and Capital Committee (AEGON NL RCC). The AEGON NL RCC meets at least on a quarterly basis. The focus of these meetings is, amongst other things, to ensure an optimal strategic asset allocation, to decide on interest rate hedging strategies to reduce interest rate risks, and to decide on the need for securitizations of residential mortgage portfolios to free funds for further business development.

Most (insurance) liabilities of AEGON The Netherlands are nominal and long-term. Based on their characteristics, a long-term liability-driven benchmark is derived. Scenarios and optimization analyses are conducted with respect to the asset classes fixed income, equities and real estate, but also for various sub-classes, for example commodities, hedge funds and private equity. The result is an optimal asset allocation representing different investment risk-return profiles. Constraints such as the minimum return on equity and the maximum solvency risk also determine alternative strategic asset allocations. Most of AEGON The Netherlands' investments are managed in-house by AEGON Asset Management. For certain specialized investments, such as hedge funds and private equity, AEGON The Netherlands hires external managers. Portfolio managers are allowed to deviate from the benchmark based on their short-

term and medium-term investment outlook. Risk-based restrictions are in place to monitor and control the actual portfolio allocations compared to their strategic portfolio allocations. An internal framework limits investment exposure to any single counterparty.

AEGON The Netherlands and pension fund PGGM have a joint venture Amvest Vastgoed B.V. for their combined real estate investments. Furthermore, Amvest Vastgoed B.V. manages a separate real estate portfolio of AEGON The Netherlands.

2.8. Reinsurance ceded

Like other AEGON companies around the world, AEGON The Netherlands reinsures part of its insurance exposure with third-party reinsurers under traditional indemnity, quota share, and, in some instances, 'excess of loss' contracts. This is in line with standard practices within the global insurance industry. Reinsurance helps AEGON manage, mitigate and diversify its insurance risks and limit the maximum loss it may incur on risks that exceed policy retention limits.

AEGON The Netherlands remains contingently liable with respect to the amounts ceded, should the reinsurance company fail to meet the obligations it has. To minimize its exposure to such defaults, AEGON The Netherlands regularly monitors the creditworthiness of its primary reinsurers. AEGON The Netherlands has experienced no material reinsurance recoverability problems in recent years. Where appropriate, additional reinsurance protection is contracted either through letters of credit or, alternatively, through trust arrangements. Under certain of these arrangements, funds are withheld for investment by the ceding company.

AEGON The Netherlands reinsures its life exposure through a profit-sharing contract between its subsidiary AEGON Levensverzekering N.V. and Swiss Re, one of the world's leading reinsurance companies. Under this arrangement, AEGON retains exposure of up to a maximum of EUR 900,000 per insured person with respect to death risk and EUR 25,000 a year for disability risk. Any amount in excess of this is transferred to the reinsurer.

For its fire insurance business, AEGON The Netherlands has in place an 'excess of loss' contract with a retention level of EUR 3 million for each separate risk and EUR 20 million for each event. AEGON The Netherlands has reinsured its motor liability business on a similar basis with a retention level of EUR 2.5 million for each event.

The United Kingdom

3.1. Background

AEGON UK is a leading provider of life insurance and pensions and also has a strong presence in both the asset management and financial advice markets. With offices located in the United Kingdom and Ireland, AEGON UK has some two million customers, more than 5,000 employees and GBP 47 billion in revenue-generating investments. AEGON UK's main offices are in four locations: Edinburgh, London, Lytham St Annes and Dublin.

3.2. Organizational structure

AEGON UK plc. (AEGON UK) is AEGON UK's principal holding company. It was registered as a public limited company at the beginning of December 1998.

AEGON UK's leading operating subsidiaries are:

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

The company is organized into three distinct businesses:

- AEGON Life and Pensions, which provides pensions, annuities, investments and protection products for people and companies.
- AEGON Asset Management, which provides investment management services for AEGON UK itself, other institutional customers and private investors.
- AEGON UK Distribution, which consists of intermediary distribution and advice businesses.

3.3. Overview sales and 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. These advisors provide their customers with access to various types of products depending on their regulatory status. They also advise them on the best solution to suit their financial needs.

In all, there are an estimated 35,000 registered financial advisors in the United Kingdom. These advisors may be classified as 'single-tied', 'multi-tied', 'whole of market' or 'independent', depending on whether they are either restricted in the number of providers they deal with or are free to advise on all available products. AEGON UK maintains strong links with financial advisors in all segments of the market. Single-tie relationships have also been established with some advisors who have selected AEGON UK to be the sole provider of a particular product type.

AEGON UK is also developing new distribution opportunities including agreements with banks and affinity partnerships with organizations outside the industry.

3.4. Overview lines of business

AEGON UK has three lines of business:

- Life and protection
- Pensions and asset management
- Distribution

3.4.1. Life and protection

General description

The AEGON UK life business comprises primarily individual and group protection (group risk), as well as individual and bulk annuities. The protection business provides insurance on individual or groups of lives for major life events such as death or serious illness. Annuities are used to convert savings accumulated as part of a pension plan into a regular income throughout retirement. In 2008, the 'Life and protection' line of business accounted for approximately 47 percent of AEGON UK's overall operating earnings before tax.

Products

Individual protection

AEGON UK offers a range of products for individual customers, including life cover, critical illness and income protection. In addition, it also provides products for companies wishing to insure key personnel. AEGON UK is now established as one of the United Kingdom's five leading providers of individual financial protection, (according to 2008 figures from the Association of British Insurers).

Group risk

Group risk products enable companies to insure benefits they provide to employees, such as life cover, critical illness and income protection. Usually, group risk products are sold on a standard basis where the employer selects and pays for the type of cover they wish to offer. There has also been growth in flexible benefits packages, which are designed to give employees more choice over their benefits packages. AEGON UK has established itself as a recognized specialist in this area.

Immediate annuity

In the United Kingdom, most of the funds in a pension plan must be converted into a source of income by the time the planholder reaches 75, usually through the purchase of an immediate annuity. As an alternative to annuities, in 2008 AEGON UK launched 'Income for life', a new retirement solution which bridges the gap between annuities and income drawdown products. It offers customers a guaranteed income for life, plus continued control over their investments up to age 75.

Bulk annuities

The group annuity market is growing rapidly as an increasing number of defined benefits plans in the United Kingdom are closed (see Corporate Pensions, below). Bulk annuities are designed specifically for trustees who wish to wind up already closed defined benefit plans. The contract includes a secured benefit product, under which all deferred and immediate pensions are bought out via a trustee policy prior to the plan being wound up. Once the winding-up process is complete, individual deferred and immediate annuity policies are then assigned to the plan's members. In 2008, AEGON UK launched a new form of insurance for this market, the Guaranteed Annuity Premium (GAP), which allows trustees considering wind-up to guarantee the actuarial basis for the buyout for a fixed term.

Sales and distribution

Individual protection and annuity products are widely distributed through intermediated advice channels. Group risk and bulk annuities however, are distributed primarily through a smaller number of specialist employee benefit consultancies.

3.4.2. Pensions and asset management

General description

Pensions and asset management constitute AEGON UK's most important lines of business. In 2008, they accounted for more than 54 percent of AEGON UK's overall operating earnings before tax.

AEGON UK provides a full range of personal and corporate pensions, as well as related products and services such as third-party administration and benefit solutions software. The company also offers investment products, including onshore and offshore bonds, and trusts. AEGON UK's asset management business manages AEGON UK's own life and pension funds, as well as offering institutional and retail funds.

Products

Individual pensions

AEGON UK provides a wide range of personal pensions as well as associated products and services. These include:

- Flexible personal pensions
- Self-invested personal pensions (SIPPs), which provide a range of pre- and post-retirement investment options for high net worth customers, including insured funds and real estate
- Transfers from other retirement plans
- Phased retirement options and income drawdown
- Stakeholder pensions (a type of personal pension specific to the United Kingdom which has a maximum limit on charges and low minimum contributions)

According to figures from the Association of British Insurers, AEGON UK is one of the top 3 providers of SIPPs and specialist phased income pensions.

Corporate pensions

One of AEGON UK's largest businesses is providing pension plans for companies. The trend away from 'defined benefit' (DB) arrangements, which provide a guaranteed percentage of salary on retirement, toward 'defined contribution' (DC) plans has continued to accelerate in recent years. DC plans are similar to personal pensions with contributions being paid into a plan owned by individual employees and then invested. Generally, at retirement, employees can choose to take a predetermined percentage of tax-free cash from their pension plan, using the remainder either to purchase an annuity or else to invest in a separate drawdown policy until they reach the age of 75.

As a result of this trend, the market for new DB plans has shrunk dramatically in recent years, largely because of concerns over long-term liabilities. There are, however, opportunities for AEGON UK to take on the administration and management of existing plans.

AEGON UK also offers a group 'self-invested personal pension' designed to extend to group pension customers the benefits associated with individual SIPPs, such as greater investment choice.

Investment products

AEGON UK offers two types of investment bonds designed for customers residing in the United Kingdom: the onshore bond and offshore contracts[1]

The onshore bond is a type of life contract, aimed primarily at pre- and post-retirement customers looking for either a source of income or a way of growing their savings. The bond offers a wide range of investment options and funds, managed by some of the world's leading asset managers.

While the onshore bond is aimed at a mass affluent market, AEGON UK's offshore contracts have traditionally been marketed to high net worth individuals. Offshore contracts offer considerable tax advantages and a wide choice of investment options. These contracts tend to form part of a broader retirement strategy, primarily because there are fewer restrictions on how and when benefits may be taken. Through an offshore contract, AEGON UK also offers customers in the United Kingdom the Group's '5 for Life' variable annuity-style product.

AEGON UK also provides a range of trusts designed to support inheritance tax planning. This is an area of growing demand as recent economic growth and rising wealth means more estates are falling under UK Inheritance Tax. Trusts help individuals manage and alleviate potential tax liabilities.

Asset management

With some GBP 47 billion in revenue generating investments, AEGON UK is one of the United Kingdom's leading institutional investors. AEGON Asset Management offers:

Institutional funds

- A diverse range of pooled and segregated investment solutions

Retail funds

- A range of fixed income solutions, including corporate bond funds
- Equity investments with global market coverage, including a range of UK funds
- Ethical funds investing in bonds and equities

[1] The onshore bond is provided by AEGON Scottish Equitable. The offshore contracts are offered by AEGON Scottish Equitable International.

Life and pensions

- An extensive range of life and pension funds on behalf of AEGON UK

Sales and distribution

Investment products as well as individual and corporate pensions are distributed widely through independent financial advisors, tied distribution and, more recently, through partnerships with banks. In addition, AEGON UK also maintains close relations with a number of specialist advisors in these markets.

AEGON Asset Management markets its funds to large consultancy firms that advise institutional clients, fund supermarkets and specialist discretionary investment advisors for retail clients.

3.4.3. Distribution

Through the company's Origen and Positive Solutions businesses, AEGON UK also provides financial advice directly to both individuals and companies.

Origen is a leading financial adviser firm, with strong positions in both the corporate and high net worth individual markets. It promotes its services through a variety of different sales channels, including face-to-face, media and worksite marketing, as well as accessing customers through professional contacts with accountants and lawyers.

Positive Solutions, meanwhile, brings together over 1,000 individual partners in one of the largest and fastest-growing adviser networks in the United Kingdom.

3.5. Competition

AEGON UK faces competition in each of its markets from three main sources: life and pension companies, investment management companies, and financial advice firms.

Over the past few years, the life and pension market has been increasingly concentrated among the largest companies and those perceived to be financially strong.

The market for investment management services is more fragmented, but very competitive in certain specific segments and activities.

The financial advisor market in the United Kingdom is fragmented, with a large number of relatively small firms. The removal of polarization rules in the advice market in 2005 has led to advisors choosing to operate on a multi-tied, single-tied, whole of market, or independent basis. More recently, there has been significant consolidation in this market. Further consolidation is expected as a result of financial pressures in the market. Even so, fragmentation remains high. There are few firms with a genuine nationwide presence or a well-known brand outside specific local areas.

3.6. Regulation

All relevant AEGON UK companies are regulated by the Financial Services Authority under the United Kingdom's Financial Services and Markets Act 2000.

The Financial Services Authority acts both as a prudential and conduct of business supervisor. As such, it sets minimum standards for capital adequacy and solvency, and regulates the sales and marketing activities of regulated companies. New rules relating to capital requirements for life insurers were implemented in December 2004.

All directors and some senior managers of AEGON UK undertaking particular roles (e.g. finance/actuarial, fund managers, dealers, and salesmen) have responsibilities to the Financial Services Authority as 'Approved Persons'. As such, they are subject to rigorous pre-appointment checks on their integrity and competence, and are subject to ongoing supervision throughout their mandate as 'Approved Persons' and for a limited period afterwards.

The AEGON Scottish Equitable International business includes the Dublin-based life insurance company, Scottish Equitable International (Dublin) plc. (authorized by the Irish Financial Services Regulatory Authority and regulated by the United Kingdom's FSA for conduct of UK business), as well as a Dublin-based service company, Scottish Equitable International Services plc.

3.7. Asset liability management

Asset liability management (ALM) is overseen by the AEGON UK ALM Committee, which meets each month to monitor capital requirements and ensure appropriate matching of assets and liabilities.

In addition to monitoring risk exposures in compliance with AEGON N.V.'s worldwide Risk Management strategies, investment exposure to any single counterparty is limited by an internal framework that reflects the limits set by the appropriate regulatory regime. This applies both within asset classes (equities, bonds and cash) and across all investments.

For its with-profit business, AEGON UK's general philosophy is to match guarantees with appropriate investments. However, the nature of with-profit businesses typically prevents perfect matching, and the role of the committee is therefore to monitor the capital implications of any mismatching. On an annual basis, detailed reports are produced for the relevant subsidiary Boards covering the impact of a range of possible investment scenarios on the solvency of each of the funds. These reports allow the central investment strategy for the with-profit funds to be discussed and are summarized for the Board of AEGON UK. In respect of non-profit business, interest rate risk arises substantially on AEGON UK's large book of annuities in payment. Assets are purchased to provide a close expected match to liability outflows, with regular reporting to the ALM Committee on the capital implications of any mismatching.

For unit-linked business, the matching philosophy results in close matching of the unit liabilities with units in the relevant underlying funds. A proportion of the unit-linked assets is invested in funds managed by external investment managers. An investment committee, which reports to the relevant subsidiary Boards, meets each months to monitor the performance of the investment managers against fund benchmarks.

With-profit funds

The invested assets, insurance and investment contract liabilities of AEGON UK's with-profit funds are included in 'for account of policyholder assets and liabilities'. Assets and liabilities are always equal as any excess of assets over liabilities in respect of guaranteed benefits and constructive obligations are classified as an insurance or investment contract liability. The Scottish Equitable with-profit fund is a 100:0 fund, where all benefits are held for participating policyholders. The Guardian Assurance plc with-profit fund is a 90:10 fund where AEGON UK receives 10% of the surpluses distributed to policyholders. The amount of profit AEGON UK derives from the Guardian fund is driven by the level of declared bonuses.

The operation of with-profit funds is complex. What is set out below is a brief summary of our overall approach:

Guarantees

With the exception of '5 for Life' (which is written in Dublin), and the product guarantees within Investment Control and Income for Life (which are reinsured to Dublin), all AEGON UK contracts with investment guarantees have been written in 'policyholder-owned' funds (otherwise called with-profit funds). These funds contain 'free assets', which, as yet, have not been distributed to individual policyholders. 'Free assets' help meet the cost of guarantees and provide a buffer to protect the fund from the impact of adverse events. AEGON UK has an exposure only once these assets have been exhausted. As outlined below, AEGON believes this exposure to be low.

In previous years, Scottish Equitable and Guardian Assurance sold guaranteed annuity products in the United Kingdom. Certain policies also have a guaranteed minimum rate of return or guaranteed death or other benefits. Any guaranteed rates of return only apply if the policy is kept in force to the dates specified, or on the events described in the policy conditions. The costs of all guarantees are borne by the with-profit funds and therefore impact the payouts to with-profit policyholders. AEGON UK's main with-profit classes are summarized in the following sections.

Scottish Equitable plc.

As part of its demutualization process before being acquired by AEGON N.V., on December 31, 1993, the business and assets of Scottish Equitable Life Assurance Society were transferred to Scottish Equitable plc. AEGON UK has no financial interest in Scottish Equitable plc.'s with-profit fund, apart from routine yearly fund management charges, as well as costs and expenses that the company agreed to accept at the time of demutualization.

Guaranteed rates of return on with-profit policies are typically in the range of 0% to 5.5% a year, with the highest rates closed to new premiums in 1999 and all funds closed to new business with investment guarantees from October 2002, except for a low level of increments.

Under a number of contracts written mainly in the 1970s and 1980s, Scottish Equitable also offered minimum pension guarantees (including guaranteed annuity options). As life expectancy rates have improved and interest rates have fallen over time, these minimum guarantees are now often valuable.

Guardian Assurance plc

The AEGON UK interest in Guardian Assurance plc's with-profit fund is 10% of profits in the fund, with the remaining 90% going to with-profit policyholders. In 1998, prior to Guardian Assurance's acquisition by AEGON UK, the with-profit fund was restructured and closed to new business, except for a low level of increments.

Guaranteed returns on policies without guaranteed cash options or annuity payments are typically 0% to 3.5% a year. On policies with guaranteed cash options or annuity payments, guaranteed returns depend on the value of the options at retirement.

Management of the with-profit funds

It has been AEGON UK's practice to have an investment strategy for each of its with-profit funds that reflects the nature of the underlying guarantees. Funds can invest in a variety of different asset types. The main categories are United Kingdom and overseas equities, United Kingdom fixed interest securities, property and cash. Each with-profit fund has a target range for the percentage of its assets that are invested in a combination of equities and property. These ranges may be varied. Within the target ranges, there is a policy of holding an appropriate mix of asset classes to reduce risk.

The results of the with-profit funds' investment performance is distributed to policyholders through a system of bonuses which depend on:

- The guarantees under the policy, including previous annual bonus additions.
- The investment returns on the underlying assets, with an allowance for smoothing to reduce volatility. Although smoothing means that investment profits are spread from one year to the next, the aim is to pay out all of the investment profits earned by the fund over the long term. On early withdrawals there are other measures to ensure that a fair share of total fund growth has been received. Indeed, a market value reduction may be applied under certain funds when, for cohorts of similar contracts, the face value of the benefits is greater than the value of the underlying assets. Policy conditions may state specific points at which a market value reduction will not apply.

As mentioned above, the 'free assets' (i.e. assets which, as yet, have not been distributed to policyholders) help meet the cost of guarantees and provide a buffer to deal with adverse events. AEGON UK has an exposure only once these 'free assets' have been exhausted. This has been assessed by AEGON UK to be immaterial based on applying the risk-based capital approach now required for solvency reporting in the United Kingdom.

As all of AEGON UK's with-profit funds are now closed to new business with investment guarantees, the process has begun of gradually distributing free assets to with-profit policyholders through the bonus system outlined above. Part of the management of this process involves endeavoring to ensure that any surpluses in the with-profit fund from other (historic) business lines can be distributed to existing with-profit policyholders at a suitable rate. In particular, Guardian Assurance plc has reinsured blocks of immediate annuity business to another part of AEGON UK on terms that reflect prevailing market rates. This helps avoid a tontine effect building up in the fund, as the number of with-profit policyholders declines.

3.8 Reinsurance ceded

AEGON UK's reinsurance strategy is aimed at limiting overall mortality and morbidity volatility and maximizing any tax benefits that reinsurance can bring. The actual percentage of business which is reinsured of course varies, depending chiefly on the availability and price of reinsurance on the market.

Prior to 2002, AEGON UK adopted a similar approach to longevity risk. Since then, however, AEGON UK has considered the terms available in the reinsurance market for longevity risk to be relatively unattractive compared to the margins expected from this business and the diversification benefits available to the company by retaining this risk.

AEGON UK prefers to work only with reinsurance companies that have a credit rating of 'AA' or above. Using a reinsurer with a lower credit rating would require the approval of AEGON UK's local risk and capital committee as well as prior discussion with AEGON's Group Risk division in The Hague. Over the past few years, AEGON UK has maintained its approach despite reinsurance companies suffering periodical downgrades.

Other Countries

4.1. Background

In the past few years, AEGON has significantly expanded its international presence outside its three main established markets of the United States, the Netherlands and the United Kingdom. AEGON is now present in more than twenty markets in total in Europe, the Americas and in Asia.

In particular, AEGON has seen strong growth in its businesses in Central and Eastern Europe, as well as in other new, emerging markets such as China, India and Taiwan.

4.1.1 Central and Eastern Europe

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

4.1.2. Asia

AEGON opened its first business in Asia in 1993 in Taiwan. Since then, the Group has expanded its operations in the region. AEGON today has businesses in China, India and Taiwan and is applying for a license in Japan.

AEGON Taiwan began operations in 1994 as a branch of Life Investors, part of AEGON USA. Over the following years, AEGON Taiwan rapidly expanded its activities, including the acquisition of the American Family Life Insurance Company Taiwan and AXA portfolios in Taiwan, and the merger with Transamerica Taiwan. In December 2007, AEGON entered into a joint venture agreement with Taishin Financial Holding Co., one of the leading private banks in Taiwan with a four million customer base, to develop and distribute life insurance and pension products via Taishin's distribution network. The joint venture has not started operations yet as it is waiting for regulatory approval.

In 2002, AEGON signed a joint venture agreement with China National Offshore Oil Corporation (CNOOC), China's leading offshore oil and gas producer. AEGON-CNOOC began operations in May 2003. The joint venture is licensed to sell both life insurance and accident and health cover in mainland China.

Since 2003, AEGON-CNOOC has been steadily extending its network of offices and businesses in China. It now has licenses in seven different locations – Shanghai, Beijing, Jiangsu, Shandong, Zhejiang, Tianjin and Guangdong. These locations give the joint venture access to a potential market of some 200 million people, most of them in the booming coastal provinces of eastern China.

In May 2007, AEGON agreed to form an asset management joint venture with China's Industrial Securities, one of the country's leading securities companies. Under the agreement, as of April 2008, AEGON has a 49 percent interest in AEGON-Industrial Fund Management Company, a mutual fund manager with approximately EUR 2.6 billion in assets under management. The joint venture with Industrial Securities marked an important step for AEGON, further strengthening its commitment to the Chinese market and extending the Group's range of businesses in the country.

In addition to Taiwan and China, AEGON is also present in India. In 2006, AEGON agreed to form a new life insurance and asset management partnership in India with Religare Enterprises Limited, a Ranbaxy Promoter Group (Ranbaxy) Company. The life insurance joint venture started operations in 2008 and currently has opened 45 branches across 39 cities. Late 2008 AEGON and Ranbaxy decided to discontinue their asset management partnership. AEGON is currently investigating its options in the India asset management market.

In early 2007, AEGON announced it had signed a joint venture agreement with Sony Life, one of Japan's leading insurance companies. This joint venture will initially focus on variable annuities sales in Japan, but the agreement also provides a platform for further cooperation between AEGON and Sony Life. The joint venture is currently awaiting regulator approval before it can commence operations.

4.1.3. Western Europe (Spain and France)

In addition to the United Kingdom and the Netherlands, AEGON has a presence in two other western European countries: Spain and France.

AEGON first entered the Spanish market in 1980 when it bought local insurer, Seguros Galicia. In recent years, AEGON's activities in Spain have grown rapidly, mainly due to distribution partnerships with some of the country's leading savings banks. AEGON Spain operates through two subsidiaries: AEGON Seguros Salud and AEGON Seguros de Vida. Administration and operational services to all companies in Spain, including joint ventures with third parties, are provided by AEGON Administracion y Servicos A.I.E., a separate legal entity. In addition AEGON operates through partnerships with Caja Mediterraneo (CAM), Caja Navarra, Caja Badajoz and Caja Cantabria.

In August 2008, AEGON purchased 50% of Caixa Terrassa Vida, a life and pension insurance company owned by Caixa Terrassa. The parties agreed to sell health insurance products through this joint venture. The effective date of the purchase was October 31, once the transaction was approved by the regulator.

In December 2008, AEGON executed its purchase option over the 40% of Caja Cantabria Vida, a life and pension insurance company set up at the end of 2007. As a result of this purchase AEGON's stake in the company is currently 50%.

At the end of 2002, AEGON also agreed a partnership with mutual insurer La Mondiale, one of France's leading insurance and pension companies. AEGON has a 35 percent interest in La Mondiale's subsidiary company La Mondiale Participations. La Mondiale Participations offers a wide range of life insurance, pension, savings, investment, asset management and accident and health products to both corporations and individual retail customers.

4.2. Organizational structure

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

AEGON's main subsidiaries and affiliates are:

Central and Eastern Europe

- AEGON Hungary Composite Insurance Company Limited by Shares
- AEGON Hungary Investment Fund Management Company Limited by Shares
- AEGON Hungary Pension Fund Management Company Limited by Shares
- AEGON Hungary Mortgage Finance Company Limited by Shares
- AEGON Hungary Real Estate Limited Company
- AEGON Hungary Private Intermediary Company Limited by Shares
- AEGON Hungary Investment Fund Distributor Company Limited by Shares
- AEGON Poland Life Insurance Company
- AEGON Pension Fund Management Company (Poland)
- AEGON Life Insurance Company (Slovakia)
- AEGON Partner Company (Slovakia)
- AEGON Pension Fund Management Company (Slovakia)
- AEGON Voluntary Pension Fund Management Company (Slovakia)
- AEGON Life Insurance Company (Czech Republic)
- AEGON Voluntary Pension Fund Company (Czech Republic)
- BT-AEGON Pension Fund Management Company, 50% (Romania)
- AEGON Life Insurance Company (Romania)
- AEGON Pension and Life Insurance Company (Turkey)

Asia

- AEGON Life Insurance (Taiwan) Inc.
- AEGON-CNOOC Life Insurance Co. Ltd.
- AEGON Religare Life Insurance Co. Ltd.
- AEGON Industrial Fund Management Co. Ltd. (AIFMC)

Western Europe (Spain and France)

- AEGON Seguros Salud
- AEGON Seguros de Vida
- AEGON Administracion y Servicos A.I.E
- Mediterraneo Vida, 49.99%
- Caja Badajoz Vida y Pensiones, 50%
- CAN Vida y Pensiones, 50%
- Cantabria Vida y Pensiones, 50%
- Caixa Terrassa Vida y Pensiones, 50%

4.3. Central and Eastern Europe

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

4.3.1 Life and protection

AEGON companies in Central and Eastern Europe offer a range of life insurance and personal protection products. This range includes traditional life as well as unit-linked products. Due to the global market decline, the high growth rate of the single premium unit-linked products that was experienced in prior years, stopped in the last quarter of 2008. Unit-linked products cover all types of life insurance, including pension, endowment and savings. In Poland, AEGON is still one of the leading providers of single premium unit linked products, offering a range of more than 170 different investment funds.

Traditional general account life insurance is a marginal product for most of the region's businesses. The exception is Hungary. Traditional general account includes mainly index life products that are not unit-linked but guaranteed rates of interest.

Group life and preferred life are also part of traditional general account life. Group life contracts are renewable each year. They also carry optional accident and health cover. AEGON offers savings products in Central and Eastern Europe as part of employee benefit programs. These products include guaranteed interest rate returns.

The main guarantee in Hungary is variable crediting rates with minimum interest guarantees between 0% and 4% for universal life type products, plus 100% participation in actual interest earned. Traditional non-profit share products have 5.5% technical interest rates, but this is an insignificant block of business. Profit share products mainly have a 3.5% technical interest rate and 85% participation in excess interest. The average minimum interest guarantee is about 3%.

In Hungary, a small part of the current new business provides a minimum interest guarantee of 2%. In Poland, an insurance fund with minimum rate reset quarterly and annually is offered on unit-linked products. In Slovakia the minimum interest rate on universal life products was 3% up to the end of 2006 and since then has been 2.5%. The universal life products in the Czech Republic have a guaranteed interest rate of 2.4%. The profit share product portfolio in Turkey, have a guaranteed interest rate of 9% for Turkish Lira products. For foreign currency products, the guaranteed interest rate varies between 5%, 2.5% and 1.5%. A minimum 85% of the interest income in excess of guaranteed return is credited to policyholders' funds in Turkey. The products ceased being sold in March, 2007 (before AEGON acquired the business).

Based on gross written premium, Hungary has around a 70% share and Poland has around a 20% share in the traditional general account life insurance portfolio of the CEE Region. The bulk of the unit-linked portfolio (around 60%) was written in Poland, around 30% of the portfolio was written in Hungary and also there are some smaller unit linked portfolios in the Czech Republic and Slovakia.

In 2008 AEGON established AEGON Life Insurance Company in Romania. This company will start to sell life insurance policies in 2009.

Since 2006, AEGON Hungary has been offering mortgages to retail customers. Home loans are Swiss franc denominated and provided by AEGON Hungary Mortgage Finance Co., a subsidiary of AEGON Hungary Composite Insurance Company. AEGON is targeting to be a niche market player.

4.3.2 Individual savings and retirement products

AEGON companies in Central and Eastern Europe offer a variety of individual savings and retirement products. AEGON Hungary Investment Fund Management Company, a subsidiary of AEGON Hungary Composite Insurance Company, offers a range of mutual funds to retail investors. In 2008, AEGON Hungary Investment Fund Distributor Company was licensed to trade with AEGON investment notes on the retail market. In addition, AEGON offers unit-linked investment products in the Czech Republic.

4.3.3 Pensions and asset management

Pensions

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

The mandatory pension fund in Romania was launched in 2007, following a partnership agreement signed with Banca Transilvania, to set up a joint pension company ahead of the introduction of the country's new mandatory retirement system in early 2008. AEGON voluntary pension funds in Slovakia and in the Czech Republic also started to operate in 2007. By the acquisition of Ankara Emeklilik A.S., AEGON entered the Turkish voluntary pension market in 2008. In Hungary, Slovakia, the Czech Republic, Poland, Romania and Turkey, AEGON now has a total of 2.1 million pension fund members.

AEGON's mandatory pension funds in Hungary, Poland and Slovakia, as well as the voluntary pension fund managed by AEGON Hungary, are among the largest in their countries in terms of both membership and assets under management.[1]

In 2008 AEGON PTE merged with PTE Skarbiec-Emerytura, a pension fund management company belonging to Poland's BRE Bank. PTE Skarbiec-Emerytura managed the accounts of over 400,000 members. Also, in 2008 AEGON Hungary acquired the Pension Fund Management Company and the Investment Fund Management Company of UNIQA. The acquired UNIQA entities managed the accounts of over 130,000 members. Also, in 2008 AEGON purchased Ankara Emeklilik A.S. a life insurance and pension provider in Turkey. The company was renamed as AEGON Pension and Life Insurance Company. AEGON Pension and Life Insurance Company manages the accounts of over 70,000 members in Turkey.

Asset management

AEGON provides a range of asset management services through the AEGON Hungary Investment Fund Management Company. AEGON Hungary Investment Fund Management Company:

- manages the general account assets, unit-linked portfolio and pension plans of AEGON Hungary;
- manages the guaranteed fund of AEGON Poland;
- provides asset management services to third parties in Hungary;
- provides asset management services to the AEGON Voluntary Pension Fund Company in the Czech Republic;
- manages the assets of 15 AEGON mutual funds; and
- oversees all AEGON investment activities in the Central and Eastern European region.

4.3.4 General insurance

In addition to life insurance and pensions, AEGON Hungary offers non-life cover (household, car insurance and some wealth industrial risk). In recent years, margins on non life insurance in Hungary have been attractive. Moreover, household insurance provides considerable opportunities for cross-selling life insurance.

4.3.5 Competition

AEGON is among the biggest player on the life insurance market in Hungary. In 2008 based on the first nine months' premium income, it is the fourth largest in Hungary (source: Hungarian Insurance Association, www.mabisz.hu). Also based on the first nine months' premium income, AEGON is the third largest on the Hungarian non life insurance market (source: Hungarian Insurance Association, www.mabisz.hu). AEGON is also a significant market player on the Polish market, ranked as third based on the unit-linked products in September 2008 (source: www.knf.gov.pl) and fifth based on the net financial result (source: Insurance periodical: Miesiecznik ubezpieczeniowy October 2008, http://miesiecznikubezpieczeniowy.pl). As AEGON Slovakia was incorporated in 2003 and AEGON Czech in 2004 only, AEGON is a less significant player in these countries, just like the newly acquired AEGON Pension and Life Insurance Company in Turkey.

[1] Source: the Association of Pension Fund Management Companies, Slovakia (www.adss.sk), Hungarian Financial Supervisory Authority (www.pszaf.hu) and Polish Financial Supervision Authority (www.knf.gov.pl).

On the Hungarian mandatory pension fund market, AEGON was ranked second both in terms of the number of members and in terms of its managed assets in September 2008. On Hungary's voluntary pension fund market, AEGON was ranked third both in terms of the number of members and in terms of its managed assets in September 2008. (Source: www.pszaf.hu). Slovakia started a reform of its pensions system in January 2005. In terms of managed assets AEGON was ranked fifth on the Slovakian market in December 2008 (Source: Association of Pension Fund Management Companies). Due to the merger with PTE Skarbiec-Emerytura taking place in 2008, AEGON is ranked sixth both in terms of the number of members and in terms of its managed assets in December 2008 on the Polish market. (Source: www.knf.gov.pl).

4.3.6 Regulation

In Central and Eastern Europe insurance companies can be licensed only for separate businesses; that is, a single company can conduct either life insurance or non-life insurance but not both together. However, in Hungary, insurance companies established before 1995, including AEGON Hungary, are exempt from this rule.

State supervision and oversight of the insurance industry is conducted by the following bodies and institutions:

- the Hungarian Financial Supervisory Authority (HFSA), which has a department dealing exclusively with the insurance sector;
- the National Bank of Slovakia;
- the Czech National Bank; and
- the Polish Financial Supervisory Authority (PFSA);
- the Insurance Supervisory Commission (CSA) (Romania);
- the Undersecretariat of Treasury (Turkey).

The above-mentioned authorities promote consumer protection and have the right to investigate prudential activities and conduct, financial position and solvency, and compliance with all relevant laws.

In addition to legal regulation, insurance companies are subject to a number of self-regulatory bodies in their respective countries. These self-regulatory bodies are the main forums for discussion among insurance companies. Their specialized departments (e.g., actuarial, financial, and legal departments) meet periodically. They also engage in lobbying activities.

As one of the largest institutional investors in Hungary, the investment operations of AEGON Hungary are also regulated by the country's Capital Markets Act (CXX. 2001). This Act regulates the activity of brokerage houses, investment funds, fund managers, custodians, stock exchanges, settlement houses and the HFSA. Its main goal is to ensure the transparent operation of capital markets, to develop the regulation of market participants, and to enhance investment security. The Act conforms to relevant EU regulations. Effective 2006 AEGON Hungary Investment Fund Management Company was licensed for managing European investment funds (UCITS funds). This activity is also regulated by the Capital Markets Act.

In Hungary, the foundation and operations of mandatory and voluntary pension funds are regulated by the country's Act on Private Pension and Private Pension Funds (LXXXII. 1997) and its Act on Voluntary Mutual Pension Funds (XCVI. 1993) respectively. Although, for AEGON, these activities are outsourced to AEGON Hungary Pension Fund Management Company, its operations must still comply with this legislation. This activity is also supervised by the HFSA. Slovakia's mandatory pension market is regulated by Act 43/2004 on pension asset management companies and respective notices, and the voluntary pension market by Act 650/2004 on Supplementary Pension Insurance. Both the mandatory and the voluntary pension business fall under the supervision of the National Bank of Slovakia (NBS). In Romania the private pension system is regulated and supervised by the Private Pension System Supervisory Commission (CSSPP) and is subject to Act 411/2004 on Privately Administered Pension Funds. In Poland this activity is supervised by the Polish Financial Supervisory Authority (PFSA) and is governed by Act as of 28 August 1997 on Organization and Operation of Pension Funds. In the Czech Republic the voluntary pension funds fall under the supervision of the Czech National Bank and are regulated by Act 42/1994 on State-Contributory Supplementary Pension Insurance. In Turkey the voluntary pension funds fall under the supervision of the Undersecretariat of Treasury and the companies are subject to Individual Retirement Saving and Investment System Law No. 4632.

In Hungary, the Act on Credit Institutions and Financial Enterprises (CXII. 1996.) regulates the foundation, operation and reporting obligations of all the country's financial institutions (including AEGON Mortgage). In addition, AEGON Hungary Mortgage Finance Company falls under the supervision of the Hungarian Financial Supervisory Authority (HFSA).

4.3.7 Asset liability management

Asset liability management is overseen by the Regional Risk and Capital Committee that meets on a quarterly basis. AEGON CEE's asset liability management focuses on asset liability duration calculations. During these meetings the performance of portfolios is being evaluated.

4.3.8 Reinsurance ceded

AEGON takes out reinsurance for both its life and its non-life businesses in Central and Eastern Europe. This strategy is aimed at mitigating insurance risk. AEGON's companies in the region work only through large multinational reinsurers, which have well-established operations in the region.

The three most important reinsurance programs currently in force are (with retention levels indicated in parentheses):

- Property catastrophe excess of loss treaty (EUR 5.6 million);
- Motor third party liability excess of loss treaty (EUR 0.4 million);
- Property per risk excess of loss treaty (EUR 1.1 million).

The majority of treaties in force for AEGON's operations in Central and Eastern Europe are non-proportional excess of loss programs, except for the life reinsurance, which are done on surplus and quota-share basis (including various riders).

4.4. Asia

As elsewhere around the world, AEGON operates through a number of different sales channels in Asia. In Taiwan, AEGON has a network of more than 700 professional agents. In addition, AEGON Taiwan works through independent brokers and banks, and uses group, worksite and direct marketing to ensure customers are able to receive the financial products they want in a way that suits them best. Each of these channels provides products tailored to customers' requirements and the market segments they serve.

Similarly, in China, AEGON works through agents, independent brokers, banks and direct marketing to sell its products. Agents and brokers in China distribute mainly life insurance products. Until recently, variable life products have been the most important product for AEGON's bank partners. Customer demand has now shifted to insurance and investment products with minimum guarantees, and AEGON is offering newly developed products to meet these requirements. Personal accidental products are the main products sold through the direct marketing channel.

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

- Industrial and Commercial Bank of China
- Agricultural Bank of China
- Communications Bank
- China Merchants' Bank
- China Post
- Bank of China
- China CITIC Bank
- China Construction Bank
- Industrial Bank
- Standard Chartered Bank
- Bank of Shanghai
- Shanghai Pudong Development Bank
- Jiangsu Bank
- Bank of Ningbo

AEGON's bancassurance network in China now totals 874 outlets.

In December 2007, AEGON signed an agreement with Taishin Financial Holding Co. Ltd. to establish a life insurance and pension joint venture in Taiwan. Taishin, one of Taiwan's leading financial institutions, will hold 51 percent of the joint venture and AEGON the remaining 49 percent. The joint venture will distribute AEGON products through the extensive Taishin network, which includes Taishin Bank, Taishin Securities, Taishin Insurance Agency and Taishin Insurance Brokers and has a customer base of 4 million. The joint venture is expected to be operational by mid-2009, subject to final agreement, licensing and regulatory approval.

AIFMC was acquired in March 2008 and sells mutual fund investments via banks, security companies and via direct sales. Its key distributor includes Industrial and Commercial Bank of China (ICBC), Industrial Bank of China (IB), China Construction Bank (CCB) and Industrial Securities Co.

AEGON Religare started operations in mid 2008 and the focus has been on establishing a widespread national agency network. Currently the joint venture has opened 45 branches. In addition AEGON Religare is establishing strategic partnerships with other companies that are offer financial services to their clients. Existing products are tailored to meet the specific customer requirements.

4.4.1 Life and protection

AEGON provides a broad range of life insurance products through its businesses in both Taiwan and China. These include unit-linked and traditional life products, as well as endowment, term, health, group life, accident and annuities.

Despite recent financial market turmoil, unit-linked products remain AEGON Taiwan's top-selling product lines after efforts were made in 2005 to improve the products and better adapt them to the needs of customers. These unit-linked products offer a wide variety of investment options, including access to AEGON's innovative stable value fund. The most significant guarantees in Taiwan relate to individual life products with fixed premiums. These products carry interest guarantees at various levels. The current new business provides interest guarantees mostly at 2%. The average in force guarantee rate is approximately 3.02%. Business issued in 2003 and prior also carries the Ministry of Finance Dividend that requires the insurance company to pay to the policyholder a dividend referring to industry mortality experience and the average two-year term deposit rates. Recently we have seen an increased policyholder demand for variable products with minimum guarantees.

AEGON-CNOOC launched its first variable life product in April 2007. In some cities like Shandong and Jiangsu, AEGON-CNOOC was the first insurer providing variable life product through bank partners. Due to the bull stock market, the share of variable life product increased very quickly and it was the top selling product in 2007. Although the stock market dropped dramatically in 2008 in China, significant sales in the first half of the year from variable life products made its share in 2008 at around 60% (CNY 700 million) of new business sold through the bancassurance channel. In 2009, due to the uncertain financial market and regulation strengthening sales practice on variable life products, sales are expected to shift to participating and universal life products with certain guarantees. The main products through the agency and broker channel are still universal life products with 2.5% minimum interest guarantee and participating life products with a 2.5% technical interest guarantee rate. Given the current financial market situation, these products are expected to remain strong in 2009. The core products sold via the direct marketing channel are one year renewable personal accidental products and traditional endowment products with 2.5% technical interest rate.

AEGON Religare started operations in 2008 with the launch of three term assurance and two unit-linked products.

4.4.2 Competition

Taiwan
Taiwan's life insurance market ranks number 10 in the world and number 4 in Asia in terms of total life premiums in 2007 (Source: Moody's Global Insurance Industry Outlook, September 2008). Between 2003 and 2008, life insurance premium income in Taiwan grew at an average 20% a year according to statistics released by the Life Insurance Association of Taiwan. At the end of 2008, there were 30 life insurance companies in Taiwan, 13 of which were domestic companies and 17 of which were branches of foreign companies. In 2008, new business premium income (on a cash premium basis) totaled at NTD 855 billion, an increase of 14% compared with 2007. The top five companies accounting for around 61%.

The Taiwanese bancassurance channel has continued to develop very rapidly with the introduction of new regulations facilitating the formation of financial holding companies, which allow banks to broaden their activities to include insurance. Taiwan's low interest rate environment has propelled an increase in sales of variable, participating, and interest-sensitive life and annuity products, which now dominate the market although there has been a recent increased interest in traditional products with interest rate guarantees. The retirement market is booming due to the aging population and the implementation of the Taiwan Pension Act in 2005.

Among all the foreign companies, AEGON ranked eighth in terms of new business premium income for the year of 2008 (Source: Life Insurance Association of the Republic Of Taiwan).

China

AEGON-CNOOC

Since 1990, with the reform of China's economic system, China's insurance market is developing very quickly. At the end of 2007, there were 51 life insurers having businesses in China, among which 25 were foreign companies. Between 2003 and 2007 the Chinese life insurance market grew at an average 13.4% per year, with premiums totaling RMB 495 billion in 2007. China is now the third largest insurance market in Asia and the 8th largest worldwide (Source: Moody's Global Insurance Industry Outlook, September 2008).

The Chinese authorities are now allowing the integration of the financial sector and permit cross-among financial institutions.Banks can take controlling stakes in life insurers and vice versa. The lifting of restrictions on investments has enabled insurers to obtain better returns and more diversified portfolios of investments that correspond to the long-term nature of insurer obligations.

The top 5 life insurance companies control 85% of the market. Despite the introduction of bancassurance, tied agents remain the dominant distribution channel for life products. Bancassurance for most established life companies is complementary to their existing outlets. It is used more frequently by the newer insurers and some have been very successful in exploiting the reach and efficiencies of this channel. Market share of CNOOC is 0.2% as at December 31, 2008 and the 29th life insurer in China.

AIFMC

There are 62 fund management companies active in mainland China. These players are expanding in line with the development of the Chinese stock market. The main competitive factors are R&D power, fund performance, sales channels and clients' satisfaction. Based on assets under management, AIFMC is ranked 27th as at December 31, 2008 whilst it ranked 2nd on the equity investing ability ranking (Source: Wind and TX Investment Consulting Co. Ltd).

India

Between 2004 and 2007, the Indian life insurance market grew significantly at an average 31.7 % per year. It is now the 11th largest insurance market world wide and the 5th in Asia. According to the IRDA annual report for 2006- 2007, there were 16 life insurers active in India in March 2007. Although penetration in the life sector has grown to 4.1% of GDP, there is still opportunity as the growing middle class is expected to propel growth (Source: Moody's Global Insurance Industry Outlook, September 2008).

Investment-linked products have become increasingly popular as customers have shifted away from traditional products as stock markets boomed over the last years. The agency force is still a major distribution channel, but life insurers are increasingly lining up with the banks to distribute their products.

The Life Insurance Company of India remains the dominant player in the market, even as the new private sector companies expand their market share and are expected to generate more than half of new business premiums in 2009. Indian government passed a bill end October 2008 that paves the way for foreign investors to take much larger stakes in domestic insurance companies. It proposes raising the limit for foreign direct investment from its current level of 26% to 49%.

AEGON Religare started operations in mid 2008 and the focus has been on establishing a widespread national agency network.

4.4.3 Regulation

Taiwan

AEGON Taiwan is subject to regulation and supervision by the Financial Supervisory Commission in Taiwan. Regulation covers the licensing of agents, the approval of insurance policies, the regulation of premium rates, the establishment of reserve requirements, the regulation of the type and amount of investments permitted, and the prescription of risk-based capital requirements.

China

China Insurance Regulatory Commission (CIRC) is the entity in regulating and supervising all insurance companies in China. CIRC promotes consumer protection, sets the regulation of premium rates and reserve requirements, and has the right to investigate the financial position and solvency of the life insurers.

For asset management companies, China Securities Regulatory Commission (CSRC) is the entity that regulates and supervises all securities and fund management companies in China.

India

The Indian life insurance companies are regulated by the Insurance Regulatory and Development Authority that is also responsible for the development of the Indian insurance market.

4.4.4 Asset liability management

Taiwan
Asset liability management is an integral part of AEGON Taiwan's ongoing risk management process. AEGON Taiwan's asset liability management policy aims to achieve a reasonable match between the durations of assets and liabilities and to reduce total risk while achieving a reasonable investment yield. To achieve these objectives, specific risk limits are established for the investment portfolio. These take into account the general account liabilities as defined in AEGON Taiwan's investment policy statement.

China
A monthly asset liability management meeting is held to monitor duration and liquidity management. The duration of liabilities and assets are calculated separately by block and the duration-gap is analyzed. Considering that most insurance liabilities are derived from 5-year and whole life single-premium products, AEGON-CNOOC purchased corporate bonds, government bonds, and statutory deposits to match this liability while operating funds are invested in the short-term bond, money-market fund and bond repurchase markets in order to achieve higher investment returns.

The respective Risk and Capital Committees of AEGON Taiwan and AEGON-CNOOC meet every quarter to manage and monitor asset and liability matching using the result of stress-test scenarios based on Economic Capital Model, liquidity tests and duration mismatch tests.

4.4.5 Reinsurance ceded

Taiwan
AEGON Taiwan uses both local and international reinsurers to manage its mortality and morbidity risks. All of the company's leading reinsurers have a credit rating of 'AA-' or above , except for Swiss Re (A+) and Central Reinsurance Company, or CRC. CRC is a formerly state-owned company. CRC's credit rating was upgraded in October 2006 from 'BBB+' to 'A-'. This rating was reconfirmed in January 2009. AEGON Taiwan's reinsurance contracts cover quota share reinsurance, excess surplus risks and catastrophe concentration risks. The retention limit on any one individual life is currently NTD 5,000,000 (approximately EUR 111,000) for mortality risk.

AEGON Taiwan remains liable with respect to the amounts ceded if the reinsurer fails to meet the obligations it assumed. To minimize its exposure to reinsurer insolvencies, AEGON Taiwan monitors the creditworthiness of its reinsurers.

China
According to the CIRC regulations, AEGON-CNOOC cedes a quota share of accident and health business to China Reinsurance Company. The quota share for the business written in 2003, 2004 and 2005 was 15%, 10% and 5% respectively and decreased to 0% for the business written in 2006. This compulsory reinsurance requirement ended thereafter.

In addition, AEGON-CNOOC entered into several commercial reinsurance arrangements to achieve a diversification of risk and to limit the maximum loss on risks that exceeded policy retention limits. AEGON-CNOOC entered into reinsurance programs with Munich Re, Swiss Re, and General Re. The retention limit on any one individual life is generally RMB 200,000.

India

Reinsurance treaties have been signed with Munich Re and RGA Re.

4.5. Western Europe (Spain and France)

AEGON Spain focuses primarily on retail customers. It offers both life insurance and accident and health cover. In particular, AEGON Spain offers pensions as well as both traditional life and unit-linked variable life products, a market traditionally dominated by the country's retail banks. In France, AEGON has a partnership with La Mondiale since 2002 and works together with La Mondiale in a number of areas including pensions, asset management and distribution.

4.5.1. Spain

In Spain, over 70 percent of life insurance policies are sold through the country's retail banks. For this reason, Spain in recent years has been an important part of AEGON's efforts to expand its web of bank distribution partnerships. AEGON now has partnerships in place with five of Spain's leading savings banks, giving the Group access to nearly 1,800 branches across the country:

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

AEGON's partnership with Caja de Ahorros del Mediterraneo (CAM) goes back to 2004. CAM is Spain's sixth largest savings bank by profit and by number of branches. CAM has a network of more than 1,000 branches across the Valencia, Murcia and Catalonia provinces, as well as in Madrid and on the Balearic and Canary Islands. AEGON and CAM have a 49.99 respectively 50.01 percent interest in Mediterraneo Vida, the life insurance and pensions company that has exclusive access to CAM's branch network.

AEGON's partnership with Caja Navarra was signed in November 2005. Caja Navarra has a total of 276 branches in the north of Spain, close to the border with France. Under the agreement, AEGON has acquired a 50 percent interest in Caja Navarra's pension and life insurance business. AEGON and Caja Navarra are also exploring other areas of possible cooperation, including health insurance.

Caja de Badajoz has a network of some 200 branches, chiefly in the western region of Extremadura, which adjoins Spain's border with Portugal. Under the partnership, also agreed in 2005, AEGON and Caja de Badajoz have set up a 50/50 joint company to sell life insurance and pensions.

Caja Cantabria is one of the largest savings banks in northern Spain, with a total of 170 branches, located primarily in its home province of Cantabria.

With almost 300 branches, Caixa Terrassa is one of the largest savings banks in Catalonia. As a result of this new partnership, AEGON will become the sixth largest life insurer in Spain and will gain access to one of the wealthiest areas of Spain.

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

Competition

There is considerable competition in the Spanish market, major competitors are the bank-owned insurance companies for life and pension products, and foreign and local companies for health insurance products.

Regulation

The Dirección General de Seguros (DGS) is the regulatory authority for the Spanish insurance industry. Insurance companies are required to report to the DGS on a quarterly basis. Spanish regulations incorporate all the requirements of the relevant EU Directives. In terms of solvency margin, local regulations are based on a percentage of the reserves for the life insurance business and on a percentage of premiums for the health insurance business.

AEGON Spain's investment portfolio is regulated by Spanish law, which is based on the Third EU Directive (92/96/EEC). The regulation requires the appropriate matching of investments and technical provisions, and it also establishes the main characteristics of the assets that can be applied to asset liability management. There are limitations on the amounts that can be invested in unsecured loans, unquoted stocks, single investments in real estate, and a single loan or debtor.

Asset liability management

AEGON Spain's approach to asset liability management is to make projections of asset and liability cash flows, to calculate their present values using a market yield curve, and to compute the main parameters affecting these cash flows (e.g. duration and convexity, etc.). The goal is to lock in the spread by matching the duration of assets to the duration of liabilities.

Reinsurance ceded

AEGON Spain has proportional reinsurance protection in place for its individual risk policies and non-proportional protection for its group risk policies. This strategy is in line with standard practice within the insurance industry. With this approach, AEGON is seeking to diversify its insurance risk and limit the maximum possible losses on risks that exceed policy retention levels. Maximum retention levels vary by product and the nature of the risk being reinsured. Generally, however, the retention limit is between EUR 45,000 and EUR 60,000 per life insured. AEGON Spain remains contingently liable with respect to the amount ceded should the reinsurance company fail to meet its obligations.

AEGON Spain, generally, works only with reinsurance companies that have a credit rating from Standard & Poor's of at least 'A'. To lessen its exposure to defaults, AEGON Spain regularly monitors the creditworthiness of its reinsurers. Where appropriate, additional protection is taken out through funds that are withheld for investment by the ceding company.

4.5.2. France

In 2002, AEGON signed a partnership with mutual insurer La Mondiale, one of France's largest providers of life insurance and pensions. AEGON and La Mondiale work together in a number of areas, including pensions, asset management and distribution. In 2005, the AEGON Pension Network was launched in collaboration with La Mondiale. As part of the partnership, AEGON took a 20 percent stake in La Mondiale's subsidiary La Mondiale Participations, increasing it later to 35 percent.

AEGON's partnership with La Mondiale gives the Group a foothold in Europe's second largest insurance market. As in Spain, most life insurance in France – more than 50 percent – is sold via retail banks or La Poste, France's post office.

In July 2007, La Mondiale and fellow insurer AG2R announced a merger. The merger – which will not affect AEGON's partnership with La Mondiale – will create the country's eighth largest life insurer, serving some 5.8 million customers. The new group became operational at the start of 2008.

4C Organizational structure

AEGON N.V. is a holding company that operates through its subsidiaries. For a list of names and locations of the most important group companies, see Note 18.53 of the notes to our consolidated financial statements in Item 18 of this Annual Report on Form 20-F.

The main operating units of the AEGON Group are separate legal entities organized under the laws of their respective countries. The shares of those legal entities are directly or indirectly held by two intermediate holding companies incorporated under Dutch law: AEGON Nederland N.V., the parent company of the Dutch operations, and AEGON International B.V., which holds the Group companies of all countries except the Netherlands.

4D Description of property

In the United States, AEGON owns many of the buildings that the company uses in the normal course of its business, primarily as offices. AEGON owns 18 offices located throughout the United States with a total square footage of 2.2 million. AEGON also leases space for various offices located throughout the United States under long-term leases with a total square footage of 1.9 million. AEGON's principal offices are located in Baltimore, Maryland; Cedar Rapids, Iowa; Louisville, Kentucky; Los Angeles, California; Frazer, Pennsylvania; St. Petersburg, Florida; Plano, Texas; Purchase, New York; and Charlotte, North Carolina.

Other principal offices owned by AEGON are located in Budapest, Hungary and Madrid, Spain. AEGON leases its headquarters and principal offices in the Netherlands, the United Kingdom and Canada under long-term leases. AEGON believes that its properties are adequate to meet its current needs.

ITEM 4A. UNRESOLVED STAFF COMMENTS

Not applicable

ITEM 5. OPERATING AND FINANCIAL REVIEW AND PROSPECTS

5.1 Introduction

AEGON is committed to providing information on key factors that drive its business and affect its financial condition, results and value. For a discussion of critical accounting policies see "Application of Critical Accounting Policies – IFRS Accounting Policies". For a discussion of our risk management methodologies see Item 11 "Quantitative and Qualitative Disclosure About Market Risk" and Item 18.4 of the notes to our consolidated financial statements in Item 18 of this Annual Report on Form 20-F included in this Report.

5.2 Application of Critical Accounting Policies - IFRS Accounting Policies

The Operating and Financial Review and Prospects are based upon AEGON's consolidated financial statements, which have been prepared in accordance with IFRS. 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 of 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.

i Valuation of assets and liabilities arising from life insurance contracts

General

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.

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.

Reserve for guaranteed minimum benefits

See Item 5.2.iii of this Annual Report on Form 20-F for further discussion on guaranteed minimum benefits in our insurance products.

DPAC and VOBA

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 short-term equity growth rate was capped at 15% which caused an additional DPAC amortization of approximately EUR 250 million after tax.

A change in the short-term equity growth rate by 3% from 15% to 12% would impact DPAC and VOBA and related balances [1] by approximately EUR 360 million after tax. The DPAC and VOBA balances for these products in the United States and Canada amounted to EUR 2.1 billion at December 31, 2008.

For the fixed annuities and fixed universal life insurance products, the EGP calculations include a net interest rate margin, which we assume will remain practically stable under any reasonably likely interest-rate scenario.

The impact of a 5% increase in the mortality assumption would impact DPAC and VOBA balances by approximately EUR 10 million after tax. The impact of a 20% increase in the lapse assumption would impact DPAC and VOBA balances by approximately EUR 80 million after tax.

The impact of any reasonably likely changes in the other assumptions we use to determine EGP margins (i.e. maintenance expenses, inflation and disability) would impact DPAC and VOBA balances by less than EUR 20 million after tax per assumption change.

[1] Related balances include sales inducement assets, unearned revenue liabilities and reserves for the guaranteed minimum death and optional living benefit features in the variable annuity products.

DPAC

The movements in DPAC over 2008 compared to 2007 can be summarized and compared as follows:

In million EUR	**2008**	2007
At January 1	10,957	10,938
Costs deferred/rebates granted during the year	1,720	1,803
Amortization through income statement	(1,302)	(998)
Shadow accounting adjustments	1,396	117
Net exchange differences	(530)	(922)
Other	(17)	19
At December 31	**12,224**	10,957

In million EUR

2008	Americas	The Netherlands	United Kingdom	Other countries	**Total**
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**

In million EUR

2007	Americas	The Netherlands	United Kingdom	Other countries	**Total**
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**

VOBA

The movement in VOBA over 2008 can be summarized and compared to 2007 as follows:

In million EUR

	2008	2007
At January 1	3,927	3,959
Additions	24	7
Acquisitions through business combinations	42	526
Amortization / depreciation through income statement	(212)	(210)
Shadow accounting adjustments	444	86
Net exchange differences	(106)	(333)
Other	-	(108)
At December 31	**4,119**	3,927

In million EUR	Americas	The Netherlands	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
Total VOBA	**3,167**	**173**	**708**	**71**	**4,119**

In million EUR					
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
Total VOBA	**2,763**	**172**	**955**	**37**	**3,927**

ii Fair value of investments 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 purposes is estimated by discounting expected future cash flows using a current market rate applicable to financial instruments with similar yield, credit quality and maturity characteristics.

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.

iii Guarantees in insurance contracts

For financial reporting purposes AEGON distinguishes between the following types of minimum guarantees:

1) Financial guarantees: these guarantees are treated as bifurcated embedded derivatives, valued at fair value and presented as derivatives (please refer to Notes 18.2.10 and 18.3 of the notes to our consolidated financial statements in Item 18 of this Annual Report).
2) 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 (please refer to Note 18.2.19 of the notes to our consolidated financial statements in Item 18 of this Annual Report);
3) 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 (please refer to Notes 18.2.19 and 18.3 of the notes to our consolidated financial statements in Item 18 of this Annual Report); and
4) 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 (please refer to Notes 18.2.19 and 18.3 of the notes to our consolidated financial statements in Item 18 of this Annual Report).

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 (please refer to Note 18.2.19 of the notes to our consolidated financial statements in Item 18 of this Annual Report).

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:

In million EUR	United States[1]	Canada[1]	UK	The Nether-lands[2]	**2008 Total[3]**	United States[1]	Canada[1]	UK	The Nether-lands[2]	2007 Total
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**

In million EUR At December 31	United States[1]	Canada[1]	UK	The Nether -lands[2]	**2008 Total**	United States[1]	Canada[1]	UK	The Nether-lands[2]	2007 Total
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; (please refer to Note 18.9 of the notes to our consolidated financial statements in Item 18 of this Annual Report)
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.

In million EUR	GMDB[1]	GMIB[2]	**2008 Total[4]**	GMDB[1]	GMIB[2]	**2007 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**

In million EUR, at December 31	GMDB[1]	GMIB[2]	**2008 Total[3]**	GMDB[1]	GMIB[2]	**2007 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 (please refer to note 18.20 of the notes to our consolidated financial statements in Item 18 of this Annual Report)

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 products are valued at fair value and are included as part of insurance liabilities with the underlying host insurance contracts in note 18.20 of the notes to our consolidated financial statements in Item 18 of this Annual Report on Form 20-F.

The following table provides information on the liabilities for guarantees that are included in the valuation of the host contracts.

In million EUR	**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 (please refer to Note 18.20 of the notes to our consolidated financial statements in Item 18 of this Annual Report)

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. Please refer to Notes 18.3 of the notes to our consolidated financial statements in Item 18 of this Annual Report on Form 20-F 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 IFRS 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.

iv Fair value measurement

The fair values of the general account financial instruments carried at fair value were determined as follows:

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]	2008 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]	2007 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 18.47 of the notes to our consolidated financial statements in Item 18 of this Annual Report, the potential effect of using reasonable possible 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).

The table below sets out further detail on how the fair values of the general account financial assets carried at fair value were determined as of December 31, 2008.

in EUR million	Valuation technique-based on market observable inputs	Valuation technique-not based on market observable inputs
Broker quotes and fund managers (Indicative market prices)	8,288	1,848
Pricing services (Industry standard pricing methodologies)	55,588	417
Internally developed models	7,503	(1,783)

v 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 instruments

Debt instruments are impaired when it is considered probable that not all amounts due will be collected as scheduled. Factors considered include industry risk factors, financial condition, liquidity position and near-term prospects of the issuer, nationally recognized credit rating declines and a breach of contract.

The amortized cost and fair value of bonds, money market investments and other are as follows as of December 31, 2008 included in our available-for-sale (AFS) and held to maturity portfolios:

In million EUR	Amortized cost	Unrealized gains	Unrealized losses	Total fair value	Fair value of instruments with unrealized gains	Fair value of instruments with unrealized losses
Bonds						
- United States Government	3,573	458	(25)	4,006	2,848	1,158
- Dutch Government	1,787	89	0	1,876	1,876	0
- Other Government	15,815	1,241	(345)	16,711	14,685	2,026
- Mortgage backed securities	13,046	38	(3,850)	9,234	1,273	7,961
- Asset backed securities	11,396	16	(3,415)	7,997	561	7,436
- Corporate	54,405	662	(8,483)	46,584	11,060	35,524
Money market investments	8,318	0	0	8,318	8,266	52
Other	974	121	(114)	981	553	428
Total	**109,314**	**2,625**	**(16,232)**	**95,707**	**41,122**	**54,585**
Of which held by						
AEGON Americas, NL and UK	104,442	2,361	(15,950)	90,853	37,874	52,979

Unrealized Bond Losses by Sector

The composition by industry categories of bonds and money market investments that are included in our available-for-sale and held to maturity portfolios in an unrealized loss position held by AEGON at December 31, 2008 is presented in the table below.

Unrealized losses – bonds and money market investments

In million EUR	Carrying value of instruments with unrealized losses **2008**	Gross unrealized losses **2008**
Residential mortgage backed securities	3,395	(2,002)
Commercial mortgage backed securities	4,531	(1,848)
Asset Backed Securities (ABSs) - Housing - Related	1,599	(1,036)
ABSs - Credit Cards	2,144	(1,039)
ABSs - Aircraft	63	(52)
ABSs - CBOs	715	(355)
ABSs - Other	2,950	(933)
Financial Industry - Banking	6,612	(2,361)
Financial Industry - Brokerage	533	(104)
Financial Industry - Finance companies	189	(85)
Financial Industry - Insurance	2,565	(942)
Financial Industry - Reits	935	(407)
Financial Industry - Financial other	1,326	(352)
Industrial - Basic Industry	1,823	(494)
Industrial - Capital Goods	1,932	(417)
Industrial - Consumer cyclical	2,387	(600)
Industrial - Consumer non-cyclical	3,979	(470)
Industrial - Energy	2,397	(439)
Industrial - Technology	791	(227)
Industrial - Transportation	1,075	(175)
Industrial - Communications	3,708	(638)
Industrial - Industrial other	447	(94)
Utility - Electric	2,930	(360)
Utility - Natural gas	1,461	(256)
Utility - Utility other	518	(62)
Sovereign exposure	3,186	(370)
Total	**54,191**	**(16,118)**
Of which held by		
AEGON Americas, NL and UK	52,562	(15,837)

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.

The following narrative discussion relates to AEGON Americas, AEGON The Netherlands and AEGON UK. The composition by industry categories of bonds and money market investments in an unrealized loss position held by AEGON Americas, AEGON the Netherlands and AEGON UK at December 31, 2008, is presented in the table below.

Unrealized losses – bonds and money market investments held by AEGON Americas, AEGON The Netherlands and AEGON UK

In million EUR	Carrying value of instruments with unrealized losses **2008**	Gross unrealized losses **2008**
Residential mortgage backed securities	3,395	(2,002)
Commercial mortgage backed securities	4,520	(1,847)
Asset Backed Securities (ABSs) - Housing - Related	1,564	(1,035)
ABSs - Credit Cards	2,144	(1,039)
ABSs - Aircraft	63	(52)
ABSs - CBOs	715	(355)
ABSs - Other	2,950	(932)
Financial Industry - Banking	6,295	(2,280)
Financial Industry - Brokerage	533	(104)
Financial Industry - Finance companies	184	(85)
Financial Industry - Insurance	2,512	(923)
Financial Industry - Reits	935	(407)
Financial Industry - Financial other	1,132	(297)
Industrial - Basic Industry	1,814	(494)
Industrial - Capital Goods	1,929	(417)
Industrial - Consumer cyclical	2,371	(596)
Industrial - Consumer non-cyclical	3,911	(467)
Industrial - Energy	2,351	(434)
Industrial - Technology	791	(227)
Industrial - Transportation	1,058	(174)
Industrial - Communications	3,677	(636)
Industrial - Industrial other	393	(91)
Utility - Electric	2,853	(355)
Utility - Natural gas	1,455	(256)
Utility - Utility other	506	(62)
Sovereign exposure	2,511	(270)
Total	**52,562**	**(15,837)**

The available for sale net unrealized loss position increased by EUR 13.0 billion since December 31, 2007 primarily as a result of credit spread widening, partially offset by declining interest rates and impairments.

The information presented above is subject to rapidly changing conditions. As such, AEGON expects that the level of securities with overall unrealized losses will fluctuate. The recent volatility of financial market conditions has resulted in increased recognition of both investment gains and losses, as portfolio risks are adjusted through sales and purchases.

As of December 31, 2008, there are EUR 2,240 million of gross unrealized gains and EUR 15,837 million of gross unrealized losses in the AFS bonds portfolio of AEGON Americas, AEGON The Netherlands and AEGON UK. No one issuer represents more than 2% of the total unrealized loss position. The largest single issuer unrealized loss is EUR 304 million and relates to a securitized portfolio of credit card securities that contains fixed income positions of investment grade quality.

Financial and credit market conditions were under extreme stress during 2008 as credit spreads widened to, in many cases, unprecedented levels. The subprime mortgage collapse, followed by tightened credit conditions and subsequent failures among firms in the bank and finance sectors have driven the US and many developed nations into recession and have threatened the entire global economy. 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. In addition, massive governmental stimulus efforts are underway to halt falling economic growth rates. In the US, the Federal Reserve has essentially reduced its target short term interest rate to zero and has initiated quantitative easing (method of increasing the supply of money in the banking system) in an effort to support the markets and the economy. Longer term interest rates have fallen as well with the market abandoning fears of inflation in light of apparent economic weakness. Treasuries were one of the few asset classes with positive returns in 2008. Nearly every world stock market fell dramatically in 2008 as the risks to economic growth were realized. Unemployment has been rising in most developed

nations, and corporate default rates are also increasing. Reacting to the potential for reduced demand due to slowing economic growth, commodities fell sharply in the latter half of 2008. Oil was particularly volatile as it spiked to new highs in the first half of the year only to fall to multi-year lows by year-end. In most markets volatility remains high and liquidity is constrained.

The following is a description of AEGON's significant unrealized loss positions by industry sector as of December 31, 2008:

Residential mortgage backed securities

AEGON Americas, AEGON The Netherlands and AEGON UK hold EUR 4,754 million of residential mortgage-backed securities (RMBS), of which EUR 3,791 million is held by AEGON USA and EUR 963 million by AEGON The Netherlands. Residential mortgage-backed securities are securitizations of underlying pools of non-commercial mortgages on real estate. The underlying residential mortgages have varying credit ratings and are pooled together and sold in tranches. AEGON's RMBS includes collateralized mortgage obligations (CMOs), government sponsored enterprise (GSE) guaranteed passthroughs, whole loan passthroughs, Alt-A MBS and negative amortization MBS. The following table shows the breakdown of AEGON USA's RMBS.

In million EUR	AAA SSNR[1]	AAA SNR[2]	AAA Mezz[3]	AAA SSUP[4]	AA	A	BBB	<BBB	**2008** Amortized Cost	**2008** 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

All RMBS securities of AEGON USA 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 widely recognized industry 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 total unrealized loss on RMBS is EUR 2,002 million, of which EUR 1,847 million relates to positions of AEGON USA. Of the RMBS unrealized losses, EUR 282 million is attributed to the AAA rated generic shelf name, Countrywide Alternative Loan Trust. AEGON 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%.

Alt-A Mortgage Exposure

AEGON's RMBS exposure includes exposure to securitized home equity loans (Alt-A positions). This portfolio totals EUR 743 million at December 31, 2008. Unrealized losses amount to EUR 524 million at December 31, 2008. 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 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.

In million EUR	2008	
Rating	Market Value	%
AAA	606	81.6
AA	9	1.2
A	29	3.9
BBB	28	3.8
High Yield	71	9.5
At December 31	**743**	**100.0**

In million EUR	2008	
Vintage	Market Value	%
Prior 2005	65	8.8
2005	123	16.5
2006	176	23.7
2007	238	32.0
2008	141	19.0
At December 31	**743**	**100.0**

Negative Amortization (Option ARMs) Mortgage Exposure

As part of AEGON's RMBS Exposure, AEGON holds EUR 711 million of Negative Amortization mortgages, unrealized losses on this portfolio amount to EUR 974 million at December 31, 2008. 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, 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.

In million EUR	2008	
Rating	Market Value	%
AAA	651	91.5
AA	5	0.7
A	2	0.3
High Yield	53	7.5
At December 31	**711**	**100.0**

In million EUR	2008	
Vintage	Market Value	%
2004 & Prior	24	3.4
2005	197	27.7
2006	276	38.8
2007	184	25.9
2008	30	4.2
At December 31	**711**	**100.0**

There are two individual issuers rated below investment grade in this sub-sector which haven unrealized loss position greater than EUR 25 million.

In million EUR	Market value	Unrealized loss	Rating
Countrywide ALT LN 2006-34	28	(29)	B
Residential ACC LN IN 2006-Q04	4	(27)	B

For each of these holdings, the collateral pools have experienced higher than expected delinquencies and losses, and the unrealized loss is further exacerbated by the impact of declining home values on borrowers using affordability products. Further impacting the unrealized losses is spread widening due to illiquidity as well as increased extension risk due to slower than expected prepayments. Despite the continued decline in the margin of safety on these securities during 2008, cash flow models indicate full recovery of principal and interest for each of AEGON's particular holdings in an unrealized loss position.

As the remaining unrealized losses in the RMBS portfolio relate to holdings where AEGON expects to receive full principal and interest, AEGON does not consider the underlying investments to be impaired as of December 31, 2008.

There are no other individual issuers rated below investment grade in the RMBS sector which have unrealized loss positions greater than EUR 25 million.

Commercial mortgage backed securities

AEGON Americas, AEGON The Netherlands and AEGON UK hold EUR 4,717 million of commercial mortgage-backed securities (RMBS), of which EUR 4,468 million is held by AEGON USA, EUR 55 million by AEGON The Netherlands and EUR 194 million by AEGON UK. Commercial mortgage-backed securities (CMBS) are securitizations of underlying pools of mortgages on commercial real estate. The underlying mortgages have varying risk characteristics and are pooled together and sold in different rated tranches. The Company's CMBS includes conduit, large loan, single borrower, collateral debt obligations (CDOs), government agency, and franchise loan receivable trusts. The breakdown by quality of the CMBS exposure of AEGON USA is as follows:

CMBS exposure by Quality

In million EUR	AAA	AA	A	BBB	< BBB	**2008** Cost price	**2008** 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**

All CMBS securities of AEGON USA are monitored and modeled under base and several stress-case scenarios by asset specialists. For conduit securities, a widely recognized industry modeling software is used to perform a loan-by-loan, bottom-up approach. For non-conduit securities a CMBS asset specialist works closely with AEGON's real estate valuation group to determine underlying asset valuation and risk. Both methodologies incorporate external estimates on the property market, capital markets, property cash flows, and loan structure. Results are then closely analyzed by the asset specialist to determine whether or not a principal or interest loss is expected to occur. If cash flow models indicate a credit event will impact future cash flows, the security is impaired to fair value.

The total unrealized loss on CMBS is EUR 1,817 million. 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.

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 our LBUBS holdings, EUR 0.9 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. AEGON believes that the underlying investments are well underwritten and have performed relatively better than other comparable CMBS structures. Most of the securities in an unrealized loss position are rated investment grade. As the remaining unrealized losses in the CMBS portfolio relate to holdings where AEGON expects to receive full principal and interest, AEGON does not consider the underlying investments to be impaired as of December 31, 2008.

There are no other individual issues rated below investment grade in this sector which have unrealized loss positions greater than EUR 25 million.

Asset Backed Securities

ABS – Housing

AEGON holds EUR 1,823 million of ABS-Housing securities, of which EUR 1,752 million is held by AEGON USA. The unrealized loss on the ABS-housing securities amounts to EUR 1,035 million. ABS Housing securities are secured by pools of residential mortgage loans primarily those which are categorized as sub prime. 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 does not currently invest in or originate whole loan residential mortgages. AEGON categorizes asset backed securities issued by a securitization trust as having sub prime mortgage exposure when the average credit score of the underlying mortgage borrowers in a securitization trust is below 660. AEGON also categorizes asset backed securities issued by a securitization trust with second lien mortgages as sub prime 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 and the market value was EUR 1,590 million.

The following table provides the market values of the sub prime mortgage exposure by rating.

In million EUR	Market Value by Quality					
	AAA	AA	A	BBB	< BBB	Total 2008
Sub-prime Mortgages - Fixed Rate	724	55	50	13	20	862
Sub-prime 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 sub prime mortgage exposure by vintage:

In million EUR	Market Value by Vintage						
	Pre-2004	2004	2005	2006	2007	2008	Total 2008
Sub-prime Mortgages - Fixed Rate	417	114	124	70	137	-	862
Sub-prime 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

Additionally, AEGON has exposure to asset backed securities collateralized by manufactured housing loans. The market value of these securities is EUR 139 million with an amortized cost balance of EUR 165 million. All but one position have vintages of 2003 or prior. These amounts are not included in AEGON's sub prime 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. Please refer to Note 18.3 of the notes to our consolidated financial statements in Item 18 of this Annual Report for details on the pricing process. There are no individual issuers rated below investment grade in the ABS-housing sector which have unrealized loss positions greater than EUR 25 million.

Non housing ABS Exposure

AEGON holds EUR 4,683 million of Non housing ABS securities. The unrealized loss on the Non housing ABS securities amounts to EUR 1,948 million. 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.

In million EUR	AAA	AA	A	BBB	< BBB	**2008** Cost price	**2008** 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:

	Published price quotations in an active market	Valuation technique based on market observable inputs	Valuation techniques not based on observable market data	**2008 Total**
ABSs – non housing	-	4,501	182	**4,683**

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.

There is one individual issuer rated below investment grade in this sub-sector which has an unrealized loss position greater than EUR 25 million.

In EUR million	Market value	Unrealized loss	Rating
Washington Mutual Master TR	37	(47)	BB+

The unrealized loss on our Washington Mutual holding relates to performance metrics that have deteriorated to levels leading to rating agency downgrades. Bond pricing remains at distressed levels as the market tries to absorb the longer term impact of JP Morgan's acquisition of Washington Mutual. Cash flow models indicate full recovery of principal and interest for each of AEGON's particular holdings in an unrealized loss position. As there has been no impact to expected future cash flows, AEGON does not consider the underlying investments to be impaired as of December 31, 2008.

AEGON's credit card portfolio has been stress tested. Results of these stress tests indicate that while downgrades within the portfolio may occur, the tests are projecting payment in full. As there has been no impact to expected future cash flows, AEGON does not consider the underlying investments to be impaired as of December 31, 2008.

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. AEGON's entire structured auto portfolio has been stress tested. As there has been no impact to expected future cash flows, AEGON does not consider the underlying investments to be impaired as of December 31, 2008.

There are no individual issuers rated below investment grade in the ABS – autos sector which have unrealized loss positions greater than EUR 25 million.

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%.

There are no individual issuers rated below investment grade in the SBA small business sector which have unrealized loss positions greater than EUR 25 million.

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. As the unrealized losses in the ABS - CDO portfolio relate to holdings where AEGON expects to receive full principal and interest, AEGON does not consider the underlying investments to be impaired as of December 31, 2008.

There are no individual issuers rated below investment grade in the ABS – CBO sector which have unrealized loss positions greater than EUR 25 million.

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. As the unrealized losses in the ABS - Other portfolio relate to holdings where AEGON expects to receive full principal and interest, AEGON does not consider the underlying investments to be impaired as of December 31, 2008.

There are no individual issuers rated below investment grade in the ABS – other sector which have unrealized loss positions greater than EUR 25 million.

Financial

The Financial sector is further subdivided into Banking, Brokerage, Insurance, REIT's and Financial other. 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.

For all these sub-sectors the fundamentals are weakening. However, the financial sector has seen a larger 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.

Credit concentration risk section:

The value of our 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. See commentary on capital securities within the credit concentration risk section for more details. 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:

Amortized Cost In million EUR	Americas	The Netherlands	United Kingdom	Other countries	**2008** Cost price	**2008** 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, 2008	**2,376**	**405**	**1,036**	**103**	**3,920**	**2,235**

Banking

The overall exposure to the banking sub-sector in AEGON's portfolio is large, diverse, and of high quality. The unrealized losses in the banking sub-sector primarily reflect the size of our holdings, credit spread widening and the market's concern over the adequacy of liquidity and capital in the banking sector given the deteriorating global economy. With some success, government initiatives were put into place during 2008 in an attempt to encourage lending, including the injection of capital into financial institutions through the US Treasury's Capital Purchase Program and the establishment of the FDIC Temporary Liquidity Guarantee Program whereby the FDIC guarantees newly issued unsecured debt for participating institutions. Other countries have adopted similar measures. However financial institutions remain vulnerable to ongoing asset write downs, credit losses and weak earning prospects that are associated with a recessionary environment and this is adding pressure to subordinated and longer duration holdings.

There are two individual issuers in this sub-sector which have an unrealized loss position greater than EUR 25 million. AEGON's exposure to Northern Rock PLC bonds in an amortized loss position has an amortized cost of EUR 109 million as of December 31, 2008. These Upper Tier 2 securities were rated BBB- and the end of 2008 and were subsequently downgraded to B- and have unrealized losses of EUR 80 million. Northern Rock PLC, a British mortgage bank, was nationalized in the first half of 2008 after suffering a run on the bank in 2007. The nationalization is viewed as temporary and after following a policy of shrinking its balance sheet to repay liquidity support from the UK authorities, the bank has more recently committed to boost lending. We expect the government to maintain their support of Northern Rock and payments continue to be made in accordance with the original bond agreements. AEGON evaluated the near-term prospects of the issuer in relation to the severity and duration of the unrealized loss and does not consider the position to be impaired as of December 31, 2008 with the exception of one security linked to a security subject to the nationalization order which has been impaired. AEGON's exposure to Bradford & Bingley bonds in an amortized loss position has an amortized cost of EUR 33 million as of December 31, 2008. The securities were rated CC and C and have unrealized losses of EUR 30 million. Bradford & Bingley have been nationalized, the deposit base and branch network has been sold and replaced by a loan from the Financial Services Compensation Scheme. The bank will be run down in an orderly fashion and our modeling indicates that it will be able to service its obligations. Bradford & Bingley are current on all obligations and has confirmed that they will pay coupons due on various Tier 1 and Upper Tier 2 issues during the first half of 2009. AEGON evaluated the near-term prospects of the issuer in relation to the severity and duration of the unrealized loss and does not consider the position to be impaired as of December 31, 2008.

AEGON evaluated the near-term prospects of the issuers in the banking sub sector in relation to the severity and duration of the unrealized loss and does not consider the remaining unrealized losses to be impaired as of December 31, 2008.

Brokerage, Insurance and Financial Other

These unrealized losses 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), compounded in some cases by the structure of the securities (subordination or other structural features and duration). While the sub-sector has some exposure to the US residential mortgage market, the issuers are highly diversified. AEGON evaluated the near-term prospects of the issuers in relation to the severity and duration of the unrealized loss and does not consider those investments to be impaired as of December 31, 2008.

There is one individual issuer rated below investment grade in this sub-sector which has an unrealized loss position greater than EUR 25 million.

AEGON's exposure to American International Group (AIG) has an amortized cost of EUR 458 million as of December 31, 2008, of which EUR 54 million relates to holdings rated below investment grade. The securities are rated B and have unrealized losses of EUR 32 million. AIG is the world's largest international insurance company. AIG suffered losses in excess of expectations on both their direct investment and derivative exposure to mortgage related securities. The losses led to rating downgrades, which in turn triggered incremental collateral postings. Early termination rights related to the downgrades, further anticipated mark-to-market related collateral postings required under its CDS contracts, and impairments within its general account portfolio increased strain on liquidity and the amount of incremental capital needed. In late September of 2008, AIG was able to secure a two-year bridge facility from the Federal Reserve, in exchange for warrants equal to 80% of their equity. In November, the Fed and U.S. Treasury extended to AIG a restructuring of the support program to allow AIG to reduce their collateral posting needs and provide them time to complete asset sales. Payments continue to be made in accordance with the original bond agreements. AEGON evaluated the near-term prospects of

the issuer in relation to the severity and duration of the unrealized loss and does not consider the position to be impaired as of December 31, 2008.

There are no other individual issuers rated below investment grade in the brokerage, insurance and financial other sector which have unrealized loss positions greater than EUR 25 million.

REITs

The unrealized losses in the REIT sub-sector are a result of general spread widening in the CMBS market and the REIT unsecured market. Despite real estate values falling and capitalization rates rising, REIT's operating fundamentals continue to perform at levels sufficient to support their debt structure. However, further fundamental deterioration is expected as unemployment rises, consumer discretionary spending falls, and tenant bankruptcies increase. The majority of REITs have exhibited financial discipline and have focused on maintaining financial flexibility during the difficult financing environment. AEGON evaluated the near-term prospects of the issuers in relation to the severity and duration of the unrealized loss and does not consider those investments to be impaired as of December 31, 2008.

There are no individual issuers rated below investment grade in the REITs sector which have unrealized loss positions greater than EUR 25 million.

Industrial

The Industrial sector is further subdivided into Basic Industries / Capital Goods, Consumer Cyclical, Consumer Non-Cyclical, Communications, Energy, Transportation, Technology, and Industrial other.

Basic Industries and Capital Goods

The Basic and Capital Goods industries encompass various sub-sectors ranging from aerospace defense to packaging. Building materials continue to be impacted by the slowdown in the US housing market which has been further impacted by declines in consumer spending. Chemicals have been impacted by concerns of a slowing economy, slower global demand, volatility in raw material costs and increasing competition from global competitors. Paper and forest products continue to be under pressure due to higher input costs, lower housing starts and lack of demand for paper related shipping and writing products. Additionally, lack of market liquidity and volatile credit markets have further impacted bond prices. AEGON evaluated the near-term prospects of the issuers in relation to the severity and duration of the unrealized loss and does not consider those investments to be impaired as of December 31, 2008.

There are no individual issuers rated below investment grade in the basic industries and capital goods sub-sector which have unrealized loss positions greater than EUR 25 million.

Consumer Cyclical

The more significant of these sub-sectors from an unrealized loss perspective are retailers, automotive, home construction and gaming.

Retail has been negatively impacted by a consumer pull-back in spending, particularly discretionary purchases, as increased unemployment, a weak housing market, credit market tightening and historically low consumer confidence weighed on the consumer. Margins have also been under increased pressure as many retailers have implemented aggressive promotion activity and increased discounts in an effort to drive store traffic, manage inventories and maintain market share.

The underlying fundamentals driving sales and earnings performance of the automotive industry continue to be pressured as a result of a secular shift away from more profitable SUVs and pickups towards more fuel-efficient cars and crossovers. In addition, the combination of weak consumer confidence, tighter credit standards and growing unemployment has negatively impacted auto sales.

Fundamentals in the home construction industry have weakened due to oversupply and tighter lending practices which have led to a decrease in order activity and high cancellation rates. Additionally, the subprime issues and foreclosures have had a dramatic effect on the home construction fundamentals, and have impacted the homebuyer's ability to finance a home purchase. Finally, high unemployment has put additional pressure on the supply/demand imbalance.

Fundamentals in the gaming industry have weakened due to increased debt and related interest costs due to leveraged buyout activity and a material reduction in discretionary consumer spending. A deteriorating homebuilding environment and a material drop-off in consumer confidence, coupled with concerns over unemployment are resulting in declining demand. However, in some cases the industry is still increasing the supply of gaming products that were initiated prior to the economic downturn.

For all of the sub-sectors within Consumer Cyclical, AEGON evaluated the near-term prospects of the issuers in relation to the severity and duration of the unrealized loss and does not consider those investments to be impaired as of December 31, 2008. There is one individual issuer rated below investment grade in this sub-sector which has an unrealized loss position greater than EUR 25 million.

Harrahs Entertainment Inc is one of America's largest casino companies. AEGON's exposure to Harrah's Entertainment in an unrealized loss position has an amortized cost of USD 49 million as of December 31, 2008. These securities are rated CCC and have unrealized losses of USD 36 million and are guaranteed senior notes. In January of 2008, a leveraged buyout transaction materially increased Harrahs Entertainment Inc's leverage and resulted in downgrades of previously existing bonds. Since that time, the decline in consumer discretionary spending has negatively impacted the company's profitability. Payments continue to be made in accordance with the original bond agreements. AEGON evaluated the near-term prospects of the issuer in relation to the severity and duration of the unrealized loss and does not consider the position to be impaired as of December 31, 2008.

There are no other individual issuers rated below investment grade in the consumer cyclical sub-sector which have unrealized loss positions greater than EUR 25 million.

Consumer Non-Cyclical

The Consumer Non-Cyclical industry encompasses various sub-sectors ranging from consumer products to supermarkets. The more significant of these sub-sectors from an unrealized loss perspective are food and beverages and consumer products. Food and beverages and consumer products fundamentals have modestly weakened due to higher input costs and the industries' limited ability to pass along these higher costs to the customer. Also, the price gap between branded products and private label products became more compelling to the consumer in the fourth quarter. Additionally, shareholder friendly actions and related restructurings done earlier in 2008 were completed at the expense of bondholders.

Overall, the sector represents a large portion of the corporate debt market. As a result, AEGON's exposure is large and the gross dollar amount of unrealized losses is also large. The vast majority of the unrealized losses in the consumer non-cyclical sector relate to global macro economic conditions and credit spread widening. AEGON evaluated the near-term prospects of the issuers in relation to the severity and duration of the unrealized loss and does not consider those investments to be impaired as of December 31, 2008.

There are no individual issuers rated below investment grade in the consumer non-cyclical sub-sector which have unrealized loss positions greater than EUR 25 million.

Energy

The energy sector includes independent oil and natural gas exploration and production companies, refiners, integrated energy companies active in both exploration/production and refining, and oil field service companies. For the independent exploration and production companies, underlying long term fundamentals remain strong in the sector; however, there has been heightened near term uncertainty given the dramatic decline in commodity prices. The industry has responded by reducing capital expenditures and share buyback programs as they focus on remaining free cash flow positive. Given the low market values currently, consolidation by the larger companies is likely in the sector.

The bonds of the underlying companies have seen price declines consistent with the overall market and concerns over the effect lower commodity prices will have on cash flow. AEGON evaluated the near-term prospects of the issuers in relation to the severity and duration of the unrealized loss and does not consider those investments to be impaired as of December 31, 2008.

There are no individual issuers rated below investment grade in the energy sub-sector which have unrealized loss positions greater than EUR 25 million.

Communications

The Communications sector can be further divided into the media cable, media non-cable, wireless and wirelines sub-sectors.

All media companies, but especially newspaper and directory companies, are suffering from a tepid advertising environment related to the weak economy. This has made it difficult for companies to offset declining revenues with sufficient cost cutting initiatives, leading to significantly lower profits. In addition, this space had been a focus for activist shareholders and private equity firms, forcing management to respond by increasing financial leverage, performing consolidations or divesting assets. The net effect of this was a weaker credit profile for many companies just as the market started to slow down.

There are two individual issuers rated below investment grade in this sub-sector which have an unrealized loss position greater than EUR 25 million.

RH Donnelley Corporation is one of the leading yellow page and online local commercial search companies in the United States. AEGON's exposure to RH Donnelley Corp in an unrealized loss position has an amortized cost of EUR 32 million as of December 31, 2008. Of these securities, EUR 29 million are rated B- and EUR 3 million are rated B+ and have unrealized losses of EUR 24 million and EUR 2 million, respectively. The unrealized loss is a reflection of RH Donnelly's struggle to generate revenues and maintain operating margins consistent with past results and investors' concern over the company's long term ability to service its highly leveraged and complicated capital structure in light of these operating challenges. Late in 2008 RH Donnelley renegotiated bank terms

at two of its operating companies, extending near term maturities to 2010 and beyond. Payments on AEGON's holdings continue to be made in accordance with the original bond agreements. AEGON evaluated the near-term prospects of the issuer in relation to the severity and duration of the unrealized loss and does not consider the position to be impaired as of December 31, 2008.

AEGON Canada owns, on an amortized cost basis, EUR 129 million of Bell Canada Enterprises Inc (BCE) bonds which are under review for possible downgrade, and have unrealized losses of EUR 65 million. Most of these holdings are either 0% coupon strip bonds or 0% coupon residual bonds with a maturity date ranging from 2017 to 2054. The relatively large unrealized loss is impacted by the widening of credit spreads and the long maturity of the bonds.

Through much of 2008, bond prices were depressed in relationship to a proposal for BCE to sell all of its outstanding shares to a consortium headed by the Ontario Teachers Pension Plan. One of the conditions of closing the deal was that a Solvency Opinion was to be provided by an independent auditor (KPMG). On November 26, 2008, KPMG announced that they could not provide a favorable Solvency opinion post closing as the deal was structured to substantially increase the debt level of the balance sheet. Consequently, in December of 2008 the agreement to purchase BCE was terminated. Since that time, three of four rating agencies have moved BCE to positive outlook (S&P, Fitch, DBRS) and two have BCE as investment grade (Moody's, DBRS). Payments continue to be made in accordance with the original bond agreements. AEGON evaluated the near-term prospects of the issuer in relation to the severity and duration of the unrealized loss and does not consider the position to be impaired as of December 31, 2008.

Many companies in the wirelines sector continue to focus on increasing shareholder returns. This has escalated event risk within the sector and caused concern that companies may increase financial leverage.

Based on the near-term prospects of the issuers in relation to the severity and duration of the unrealized loss, AEGON does not consider the book values to be impaired as of December 31, 2008.

There are no other individual issuers rated below investment grade in the communications sub-sector which have unrealized loss positions greater than EUR 25 million.

Technology

The Technology sector can be further divided into software, hardware, and technology services sub-sectors. In general the software and technology service related companies have experienced relatively stable fundamentals; however, the hardware sector has been negatively impacted by lower consumer spending (notebooks, cell phones, desktops, automotive). Despite slowing hardware demand, and excluding a few highly levered private equity semiconductor companies, a majority of technology credits have strong balance sheets that offset the negative trends. AEGON evaluated the near-term prospects of the issuers in relation to the severity and duration of the unrealized loss and does not consider those investments to be impaired as of December 31, 2008.

There is one individual issuer rated below investment grade in this sub-sector which has an unrealized loss position greater than EUR 25 million.

Motorola Inc is a technology company with three primary business segments: mobile handsets, networking and enterprise. AEGON's exposure to Motorola Inc in an unrealized loss position has an amortized cost of EUR 85 million as of December 31, 2008. These securities are rated BB+ and have unrealized losses of EUR 27 million. The unrealized loss reflects the weaker global economic environment and Motorola Inc's reduced profitability and declining market share as it relates to their mobile handset portfolio. Payments continue to be made in accordance with the original bond agreements. AEGON evaluated the near-term prospects of the issuer in relation to the severity and duration of the unrealized loss and does not consider the position to be impaired as of December 31, 2008.

There are no other individual issuers rated below investment grade in the technology sub-sector which have unrealized loss positions greater than EUR 25 million.

Transportation

The Transportation sector includes railroads, transportation services companies, and airlines. Underlying fundamentals remain intact for most companies in the railroad and transportation services sectors, although the weak economy has begun to pressure margins throughout the space. The railroad sector experienced volume weakness throughout 2008, particularly in the fourth quarter as the economy slowed, factories went on extended shutdowns over the holidays, and international trade volumes deteriorated. This weakness in volumes was offset by strong pricing power, the lag effect of the fuel surcharge mechanism most railroads have in place, and efficiency gains. Transportation services is a diversified sector, but as a general rule, companies began to see margin deterioration in the second half of the year as the weaker global economy resulted in reduced demand for their services.

Some sub-sectors within transportation services saw harsher operating conditions than others, with car rental companies and dry bulk shippers being hit particularly hard by the combined impact of a slowing global economy and sharply reduced access to credit. Balance sheets for most railroads and transportation services companies remain intact and are well positioned to weather the current economic cycle. Airline fundamentals deteriorated significantly through the first three quarters of 2008 due to rapidly increasing fuel costs which

were not entirely passed through to the consumer. Liquidity risk over the near-term has been decreased as fuel costs moderated in the fourth quarter. Airlines continue to have high cash balances by historical standards. AEGON's airline exposure has senior level collateral protection. AEGON evaluated the near-term prospects of the issuers in relation to the severity and duration of the unrealized loss and does not consider those investments to be impaired as of December 31, 2008.

There are no individual issuers rated below investment grade in the transportation sub-sector which have unrealized loss positions greater than EUR 25 million.

Utility

The utility sector is further sub divided into Electric, Natural Gas and Other.

Electric

The Electric Utility sector is generally viewed as a defensive sector during weak economic environments. While defensive in nature, there are several issues which present challenges, including growing capital expenditures programs, the possibility of CO2 legislation, a renewed interest in expanding riskier unregulated generation projects, and increasingly uncertain state regulatory environments driven by rising energy prices and a slowing economy. AEGON evaluated the near-term prospects of the issuers in relation to the severity and duration of the unrealized loss and does not consider those investments to be impaired as of December 31, 2008.

There are no individual issuers rated below investment grade in this sub-sector which have unrealized loss positions greater than EUR 25 million.

Natural Gas

The Natural Gas sector includes natural gas pipeline and distribution companies. The underlying fundamentals for pipelines are adversely affected by the decline in commodity prices, weak end user demand, and higher financing costs. Capital expenditures remained at elevated levels as the industry addresses the country's infrastructure needs. As a result, pipelines will need continued access to the capital markets. The distributors remain well capitalized with increasing focus on reducing exposure to bad debts and weather related volatility. AEGON evaluated the near-term prospects of the issuers in relation to the severity and duration of the unrealized loss and does not consider those investments to be impaired as of December 31, 2008.

There are no individual issuers rated below investment grade in this sub-sector which have unrealized loss positions greater than EUR 25 million.

Sovereign exposure

Sovereigns exposure relates to government issued securities including Dutch government bonds, US Treasury, agency and state bonds; all of the securities in an unrealized loss position relate to B- or higher rated positions. The subprime mortgage collapse, followed by tightened credit conditions and subsequent failures among firms in the bank and finance sectors has driven the US and many developed nations into a recession. These global economic concerns have adversely affected the market values on all but the strongest rated sovereign debt, and US Treasuries were one of the few asset classes with positive returns in 2008. All of the issuers in the sovereign sector continue to make payments in accordance with the original bond agreements. AEGON evaluated the near-term prospects of the issuer in relation to the severity and duration of the unrealized loss and does not consider the position to be impaired as of December 31, 2008.

There are three individual issuers rated below investment grade in this sector which have an unrealized loss position greater than EUR 25 million.

The unrealized loss on the Republic of Argentina bonds reflects concerns regarding local inflation and financing in 2009/2010 and overall general concern regarding slower economic growth. Additionally, demand for emerging market debt has declined as investors flock to safer investments such as US Treasuries, as global financial and credit market conditions were under extreme stress. The Argentine government has actually made some positive announcements, such as increasing utility tariffs, paying off the Paris Club debt, and most importantly, reopening the debt restructuring offer with the holdouts (which would open capital markets to them at some point). The recent liquidity crisis worldwide has caused the government to postpone some of these activities. Late in 2008, the government decided to nationalize the pension assets, which gives them the ability to control these large funds, and largely eliminates near term financing concerns. Payments continue to be made in accordance with the original bond agreements. AEGON's exposure to the Republic of Argentina in an unrealized loss position has an amortized cost of EUR 57 million as of December 31, 2008. These securities are rated B- and have unrealized losses of EUR 37 million. AEGON evaluated the near-term prospects of the issuer in relation to the severity and duration of the unrealized loss and does not consider the position to be impaired as of December 31, 2008.

The unrealized loss on the Venezuelan bonds reflects concern regarding local inflation and financing in 2009, the sudden decline in the price of oil late in 2008 and overall general concern regarding slower global economic growth. Additionally, demand for emerging

market debt has declined as investors flock to safer investments such as US Treasuries, as global financial and credit market conditions were under extreme stress. Venezuela depends largely on oil to support its economy, but current prices provide adequate cash flows. In fact, the government has enough reserves to pay their debt off as of year end. Additionally, there are funds available for operations into the near future, and budgeted expenses could be cut if needed. Payments continue to be made in accordance with the original bond agreements. AEGON's exposure to the Republic of Venezuela in an unrealized loss position has an amortized cost of EUR 62 million as of December 31, 2008. These securities are rated BB- and have unrealized losses of EUR 29 million. AEGON evaluated the near-term prospects of the issuer in relation to the severity and duration of the unrealized loss and does not consider the position to be impaired as of December 31, 2008.

The unrealized loss on the Ukrainian bonds reflects the perceived failure of the authorities to put into place adequate policy measures to counter rising inflation, political divisions, the vulnerability of the banking system, and general weakness in global commodity export markets. Additionally, demand for emerging market debt has declined as investors flock to safer investments such as US Treasuries, as global financial and credit market conditions were under extreme stress. Ukraine benefits from its geographic position, large natural resource base, democratic political system, relatively low levels of public debt, strong GDP growth, and a well-educated, low-wage workforce. Given the gas pipelines running from Russia to Europe through Ukraine, the country is also geopolitically and economically very important. Ukraine has been interested in possibly joining NATO and recently received USD 16.5 billion in additional funding from the IMF in November 2008. Payments continue to be made in accordance with the original bond agreements. AEGON's exposure to Ukraine in an unrealized loss position has an amortized cost of EUR 55 million as of December 31, 2008. These securities are rated B and have unrealized losses of EUR 33 million. AEGON evaluated the near-term prospects of the issuer in relation to the severity and duration of the unrealized loss and does not consider the position to be impaired as of December 31, 2008.

There are no other individual issuers rated below investment grade in this sub-sector which have unrealized loss positions greater than EUR 25 million.

Unrealized Loss by Maturity

The table below shows the composition by maturity of all bonds in an unrealized loss position held by AEGON Americas, AEGON The Netherlands and AEGON UK at December 31, 2008.

Maturity Level

In million EUR	Carrying value of securities with gross unrealized losses	Gross unrealized losses
One year or less	3,192	(439)
Over 1 thru 5 years	17,902	(3,683)
Over 5 thru 10 years	23,252	(7,825)
Over 10 years	8,216	(3,890)
Total	**52,562**	**(15,837)**

Unrealized Loss by Credit Quality

The table below shows the composition by credit quality of bonds in an unrealized loss position held by AEGON Americas, AEGON The Netherlands and AEGON UK at December 31, 2008.

In million EUR	Carrying value of securities with gross unrealized losses	Gross unrealized losses
Treasury Agency	1,947	(113)
AAA	11,860	(4,260)
AA	3,765	(1,372)
A	14,481	(3,562)
BBB	16,818	(4,618)
BB	2,182	(794)
B	918	(754)
Below B	591	(364)
	52,562	**(15,837)**

The table below provides the length of time a security has been below cost and the respective unrealized loss at year-end.

In million EUR	Investment grade carrying value of securities with gross unrealized losses	Below investment grade carrying value of securities with gross unrealized losses	Investment grade unrealized loss	Below investment grade unrealized loss
0 - 6 months	25,408	1,835	(6,519)	(653)
6 - 12 months	8,212	773	(1,205)	(388)
> 12 months	15,251	1,083	(6,201)	(871)
Total	**48,871**	**3,691**	**(13,925)**	**(1,912)**

The majority of the unrealized losses relate to investment grade holdings where credit spreads have widened in the near term in conjunction with concerns over the current macroeconomic conditions.

The table below provides the length of time a below investment grade security has been in an unrealized loss and the percentage of carrying value (CV) to amortized cost.

aging and severity unrealized losses	Carrying value of bonds with gross unrealized losses	Gross unrealized losses
CV 70-100% of amortized cost	1,176	(218)
CV 40-70% of amortized cost	608	(285)
CV < 40 % of amortized cost	51	(150)
0-6 months	1,835	(653)
CV 70-100% of amortized cost	577	(112)
CV 40-70% of amortized cost	127	(107)
CV < 40 % of amortized cost	69	(169)
6-12 months	773	(388)
CV 70-100% of amortized cost	399	(92)
CV 40-70% of amortized cost	335	(263)
CV < 40 % of amortized cost	94	(351)
12-24 months	828	(706)
CV 70-100% of amortized cost	170	(38)
CV 40-70% of amortized cost	66	(44)
CV < 40 % of amortized cost	18	(83)
> 24 months	255	(165)
Total	**3,691**	**(1,912)**

Realized gains and losses on bonds of AEGON Americas, AEGON The Netherlands and AEGON UK for the twelve months ended December 31, 2008:

In million EUR	Gross Realized Gains	Gross Realized Losses
Bonds	416	(325)

The table below provides the length of time the security was below cost prior to the sale and the respective realized loss for assets not considered impaired at December 31, 2008.

Time period	0 -12 months	>12 months	Total
In million EUR			
Bonds	(235)	(90)	(325)

Impairment losses and recoveries

The composition of AEGON Americas, AEGON The Netherlands and AEGON UK's bond impairment losses and recoveries by issuer for the year ended December 31, 2008 is presented in the table below. Those issuers with impairments or recoveries above EUR 25 million are specifically noted.

In million EUR	(Impairment)/ Recovery
Impairments:	
Lehman Brothers Holdings	(222)
Washington Mutual Inc.	(90)
Structured Asset Ln 2005-11 M1	(52)
Structured Asset Ln 2006-BNC1 M1	(48)
Sasco 2006	(28)
Other Impairments	(400)
Sub-total	(839)
Recoveries:	
Litigation – Class Action Lawsuit	25
Other Recoveries	11
Sub-total	36
Net (Impairments) and Recoveries	(803)

During 2008, AEGON recognized EUR 36 million in recoveries on previously impaired securities. In each case where a recovery was taken on structured securities, improvements in underlying cash flows for the security were documented and modeling results improved significantly. Recoveries on non-structured securities were supported by documented credit events combined with significant market value improvements.

A EUR 222 million loss was realized in 2008 on various securities issued by Lehman Brothers. Lehman Brothers Holdings, Inc. filed for bankruptcy protection on September 15, 2008, following a loss of market confidence in financial services companies. The concern was caused by broad housing and mortgage market issues, decreasing liquidity, and capital markets concerns. Lehman was especially vulnerable because of large reported losses in recent quarters caused by asset write-downs as well as ongoing concerns about capital adequacy due to uncertainty about the valuation of stressed assets. Lehman declared bankruptcy in the third quarter and was impaired to fair value.

A EUR 90 million loss was realized in 2008 on various securities issued by Washington Mutual Inc. They incurred significant losses from the decline of the housing market through exposure to subprime loans, home equity loans, and option ARMs. As the losses mounted, Washington Mutual experienced several ratings downgrades. Subsequently, there was a run on Washington Mutual banks which caused the bank to be placed in receivership in September. Washington Mutual Inc declared bankruptcy in the third quarter and was impaired to fair value.

A EUR 52 million loss was realized on Structured Asset Loan 2005-11 M1 in 2008. The debt represents a beneficial interest in a portfolio of pooled US subprime mortgage loans. The pool contains large concentrations in states with significant declining home values. While the deal continued paying full principal and interest payments during 2008, deterioration in the housing markets caused revisions to modeling assumptions which triggered an adverse change in cash flows. The security was impaired to fair value in the fourth quarter due to the adverse change in projected cash flows.

A EUR 48 million loss was realized on Structured Asset Loan 2006-BNC1 (SAIL 2006) in 2008. The debt represents a beneficial interest in a portfolio of pooled US subprime mortgage loans. The pool contains large concentrations in states with significant declining home values. While the deal continued paying full principal and interest payments during 2008, deterioration in the housing markets caused revisions to modeling assumptions which triggered an adverse change in cash flows. The security was impaired to fair value in the second and fourth quarters by USD 50 million and USD 21 million, respectively due to the adverse change in projected cash flows.

A EUR 28 million loss was realized on SASCO 2006 in 2008. The debt represents a beneficial interest in a portfolio of pooled US subprime mortgage loans. The pool contains large concentrations in states with significant declining home values. While the deal continued paying full principal and interest payments during 2008, deterioration in the housing markets caused revisions to modeling assumptions which triggered an adverse change in cash flows. The security was impaired to fair value in the third and fourth quarters by EUR 24 million and EUR 4 million, respectively due to the adverse change in projected cash flows.

In the fourth quarter of 2008, AEGON received EUR 25 million from a litigation settlement. The settlement was recorded as an additional impairment recovery.

Equity instruments classified as available for sale

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. Additionally, as part of an ongoing process, the equity analysts actively monitor earnings releases, company fundamentals, new developments and industry trends for any signs of possible impairment.

These factors typically require significant management judgment. The impairment review process has resulted in EUR 123 million of impairment charges for the year ended December 31, 2008 for AEGON Americas, AEGON The Netherlands and AEGON UK. In addition AEGON realized EUR 80 million impairment losses on its share portfolio in Taiwan and related to its investment in Chang Wha Bank and Taichin.

As of December 31, 2008, there are EUR 152 million of gross unrealized gains and EUR 122 million of gross unrealized losses in the equity portfolio of AEGON. There are no securities held by AEGON with an unrealized loss of more than EUR 5 million. The table below represents the unrealized gains and losses on share positions held by AEGON Americas, AEGON The Netherlands and AEGON UK.

In million EUR

	Cost basis	Carrying value	Net unrealized gains/ (losses)	Carrying value of securities with gross unrealized gains	Gross unrealized gains	Carrying value of securities with gross unrealized losses	Gross unrealized losses
Shares	1,191	1,221	30	797	145	424	(115)

The composition of shares by industry sector in an unrealized loss position held by AEGON Americas, AEGON The Netherlands and AEGON UK at December 31, 2008 is presented in the table below.

Unrealized losses–shares

In million EUR	Carrying value of instruments with unrealized losses **2008**	Gross unrealized losses **2008**
Communication	24	(18)
Consumer cyclical	1	-
Consumer non-cyclical	11	(4)
Financials	83	(14)
Funds	296	(77)
Industries	4	-
Technology	1	-
Other	4	(2)
Total	**424**	**(115)**

Impairment losses on Shares

The table below provides the length of time the shares held by AEGON Americas, AEGON The Netherlands and AEGON UK were below cost prior to the impairment in 2008.

In million EUR	0 - 12 months	> 12 months	Total
Shares	(102)	(21)	(123)

The composition of AEGON Americas, AEGON The Netherlands and AEGON UK's common stock impairment losses and recoveries by issuer for the year ended December 31, 2008 is presented in the table below. Those issuers with impairments above EUR 25 million are specifically noted.

Issuer Name	(Impairment)/ Recovery in million EUR
Impairments:	
Primus Guaranty Ltd.	(34)
Other Impairments	(89)
Total impairments	(123)

A EUR 34 million loss was realized on Primus Guaranty Ltd. in 2008. Primus Guaranty Ltd. is a seller of credit default swaps. During the first half of 2008, the stock price remained significantly below AEGON's cost for a prolonged period of time. Impairment losses were realized in the second, third, and fourth quarters of 2008 by EUR 27 million, EUR 1 million and EUR 6 million, respectively.

Vi 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 or 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. Please refer to Note 18.6 of the notes to our consolidated financial statements in Item 18 of this Annual Report for more details.

Vii 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.

Viii 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.

Ix 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.

x 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.

xi Non-consolidated group companies

All Group Companies are consolidated.

5.3 Results of Operations – 2008 compared to 2007

AEGON Consolidated

AEGON and the global financial crisis

In 2008, AEGON's earnings were severely affected by the global financial crisis. Especially 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 company's core businesses, however, remained resilient, while measures were taken to reduce risk and release and secure additional capital. 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.
- A strong increase in equity market volatility.

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 neither recognize the imminent threat nor the degree of severity that has 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;
- Taking on more 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.

AEGON's solvency ratio, under the European Insurance Group Directive, stood at 183%, down from 190% at the end of 2007. AEGON's operations in the United States have a NAIC RBC[1] ratio of approximately 350%.

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 support healthy and viable banks and insurance companies in the Netherlands to counter the effects of the global financial crisis;
- 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.

[1] National association of Insurance Commissioners Risk Based Capital

	2008	2007 Adjusted *	%
	in million EUR	in million EUR	
Operating earnings geographically			
Americas	(587)	2,102	(128)
The Netherlands	213	37	N.M
United Kingdom	122	271	(55)
Other countries	93	142	(35)
Holding and other activities	95	(195)	149
Eliminations	18	10	80
Operating earnings before tax	**(46)**	**2,367**	**(102)**
By product segment			
Life and protection	795	1,284	(38)
Individual savings and retirement	(922)	524	N.M
Pensions and asset management	251	181	39
Institutional products	8	339	(98)
Reinsurance	(361)	135	N.M
Distribution	1	6	(83)
General insurance	45	47	(4)
Interest charges and other	113	(185)	161
Share in net results of associates	24	36	(33)
Operating earnings/(loss) before tax	**(46)**	**2,367**	**(102)**
Gains/(losses) on investments [1]	35	746	(95)
Impairment charges [1]	(1,038)	(76)	N.M.
Other non-operating income/(charges) [1]	(12)	40	(130)
Income/(loss) before tax	**(1,061)**	**3,077**	**(134)**
Income tax	(21)	(526)	96
Net income/(loss) [2]	**(1,082)**	**2,551**	**(142)**
Net operating earnings/(loss)	**69**	**1,805**	**(96)**

1 Together non-operating earnings before tax

2 Net income refers to net income attributable to equity holders of AEGON N.V.

* 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.

N.M. = not meaningful

Revenues geographically 2008

In million EUR	Americas	The Netherlands	United Kingdom	Other countries	Holdings, other activities and eliminations	Total
Total life insurance gross premiums	5,937	3,204	9,017	1,637	0	19,795
Accident and health insurance premiums	1,713	210	0	74	0	1,997
General insurance premiums	0	458	0	159	0	617
Total gross premiums	7,650	3,872	9,017	1,870	0	22,409
Investment income	4,677	2,387	2,521	282	98	9,965
Fees and commission income	938	416	239	110	0	1,703
Other revenues	2	0	0	2	1	5
Total revenues	**13,267**	**6,675**	**11,777**	**2,264**	**99**	**34,082**
Number of employees, including agent-employees	15,072	6,171	5,189	4,739	254	31,425

This report includes two non-GAAP financial measures: operating earnings before tax and net operating earnings. The reconciliation of these measures to the most comparable GAAP measure is shown in the table below in accordance with Regulation G. AEGON believes the two non-GAAP measures, together with the GAAP information, provide sufficient information for both investors and potential investors to assess the Group's business and financial performance relative to its peers.

In million EUR	**2008**	2007
Net operating earnings/(loss)	**69**	**1,805**
Income tax on operating earnings	(115)	562
Operating earnings/(loss) before tax	**(46)**	**2,367**
Gains/(losses) on investments	35	746
Other income	5	32
Impairment charges	(1,038)	(76)
Policyholder tax	(17)	8
Income/(loss) before tax	**(1,061)**	**3,077**

This review of operations should be read in conjunction with the consolidated financial statements and related notes in Item 18 of this Annual Report.

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 1.08 billion. Operating earnings before tax declined 102% to EUR (46) million – the result primarily of the impact of lower markets on financial guarantees and fair value investments in the Americas and the Netherlands, reserve strengthening and accelerated amortization in the United States of Deferred Policy Acquisition Costs, or DPAC. In general, fees on asset balances were also significantly lower. Net income for the year was affected by an increase in impairments. New life sales declined 20% to EUR 2.63 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 and adverse currency movements. Total gross deposits were down 8% at EUR 40.75 billion, with lower sales of institutional products and pensions and asset management more then offsetting strong sales of fixed annuities in the United States.

Net income

AEGON reported a net loss for 2008 of EUR 1.08 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 EUR 1.62 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 wider credit and equity markets. Impairments also rose sharply during the year to EUR 1.04 billion – the result of a significant deterioration in business and economic conditions. Impairments stemmed primarily from investments in US financial institutions (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 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 despite a charge of EUR 490 million related to inter-company reinsurance treaties, which more than offset the tax benefit from the company's reported operational losses.

Operating earnings before tax

AEGON's operating earnings before tax declined 102% in 2008 to EUR (46) million – a reflection primarily of the impact of lower markets on financial guarantees and fair value investments in the Americas and the Netherlands, reduced fees on asset balances and of lower equity markets, which led to reserve strengthening and an accelerated amortization of DPAC, 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. Changes 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.

Interest charges and other

In 2008 interest charges and other recorded in income of EUR 113 million compared to an expense of EUR 185 million in 2007. this improvement is mainly a result of the increase in the spread of credit risk on certain issued bonds that are held at fair value through profit or loss. The change in AEGON's credit spread resulted in a gain of EUR 225 million in 2008.

Commissions and expenses

Commissions and expenses rose 3% in 2008 to EUR 6 billion. This was due primarily to 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 2.63 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 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 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 40.75 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 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.

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 16.3 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 7.7 billion. In addition, the net loss for the year (EUR 1.08 billion) and the payment of dividend and coupons (EUR 970 million) contributed to the decline. Unrealized losses – held in the company's revaluation reserve – were due primarily to the unprecedented widening of credit spreads on corporate bonds seen during the year. This widening more than offset the effect of declines in government bond yields.

AMERICAS

Americas (includes AEGON USA and AEGON Canada)

	2008 in million USD	2007 in million USD	%	**2008** in million EUR	2007 in million EUR	%
Income by product segment						
Life and protection						
Life	593	883	(33)	404	645	(37)
Accident and health	321	443	(28)	219	324	(32)
Individual savings and retirement						
Fixed annuities	(68)	486	(114)	(46)	355	(113)
Variable annuities	(1,289)	205	N.M	(879)	150	N.M
Retail mutual funds	8	22	(64)	5	16	(69)
Pensions and asset management	91	188	(52)	62	138	(55)
Institutional products						
Institutional guaranteed products	(15)	379	(104)	(10)	277	(104)
BOLI/COLI	26	85	(69)	18	62	(71)
Reinsurance	(529)	185	N.M	(361)	135	N.M
Share in net results of associates	1	0		1	0	
Operating earnings/(loss) before tax	**(861)**	**2,876**	**(130)**	**(587)**	**2,102**	**(128)**
Gains/(losses) on investments	(103)	376	(127)	(71)	275	(126)
Impairment charges	(1,138)	(65)	N.M.	(776)	(48)	N.M.
Other income/(charges)	6	0		4	0	
Income/(loss) before tax	**(2,096)**	**3,187**	**(166)**	**(1,430)**	**2,329**	**(161)**
Income tax	74	(1,003)	107	51	(733)	107
Net income/(loss)	**(2,022)**	**2,184**	**(193)**	**(1,379)**	**1,596**	**(186)**
Net operating earnings/(loss)	**(491)**	**2,098**	**(123)**	**(335)**	**1,533**	**(122)**
Revenues						
Total life insurance gross premiums	8,704	10,885	(20)	5,937	7,955	(25)
Accident and health insurance	2,511	2,529	(1)	1,713	1,848	(7)
Total gross premiums	11,215	13,414	(16)	7,650	9,803	(22)
Investment income	6,856	7,486	(8)	4,677	5,471	(15)
Fee and commission income	1,375	1,445	(5)	938	1,056	(11)
Other Revenue	3	13	(77)	2	10	(80)
Total revenues	**19,449**	**22,358**	**(13)**	**13,267**	**16,340**	**(19)**
Commissions and expenses	4,961	4,569	9	3,384	3,339	1
Of which operating expenses	2,167	2,124	2	1,478	1,552	(5)

	2008 in million USD	2007 in million USD	%	**2008** in million EUR	2007 in million EUR	%
New life sales						
Life	669	742	(10)	456	542	(16)
BOLI/COLI	36	207	(83)	25	151	(83)
Reinsurance	240	327	(27)	163	239	(32)
Total life production	**945**	**1,276**	**(26)**	**644**	**932**	**(31)**
New premium production accident and health	**870**	**898**	**(3)**	**593**	**656**	**(10)**
Gross deposits (on and off balance sheet)						
Fixed annuities	5,947	1,567	N.M	4,057	1,145	N.M
Variable annuities	3,680	3,723	(1)	2,510	2,721	(8)
Pensions	11,423	11,862	(4)	7,792	8,669	(10)
Institutional guaranteed products	26,945	32,097	(16)	18,380	23,458	(22)
Reinsurance	4	3	33	2	2	0
Retail mutual funds	2,813	2,865	(2)	1,919	2,094	(8)
Managed assets	1,564	1,813	(14)	1,067	1,325	(19)
Total gross deposits	**52,376**	**53,930**	**(3)**	**35,727**	**39,414**	**(9)**

Exchange rates

	Weighted average			Year-end
Per 1 EUR	**2008**	2007	**2008**	2007
USD	1.4660	1.3683	1.3917	1.4721
CAD	1.5589	1.4681	1.6698	1.4449

Net income/(loss)

Net income, which includes impairment charges and net gains/(losses) on investments, decreased to USD (2,022) million in 2008, from USD 2,184 million in 2007. Net losses on investments amounted to USD 103 million, compared with gains in 2007 of USD 376 million. Significant issues in the macro credit environment resulted in impairment charges for the year that were significantly higher than in recent history. Net impairment charges totaled USD 1,138 million for the year, primarily related to corporate bonds (including holdings in Lehman Brothers and Washington Mutual) and structured assets . The effective tax rate on net income declined to 4% in 2008, from 22% the previous year. Changes in the effective tax rate on net income mainly relate to the decrease in income before tax combined with relatively constant US permanent differences as well as non-operating tax expenses related to intercompany reinsurance treaties between Ireland and the United States, offsetting the tax benefit from the reported operational losses. These reinsurance treaties are accounted for at fair value in both tax jurisdictions, leading to a tax charge of USD 718 million caused by the tax rate differential.

Revenues

AEGON Americas reported revenues in 2008 of USD 19.4 billion, a decrease of 13% compared with 2007. Life insurance gross premiums decreased 20% to USD 8.7 billion. Recurring premiums were up 3%, due mainly to growth in the reinsurance business. Single premiums, meanwhile, decreased by 68% compared with 2007, as a result of significantly lower terminal funding and BOLI/COLI sales in 2008. At USD 2.5 billion, accident and health premiums were stable compared with 2007. Investment income decreased 8%, largely due to lower yield in the bond portfolio, while fees and commissions were 5% lower, due primarily to declines in fees on variable products which are based generally upon account values. Variable product account values were negatively impacted throughout 2008 by the continuous decline in equity markets.

Operating earnings before tax

AEGON Americas reported operating earnings before tax of USD (861) million in 2008, in comparison to USD 2,876 million for the previous year, as a result of several negative economic factors. Alternative assets had negative returns for the year across virtually all sub-asset categories. In addition, declines in equity markets caused significant negative earnings impacts in our variable annuity business from both increases in guarantee reserves and subsequent DAC unlocking.

Life and protection

Operating earnings before tax from AEGON Americas' life and protection business declined 31% in 2008 to USD 914 million. This decrease was due primarily to negative DAC unlocking and declines in persistency in variable Universal Life due to the overall decline in equity markets as well as unfavorable claims experience compared to last year.

Individual savings and retirement

Operating earnings before tax from AEGON Americas' individual savings and retirement business declined in 2008 to USD (1,349) million from USD 713 million mainly due the negative income impacts of variable annuity guarantees driven by declining equity markets and negative performance on mark to market assets. Earnings from variable annuities fell by USD 1,494 million primarily due to the impact of guarantees leading to reserve strengthening charges and equity market performance related DAC unlocking.

Pensions and asset management

AEGON Americas' pensions and asset management business reported operating earnings before tax of USD 91 million in 2008, a decrease of 52%. The decline in earnings was mostly driven by lower fees on products which are a function of asset balances. These asset balances were negatively impacted by the decline in equity markets.

Institutional products

Operating earnings before tax from institutional products decreased in 2008 to USD 11 million from USD 464 million in 2007. During the year, the decrease in the value of certain structured products in the credit derivatives portfolio and increases in reserves on synthetic GICs more than offset positive spread development.

Reinsurance

Operating earnings before tax from AEGON Americas' reinsurance business fell in 2008 to USD (529) million from USD 185 million in 2007. The primary drivers of the 2008 negative result were the earnings impact of variable annuity guarantee reserve increases driven by the market decline, a negative impact of model refinements as well as negative mortality compared to 2007.

Long term return expectations for fair value assets in operating earnings

AEGON Americas holds certain fair value assets, which can have a notable impact on operating earnings. These assets, valued at approximately USD 3.6 billion, include certain hedge funds, real estate limited partnerships and convertible bonds. The valuation of these assets contributed USD (794) million to AEGON Americas' operating earnings before tax in 2008, a decrease from USD 571 million in 2007. The expected return before tax totaled USD 371 million, up from USD 364 million. The impact of these assets is particularly significant for the life, fixed annuity and institutional guaranteed products lines of business.

Net operating earnings

AEGON Americas' net operating earnings totaled USD (491) million in 2008, in comparison to USD 2,098 million for the previous year. The effective tax rate on operating earnings increased from 27% in 2007 to 43% in 2008. Changes in the effective tax rate on operating earnings mainly relate to the decrease in operating earnings before tax, combined with relatively constant US permanent differences.

Commissions and expenses

AEGON Americas' commissions and expenses increased by 9% in 2008 to USD 4,961 million. Operating expenses were 2% higher at USD 2,167 million. Most of the increase is attributable to an overall increase in headcount of 653 over the prior year.

Production

New life sales decreased 10% in 2008 to USD 669 million. This decline was seen throughout the industry and was a result of lower production across all retail agency units.

Sales of accident and health coverage fell USD 28 million in 2008, largely because of lower credit and travel sales. These products are especially sensitive to overall economic conditions and sales results reflected the decline in the global economy.

Fixed annuity sales, meanwhile, were significantly higher at USD 5,947 million in comparison to prior year sales of USD 1,567 million, as a result of consumers' preference for fixed return products versus products subject to equity market risk. In contrast, variable annuity sales decreased 1% to USD 3,680 million due to the same environment.

Pension deposits totaled USD 11,423 million in 2008, 4% lower than the previous year. This decline was a result of lower terminal funding deposits, offset somewhat by increases in retirement plan deposits.

Managed assets were 14% lower in 2008 at USD 1,564 million, following the challenging sales environment due to the current market turnmoil.

Sales of institutional guaranteed spread-based products totaled USD 9,859 million in 2008, a decrease of 29% compared with the previous year. This decline was due to reduced production of both spread based products and structured products, with some offset due to increased synthetic GIC sales. BOLI-COLI standardized production was 83% lower in 2008 at USD 36 million. This market was highly impacted by the global banking crisis as banks represent the primary customer base for these products.

Reinsurance standardized life production was 27% lower in 2008 at USD 240 million. The decline was primarily in domestic sales and reflects client companies seeking alternatives to traditional reinsurance solutions.

THE NETHERLANDS

AEGON The Netherlands

	2008 in million EUR	2007 Adjusted[1] in million EUR	% to adjusted
Income by product segment			
Life and protection			
Life	75	141	(47)
Accident and health	23	39	(41)
Individual savings and retirement			
Saving products	(14)	0	
Pensions and asset management	111	(170)	165
Distribution	3	16	(81)
General insurance	8	8	0
Share in profit/(loss) of associates	7	3	133
Operating earnings before tax	**213**	**37**	**N.M**
Gains/(losses) on investments	20	465	(96)
Impairment charges	(138)	(24)	N.M
Other Income / (charges)	0	30	(100)
Income before tax	**95**	**508**	**(81)**
Income tax	(1)	98	(101)
Net income	**94**	**606**	**(84)**
Net operating earnings	**139**	**41**	**N.M**
Revenues			
Total life insurance gross premiums	3,204	3,175	1
Accident and health insurance	210	203	3
General insurance	458	432	6
Total gross premiums	3,872	3,810	2
Investment income	2,387	2,120	13
Fee and commission income	416	443	(6)
Total revenues	**6,675**	**6,373**	**5**
Commissions and expenses	1,269	1,188	7
Of which operating expenses	934	843	11
New life sales			
Life	97	94	3
Pensions	122	166	(27)
Total life production	**219**	**260**	**(16)**
New premium production accident and health insurance	**15**	**18**	**(17)**
New premium production general insurance	**28**	**26**	**8**
Gross deposits (on and off balance sheet)			
Saving deposits	2,473	2,648	(7)
Mutual funds and other managed assets	228	390	(42)
Total gross deposits	**2,701**	**3,038**	**(11)**

[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.

Net income

AEGON The Netherlands' net income, which includes impairment charges and net gains/(losses) on investments, decreased by EUR 512 million to EUR 94 million. In 2008, net gains on investments (before tax) amounted to EUR 20 million compared to EUR 465 million in 2007. The 2008 net gains on investments include realized gains and losses on shares and bonds and a fair value movement on real estate for EUR 46 million (EUR 794 million in 2007). Fair value movements on derivatives considered as economic hedges resulted in a loss of EUR 26 million compared to a loss of EUR 329 million in 2007.

Impairment charges increased by EUR 114 million to EUR 138 million in 2008 compared to the previous year and were primarily related to equities and higher yield bonds.

Revenues

Revenues of EUR 6,675 million increased by 5% in 2008 compared to 2007. Life premiums increased by 4% to EUR 1,451 million as a result of competitively priced immediate annuities. Pension premiums decreased by 2% to EUR 1,753 million reflecting the increased uncertainty among clients. Accident & health premium income increased by EUR 7 million to EUR 210 million. General insurance premiums increased 6% reflecting AEGON's continued focus on writing profitable business in a competitive market.

Investment income, which includes direct investment income of both general account and account of policyholder investments, increased by 13% compared to 2007, due to the shift from shares to bonds following the de-risking of the portfolio.

Fees and commission income of EUR 406 million was 6% lower than in 2007 reflecting lower fee income from real estate transactions given the decline in the real estate market and lower income on asset management activities.

Operating earnings before tax

AEGON The Netherlands' operating earnings before tax decreased to EUR 213 million in 2008, compared with operating earnings of EUR 37 million in 2007. The difference between the fair value movement on guarantees and the related hedge contributed EUR 214 million to operating earnings in 2008 and resulted in a loss of EUR 325 million in 2007. This improvement is partly offset by fair value movements in private equity investments as well as fair value movements on assets held at fair value through profit and loss backing liabilities of a specific portfolio of group pension contracts.

Life and protection

Operating earnings before tax from AEGON The Netherlands' life business amounted to EUR 75 million in 2008, down from EUR 141 million the previous year. This decline was due to increased system and project related expenses, costs of modifying unit-linked insurance products, a one-time restructuring charge and the absence of one-off mortgage securitization gains of EUR 29 million in 2007, partly offset by favorable fair value movements related to guarantees. Accident and health operating earnings totaled EUR 23 million, down from EUR 39 million – the result of increased expenses and worsened claim experience.

Individual savings and retirement products

AEGON The Netherlands' operating earnings in the individual savings business came to a loss of EUR 14 million before tax in 2008, compared to zero in the previous year. Competition in the savings market is fierce, putting pressure on margins and volumes. 2007 earnings include a one-off charge of EUR 15 million related to the accelerated amortization of deferred expenses.

Pensions and asset management

Operating earnings before tax from AEGON The Netherlands' pensions and asset management operations totaled EUR 111 million in 2008, up from a loss of EUR 170 million the previous year, mainly due to the favorable fair value movements of EUR 459 million related to guarantees. Fair value movements in private equity investments as well as fair value movements on assets held at fair value through profit and loss backing liabilities of a specific portfolio of group pension contracts held in the general account of EUR 317 million (loss) more than offset improved technical results and an exceptional EUR 75 million dividend received in 2008.

Distribution

Operating earnings before tax from AEGON The Netherlands' distribution business amounted to EUR 3 million in 2008, compared with EUR 16 million the year before. 2008 earnings include a restructuring charge of EUR 21 million related to the real estate brokerage business. Also, the slowdown in the real estate market led to lower overall revenues. These factors more than offset efforts to reduce operating expenses. Earnings in 2007 included a charge of EUR 12 million related to the harmonization of claw back provisions of the Unirobe Meeùs Groep.

General insurance

Operating earnings before tax from AEGON The Netherlands' general insurance operations remained stable at EUR 8 million in 2008, compared to the year before. Improved claim experience offset expenses to improve and grow the business.

Net operating earnings

AEGON The Netherlands' net operating earnings totaled EUR 139 million in 2008, an increase from EUR 41 million the year before. The effective tax rate on operating earnings increased to 35%, mainly due to an increase of non taxable income/(loss), partly offset by a release of tax provisions.

Commissions and expenses

Commissions and expenses increased 7% to EUR 1,269 million in 2008. Operating expenses amounted to EUR 934 million in 2008 compared with EUR 843 million in 2007. The increase was due to a number of one-off factors, including a rise in project expenses, systems-related spending and a restructuring charge for AEGON The Netherlands' Distribution business.

Production

New life sales in the Netherlands decreased 16% 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 to increased uncertainty among clients.

Accident & health sales decreased by EUR 3 million to EUR 15 million, mainly due to lower sales of the disability product WIA. General insurance sales increased EUR 2 million to EUR 28 million reflecting AEGON's continued focus on writing profitable business in a competitive market.

Savings deposits decreased 7% to EUR 2,473 million in 2008 due to worsening economic conditions. Net deposits amounted to EUR 228 million compared with EUR 380 million in 2007 also a reflection of the economic decline in 2008.

UNITED KINGDOM

AEGON United Kingdom

	2008 in million GBP	2007 in million GBP	%	**2008** in million EUR	2007 in million EUR	%
Income by product segment						
Life and protection	46	54	(15)	58	78	(26)
Pensions and asset management	53	138	(62)	66	202	(67)
Distribution	(1)	(7)	86	(2)	(10)	80
Share in net results of associates	0	1	(100)	0	1	(100)
Operating earnings before tax	**98**	**186**	**(47)**	**122**	**271**	**(55)**
Gains/(losses) on investments	(17)	(5)	N.M	(21)	(8)	(163)
Impairment charges	(18)	(3)	N.M	(22)	(4)	N.M
Other non-operating income/(charges) [1]	(14)	5	N.M	(17)	8	N.M
Income before tax	**49**	**183**	**(73)**	**62**	**267**	**(77)**
Income tax attributable to policyholder return	14	(5)	N.M	17	(7)	N.M
Income before income tax on shareholders return	**63**	**178**	**(65)**	**79**	**260**	**(70)**
Income tax on shareholders return	1	5	(80)	1	7	(86)
Net income	**64**	**183**	**(65)**	**80**	**267**	**(70)**
Net operating earnings	**89**	**188**	**(53)**	**112**	**275**	**(59)**
Revenues						
Total gross premiums	7,179	7,393	(3)	9,017	10,811	(17)
Investment income	2,007	1,751	15	2,521	2,560	(2)
Fee and commission income	190	219	(13)	239	321	(26)
Total revenues	**9,376**	**9,363**	**0**	**11,777**	**13,692**	**(14)**
Commissions and expenses	662	647	2	832	946	(12)
Of which Operating expenses	414	391	6	519	571	(9)
New life sales [2]						
Life	251	210	20	316	307	3
Pensions	971	973	0	1,219	1,423	(14)
Total life production	**1,222**	**1,183**	**3**	**1,535**	**1,730**	**(11)**
Gross deposits (on and off balance sheet)						
Pensions and asset management	542	903	(40)	681	1,321	(48)
Total gross deposits	**542**	**903**	**(40)**	**681**	**1,321**	**(48)**

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

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

Exchange rates

	Weighted average		Year-end	
Per 1 EUR	**2008**	2007	**2008**	2007
GBP	0.7961	0.6838	0.9525	0.7334

Net income

Net income amounted to GBP 64 million compared to GBP 183 million in 2007. Most of the decrease is due to the impact of lower equity markets and in particular the impact of lower equity markets on fund related charges, losses on investments and higher impairment charges.

Revenues

Total gross premiums were down slightly by 3% from 2007 to 2008 to GBP 7,179 million. The reduction reflects lower single premiums from pensions business, offset by higher annuity premiums due to growth in annuity sales. Investment income increased by 15% from 2007 to 2008 primarily as a result of larger holdings of general account bonds backing the growing annuity portfolio. Fee and commission income decreased by 13% from 2007 to 2008 due to lower fee and commission income from investment contracts and the distribution businesses.

Operating earnings before tax

Operating earnings fell 39% from 2007 to 2008 to GBP 98 million. Most of the decrease is due to the impact of lower equity markets and in particular the impact of lower equity markets on fund related charges.

Life and protection

Operating earnings from Life and Protection decreased by 15% from 2007 to 2008 to GBP 46 million. The 2007 Life and Protection operating earnings included one-off income of GBP 21 million from the take on of a block of in-force annuities. Removing this one-off item in 2007 Life and Protection operating earnings increased significantly in 2008 primarily as a result of the growth of the annuity business.

Pensions and asset management

Operating earnings from Pensions and Asset Management decreased by 62% from 2007 to 2008 to GBP 53 million. The decrease was primarily due to lower corporate bond and equity markets, and in particular the impact of lower markets on fund related charges. The 2008 earnings also include negative GBP 15 million from the underperformance of fair value items, relating to fair value increases of guarantees embedded in 5 for Life variable annuity products, net of hedging.

Distribution

Operating earnings from the Distribution business amounted to a negative GBP 1 million, compared to a negative GBP 7 million in 2007. The increase in earnings was primarily due to cost containment and a release of incentive payments reserves.

Net operating earnings

Net operating earnings amounted to GBP 89 million in 2008 compared to GBP 188 million in 2007. The decrease primarily reflects the decrease in operating earnings described above. Additionally, in the second quarter of 2007 there was a one-time tax credit of GBP 38 million, as a result of a reduction in deferred tax liabilities following a change in the UK corporation tax rate from 30% to 28% which came into effect in April 2008.

Commissions & expenses

Commission 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 investment in AEGON UK's businesses and restructuring costs.

Sales

Despite a difficult market environment, AEGON UK increased new life sales in 2008 by 3% to GBP 1.22 billion. Life annualised premium production increased 20% to GBP 251 million due to continued strong sales of annuities and protection, 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 but this was offset by lower individual pensions sales.

Total gross deposits were 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.

OTHER COUNTRIES

	2008 in million EUR	2007 in million EUR	%
Income by product segment			
Life and protection			
Life	11	53	(79)
Accident and health	5	4	25
Individual savings and retirement products			
Variable annuities	(1)	0	
Savings products	0	(1)	100
Mutual funds	13	4	225
Pensions and asset management	12	11	9
General insurance	37	39	(5)
Share in net results of associates	16	32	(50)
Operating earnings before tax	**93**	**142**	**(35)**
Gains/(losses) on investments	(10)	14	(171)
Impairment charges	(68)	0	
Other income/(charges)	1	0	
Income before tax	**16**	**156**	**(90)**
Income tax	(25)	(83)	(70)
Net income/(loss)	**(9)**	**73**	**(112)**
Net operating earnings	**64**	**60**	**7**
Revenues			
Life reinsurance gross premiums	1,637	2,269	(28)
Accident and health insurance	74	71	4
General insurance	159	136	17
Total gross premiums	1,870	2,476	(24)
Investment income	282	241	17
Fee and commission income	110	80	38
Other revenues	2	1	100
Total revenues	**2,264**	**2,798**	**(19)**
Commissions and expenses	494	372	33
Of which Operating expenses	211	177	19
New life sales [1]			
Life	232	352	(34)
Pensions	1	1	0
Total life production	**233**	**353**	**(34)**
New premium production accident and health	**6**	**6**	**0**
New premium production general insurance	**40**	**32**	**25**
Gross deposits (on and off balance sheet)			
Variable annuities	126	22	473
Retail mutual funds	729	518	41
Other managed assets	779	154	406
Pensions	8	61	(87)
Total gross deposits	**1,642**	**755**	**117**

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

Exchange rates

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

Per 1 EUR	**2008**	2007
Czech Republic Krona (CZK)	24.8931	27.5710
Hungarian Forint (HUF)	251.2908	251.231
New Taiwan Dollar (NTD)	46.1694	45.420
Polish Zloty (PLN)	3.5206	3.7900
Rin Min Bi Yuan (CNY)	10.2470	10.4610
Slovakian Koruna (SKK)	31.1190	33.6890

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

Net income/(loss)

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.

Overview

Earnings from Other countries declined in 2008 – largely the result of a significant decrease in earnings from AEGON's Life & 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. Operating earnings before tax declined 35% to EUR 93 million, while AEGON's Other countries operations reported a net loss for the year of EUR 9 million.

Operating earnings before tax

Operating 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.

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, which were 19% higher 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.

Sales in Taiwan, on the other hand, declined significantly, offset only in part by 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.

5.4 Results of Operations– 2007 compared to 2006

	2007 Adjusted * in million EUR	2006 in million EUR	% to adjusted
By product segment			
Life and protection	1,284	1,283	-
Individual savings and retirement	524	631	(17)
Pensions and asset management	181	1,025	(82)
Institutional products	339	382	(11)
Reinsurance	135	163	(17)
Distribution	6	12	(50)
General insurance	47	55	(15)
Interest charges and other	(185)	(242)	(24)
Share in net results of associates	36	32	13
Operating earnings before tax	**2,367**	**3,341**	**(29)**
Gains/(losses) on investments [1]	746	569	31
Impairment charges [1]	(76)	(25)	
Other non-operating income/(charges) [1]	40	86	(53)
Income before tax	**3,077**	**3,971**	**(23)**
Income tax	(526)	(802)	(34)
Net income [2]	**2,551**	**3,169**	**(20)**
Net operating earnings	**1,805**	**2,570**	**(30)**
Operating earnings geographically			
Americas	2,102	2,174	(3)
The Netherlands	37	1,122	(97)
United Kingdom	271	226	20
Other countries	142	61	133
Holding and other activities	(195)	(238)	(18)
Eliminations	10	(4)	-
Operating earnings before tax	**2,367**	**3,341**	**(29)**

[1] Together non-operating earnings before tax

[2] Net income refers to net income attributable to equity holders of AEGON N.V.

* 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.

Revenues geographically 2007

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

This report includes two non-GAAP financial measures: operating earnings before tax and net operating earnings. The reconciliation of these measures to the most comparable GAAP measure is shown in the table below in accordance with Regulation G. AEGON believes the two non-GAAP measures, together with the GAAP information, provide sufficient information for both investors and potential investors to assess the Group's business and financial performance relative to its peers.

In million EUR	**2007** Adjusted *	2006
Net operating earnings	**1,805**	**2,570**
Income tax on operating earnings	562	771
Operating earnings before tax	**2,367**	**3,341**
Net gains and losses on investments	746	569
Other income	32	11
Impairment charges	(76)	(25)
Policyholder tax	8	75
Income before tax	**3,077**	**3,971**

* 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.

This review of operations should be read in conjunction with the consolidated financial statements and related notes in Item 18 of this Annual Report.

Overview

AEGON's businesses delivered a solid performance in 2007, as demonstrated by increased sales and deposits. In addition, AEGON continues to maintain its strong financial position.

Despite turbulence in world financial markets, AEGON experienced no material impairments to its investment portfolio during the year. AEGON's subprime portfolio, valued at EUR 2.9 billion, continues to be very high quality, with more than 99% rated either 'AA' or 'AAA'.

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

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

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

Investment portfolio AEGON USA

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

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

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

AEGON USA's residential mortgage-backed securities (RMBS) portfolio includes securities of near prime residential mortgage loans, such as so-called Alt-A and negative amortization floaters. AEGON's EUR 862 million of Alt-A holdings are backed by fixed-rate loans and 99% of these securities are AAA. At the end of 2007 the Alt-A portfolio had total negative pre-tax revaluations of EUR 18 million, bringing the fair value of this portfolio to EUR 844 million, or approximately 98%. The negative amortization, or Option ARM floaters, is collateralized by affordability-type loan structures that allow for flexible monthly repayments. This EUR 1.6 billion portfolio is entirely AAA rated and consists of super-senior triple-A exposure. This means that subordination levels in the securitizations are 4 to 5 times what is typically required by rating agencies for a AAA rating. The total negative pre-tax revaluation of this portfolio was EUR 73 million bringing the fair value of the portfolio to EUR 1.5 billion, or approximately 95%.

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

At the end of 2007, total negative pre-tax revaluations on subprime ABS, Alt-A RMBS, negative amortization floaters and CDOs totaled EUR 487 million, bringing the fair value of the portfolio to approximately 92%. For a fee, AEGON USA takes on credit exposure on a credit index, i.e. super-senior tranches of the CDX index, via a synthetic collateralized debt obligation program (synthetic CDO). This index is composed of a reference portfolio of 125 investment grade corporate credits. 84% of the exposure is to the most senior of the

super-senior tranches, i.e. the 30%-100% tranche. This means that losses to AEGON occur only if cumulative net losses on the CDX index exceed 30%, where cumulative net loss is defined as bond defaults net of recoveries. The average duration of the outstanding transactions is 4.7 years. AEGON considers the probability of losses at these levels to be extremely remote and hence does not expect any cash losses to occur from these synthetic CDO positions. As these derivatives are marked to market through earnings, they may however cause substantial operating earnings volatility prior to maturity due to credit spread volatility. Assuming there are no cash losses from these positions, any mark to market effect on operating earnings will be reversed by maturity. At December 31, 2007, the notional amount of this program was EUR 4.5 billion with a negative market value of EUR 30 million.

Results

AEGON's operating earnings before tax amounted to EUR 2,367 million in 2007, down 29% from operating earnings before tax of EUR 3,341 million for the previous year (a decease of 24% at constant currency rates). Lower operating earnings from the Americas and the Netherlands in 2007 more than offset increases in the United Kingdom and from 'Other countries'. AEGON Americas saw its operating earnings before tax fall 3% to EUR 2,102 million (or increase of 5% at constant currency rates).

AEGON The Netherlands operating earnings decreased by EUR 1,085 million to EUR 37 million. In 2006 EUR 648 million of guarantee provisions were released as a result of the positive impact of rising interest rates in the Netherlands, while the difference between fair value movements of certain guarantees and the fair value changes of derivatives that hedge certain risks of these guarantees amounted to a loss of EUR 325 million in 2007. Excluding the effect of the guarantees on operating earnings, the 2007 operating earnings before tax were virtually unchanged (or 6% increase at constant currency rates).

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

AEGON's net operating earnings declined to EUR 1,805 million in 2007, down from a figure of EUR 2,570 million the previous year, due mainly to the impact of the guarantee reserves discussed above and an increase in the Group's effective tax rate. In addition, net operating earnings in 2006 included significant one-off gains relating to tax payments in the Netherlands. In 2007, AEGON's effective tax rate on operating earnings increased to 24%, up from 23% in 2006.

Gains/(losses) on investments and impairment charges, totaled EUR 670 million in 2007, up from EUR 544 million the previous year. This increase was primarily the result of a rise in net gains from the sale of bonds and shares in the Americas and the Netherlands.

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

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

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

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

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

Sales

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

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

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

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

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

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

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

AMERICAS

Americas (includes AEGON USA and AEGON Canada)

	2007 in million USD	2006 in million USD	%	**2007** in million EUR	2006 in million EUR	%
Income by product segment						
Life and protection						
Life	883	741	19	645	589	10
Accident and health	443	417	6	324	331	(2)
Individual savings and retirement						
Fixed annuities	486	477	2	355	380	(7)
Variable annuities	205	266	(23)	150	213	(30)
Retail mutual funds	22	5		16	4	
Pensions and asset management	188	139	35	138	111	24
Institutional products						
Institutional guaranteed products	379	408	(7)	277	325	(15)
BOLI/COLI	85	74	15	62	58	7
Reinsurance	185	205	(10)	135	163	(17)
Operating earnings before tax	**2,876**	**2,732**	**5**	**2,102**	**2,174**	**(3)**
Gains/(losses) on investments	376	(28)		275	(22)	
Impairment charges	(65)	(15)		(48)	(12)	
Income before tax	**3,187**	**2,689**	**19**	**2,329**	**2,140**	**9**
Income tax	(1,003)	(738)	36	(733)	(587)	25
Net income	**2,184**	**1,951**	**12**	**1,596**	**1,553**	**3**
Net operating earnings	**2,098**	**1,978**	**6**	**1,533**	**1,574**	**(3)**
Revenues						
Total life insurance gross premiums	10,885	9,687	12	7,955	7,709	3
Accident and health insurance	2,529	2,490	2	1,848	1,981	(7)
Total gross premiums	13,414	12,177	10	9,803	9,690	1
Investment income	7,486	7,185	4	5,471	5,718	(4)
Fee and commission income	1,445	1,220	18	1,056	971	9
Other Revenue	13			10		
Total revenues	**22,358**	**20,582**	**9**	**16,340**	**16,379**	**(0)**
Commissions and expenses	4,569	4,614	(1)	3,339	3,672	(9)
Of which operating expenses	2,124	1,956	9	1,552	1,557	(0)

New life sales						
Life	742	733	1	542	583	(7)
BOLI/COLI	207	201	3	151	160	(6)
Reinsurance	327	315	4	329	251	31
Total life production	**1,276**	**1,249**	**2**	**932**	**994**	**(6)**
New premium production accident and health	**898**	**954**	**(6)**	**656**	**759**	**(14)**
Gross deposits (on and off balance sheet)						
Fixed annuities	1,567	1,366	15	1,145	1,087	5
Variable annuities	3,723	3,395	10	2,721	2,702	1
Pensions	11,862	9,299	28	8,669	7,400	17
Institutional guaranteed products	32,097	25,128	28	23,458	19,997	17
Reinsurance	3	4	(25)	2	3	(33)
Retail mutual funds	2,865	2,776	3	2,094	2,209	(5)
Managed assets	1,813	1,642	10	1,325	1,307	1
Total gross deposits	**53,930**	**43,610**	**24**	**39,414**	**34,705**	**14**

Exchange rates

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

Operating earnings before tax

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

Life and protection

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

Individual savings and retirement

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

Pensions and asset management

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

Institutional products

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

Reinsurance

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

Long term return expectations for fair-valued assets in operating earnings

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

Net operating earnings

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

Net income

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

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

Revenues

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

Commissions and expenses

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

Production

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

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

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

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

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

THE NETHERLANDS

AEGON The Netherlands

	2007 Adjusted * in million EUR	2006 in million EUR	% to adjusted
Income by product segment			
Life and protection			
Life	141	282	(50)
Accident and health	39	34	15
Individual savings and retirement			
Saving products	0	35	
Pensions and asset management	(170)	720	(124)
Distribution	16	18	(11)
General insurance	8	26	(69)
Share in profit/(loss) of associates	3	7	(57)
Operating earnings before tax	**37**	**1,122**	**(97)**
Gains/(losses) on investments	465	513	(9)
Impairment charges	(24)	(12)	(100)
Other Income / (charges)	30	-	
Income before tax	**508**	**1,623**	**(69)**
Income tax	98	(203)	
Net income	**606**	**1,420**	**(57)**
Net operating earnings	**41**	**868**	**(95)**
Revenues			
Total life insurance gross premiums	3,175	3,028	5
Accident and health insurance	203	191	6
General insurance	432	434	(0)
Total gross premiums	3,810	3,653	4
Investment income	2,120	2,006	6
Fee and commission income	443	375	18
Total revenues	**6,373**	**6,034**	**6**
Commissions and expenses	1,188	1,087	9
Of which operating expenses	843	708	19
New life sales			
Life	94	97	(3)
Pensions	166	151	10
Total life production	**260**	**248**	**5**
New premium production accident and health insurance	**18**	**46**	**(61)**
New premium production general insurance	**26**	**33**	**(21)**
Gross deposits (on and off balance sheet)			
Saving deposits	2,648	2,401	10
Mutual funds and other managed assets	390	408	(4)
Total gross deposits	**3,038**	**2,809**	**8**

* 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.

Operating earnings before tax

AEGON The Netherlands' operating earnings before tax decreased to EUR 37 million in 2007, compared with operating earnings of EUR 1,122 million in 2006. 2006 included EUR 648 million of release of provisions related to the guarantees while the difference between the fair value movement on guarantees and the related hedge resulted in a loss EUR 325 million in 2007. Excluding the effect of the guarantees, operating earnings decreased by EUR 112 million. This decrease was due mainly to losses of EUR 40 million from financial assets carried at fair value (with no offsetting changes in the fair value of liabilities). In 2006, these fair value items had generated a gain of EUR 39 million. In addition, higher investment income was offset by losses on derivatives.

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

Life and protection

Operating earnings before tax from AEGON The Netherlands' life and protection business amounted to EUR 141 million in 2007, down from EUR 282 million the previous year due to EUR 173 million of fair value profits related to the guarantees. Excluding the effect of the guarantees, operating earnings increased due to higher investment income. Accident and health operating earnings totaled EUR 39 million, up from EUR 34 million – the result of an improved claim experience and lower expenses.

Individual savings and retirement products

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

Pensions and asset management

Operating earnings before tax from AEGON The Netherlands' pensions and asset management operations amounted to a loss of totaled EUR 170 million in 2007, down from operating earnings of EUR 720 million the previous year. 2006 included EUR 523 million of fair value profits related to the guarantees while the difference between the fair value movement on guarantees and the related hedge resulted in a loss EUR 277 million in 2007. Excluding the effect of the guarantees, operating earnings decreased by 46%. This decline can be attributed to fluctuations in fair value items during the year. The acquisition of OPTAS contributed EUR 11 million to overall operating earnings before tax from the pensions and asset management business line.

Distribution

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

General insurance

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

Net operating earnings

AEGON The Netherlands' net operating earnings totaled EUR 41 million in 2007, a decrease from EUR 868 million the year before. The effective tax rate has decreased significantly in 2007 due to tax effects on the fair value movement on guarantees and the related hedge.

Net income

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

Other income/(charges) of EUR 30 million included a one-time gain related to the acquisition of OPTAS and the effect of a refinement of the calculation of unit-linked guarantees. The acquisition of OPTAS was completed in the second quarter of 2007. The acquired net assets amounted to EUR 1.7 billion, EUR 212 million higher than the acquisition price of EUR 1.5 billion resulting in a one-time gain at acquisition. Starting with the second quarter of 2007, AEGON refined its method of calculating the fair value of guarantees included in

its unit-linked products in order to align these calculations with the calculations currently used for group pension contracts and traditional products. This change in estimate has been applied prospectively. The cumulative impact on income before tax recognized in the second quarter of 2007 amounted to a loss of EUR 181 million.

Revenues

Revenues of EUR 6,373 million increased by 6% in 2007 compared to 2006. Pension premiums increased by 4% reflecting the inclusion of OPTAS and increased recurring premiums. Life premiums increased by 6% to EUR 1,394 million. Accident & health premium income increased by EUR 12 million to EUR 203 million reflecting a full year of premiums from the disability product WIA. General insurance premiums remained stable. Investment income, which includes direct investment income of both general account and account of policyholder investments, increased by 6% compared to 2006. The increase reflects the inclusion of OPTAS.

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

Commissions and expenses

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

Production

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

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

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

UNITED KINGDOM

AEGON United Kingdom

	2007 in million GBP	2006 in million GBP	%	**2007** in million EUR	2006 in million EUR	%
Income by product segment						
Life and protection	54	12		78	20	
Pensions and asset management	138	145	(4)	202	211	(4)
Distribution	(7)	(4)		(10)	(6)	(67)
Share in net results of associates	1	1		1	1	
Operating earnings before tax	**185**	**154**	**21**	**271**	**226**	**20**
Gains/(losses) on investments	(5)	11	(145)	(8)	16	(150)
Impairment charges	(3)	(1)		(4)	(1)	
Other non-operating income/(charges) [1]	5	61	(92)	8	90	(91)
Income before tax	**183**	**225**	**(19)**	**267**	**331**	**(19)**
Income tax attributable to policyholder return	(5)	(51)	90	(7)	(75)	91
Income before income tax on shareholders return	**178**	**174**	**2**	**260**	**256**	**2**
Income tax on shareholders return	5	(16)	131	7	(24)	129
Net income	**183**	**158**	**16**	**267**	**232**	**15**
Net operating earnings	**188**	**141**	**33**	**275**	**206**	**33**
Revenues						
Total gross premiums	7,393	6,274	18	10,811	9,214	17
Investment income	1,751	1,643	7	2,560	2,413	6
Fee and commission income	219	189	16	321	278	15
Total revenues	**9,363**	**8,106**	**16**	**13,692**	**11,905**	**15**
Commissions and expenses	**647**	**607**	**7**	**946**	**892**	**6**
Of which Operating expenses	**391**	**375**	**4**	**571**	**551**	**4**
New life sales [2]						
Life	210	159	32	307	234	31
Pensions	973	897	8	1,423	1,317	8
Total life production	**1,183**	**1,056**	**12**	**1,730**	**1,551**	**12**
Gross deposits (on and off balance sheet)						
Pensions and asset management	903	808	12	1,321	1,186	11
Total gross deposits	**903**	**808**	**12**	**1,321**	**1,186**	**11**

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

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

Exchange rates

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

Operating earnings before tax

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

Life and protection

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

Pensions and asset management

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

Distribution

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

Net operating earnings

Net operating earnings totaled GBP 188 million in 2007, an increase of 6% compared with the previous year after adjustment for one-time tax credit. From April 2008, UK corporation tax will be lowered to 28% from 30%. As a result, deferred tax liabilities have been reduced, resulting in a one-time tax credit in the second quarter of 2007 of GBP 38 million.

Revenues

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

Commissions and expenses

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

Sales

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

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

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

OTHER COUNTRIES

	2007 in million EUR	2006 in million EUR	%
Income by product segment			
Life and protection			
Life	53	24	121
Accident and health	4	4	0
Individual savings and retirement products			
Variable annuities	0	1	
Savings products	(1)	(5)	80
Mutual funds	4	2	100
Pensions and asset management	11	(18)	
General insurance	39	29	34
Share in net results of associates	32	24	33
Operating earnings before tax	**142**	**61**	**133**
Gains/(losses) on investments	14	20	(30)
Income before tax	**156**	**81**	**93**
Income tax	(83)	(45)	(84)
Net income	**73**	**36**	**103**
Net operating earnings	**60**	**20**	
Revenues			
Life single premiums	985	566	74
Life recurring premiums	1,284	1,251	3
Total life insurance gross premiums	2,269	1,817	25
Accident and health insurance	71	69	3
General insurance	136	127	7
Total gross premiums	2,476	2,013	23
Investment income	241	192	26
Fee and commission income	80	41	95
Other revenues	1	1	0
Total revenues	**2,798**	**2,247**	**25**
Commissions and expenses	372	342	9
Of which Operating expenses	177	149	19
New life sales [1]			
Life	352	251	40
Pensions	1	7	
Total life production	**353**	**258**	**37**
New premium production accident and health	**6**	**6**	**0**
New premium production general insurance	**32**	**23**	**39**
Gross deposits (on and off balance sheet)			
Variable annuities	22	6	
Retail mutual funds	154	98	57
Other managed assets	61	83	(27)
Pensions	518	278	86
Total gross deposits	**755**	**465**	**62**

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

Exchange rates

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

Per 1 EUR	**2007**	2006
Czech Republic Krona (CZK)	27.5710	28.259
Hungarian Forint (HUF)	251.231	264.268
New Taiwan Dollar (NTD)	45.420	41.250
Polish Zloty (PLN)	3.7900	3.8960
Rin Min Bi Yuan (CNY)	10.4610	10.0080
Slovakian Koruna (SKK)	33.6890	37.005

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

Operating earnings before tax

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

Life and protection

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

Pensions and asset management

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

General insurance

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

Associates

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

Net operating earnings

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

Net income

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

Revenues

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

Commissions and expenses

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

Production

Life and protection

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

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

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

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

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

Pensions and asset management

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

General insurance

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

5.5 Liquidity and capital resources

General

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 2008, 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 (IGD). 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 Item 10Cof this Annual Report on Form 20-F.

[1] Reference is made to note 18.17 of the notes to our consolidated financial statements in Item 18 of the Report

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 on AEGON's strategy and results.

AEGON's liquidity management strategy is aimed at maintaining sufficient liquidity to ensure that the company can meet its payment obligations as they fall due 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. For additional details on liquidity management see Item 11.

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.

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 is Credit Watch Negative.

[2] NR is 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.

5.6 Research and development, patents and licences

Not applicable

5.7 Off-balance sheet arrangements

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.

5.8 Contractual Obligations and Commitments

i Contractual obligations as per December 31, 2008

In million EUR (payments due by period)	Less than 1 year	1 – 3 years	4 – 5 years	More than 5 years	Total
• Insurance contracts [1]	6,150	11,182	10,896	154,036	182,264
• Insurance contracts for account of policyholders [1]	3,480	10,050	9,112	92,463	115,105
• Investment contracts [1]	12,698	11,361	6,392	11,695	42,146
• Investment contracts for account of policyholders [1]	2,973	6,480	6,713	71,706	87,872
• TRUPS, subordinated borrowings and borrowings [2]	1,751	239	768	2,783	5,541
• Scheduled interest payments on TRUPS, subordinated borrowings and borrowings	188	296	273	525	1,281
• Operating leases [3]	98	181	124	499	902

[1] The projected cash benefit payments are based on managements' 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 our 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 18.20, 18.21, 18.22 and 18.23. More details on the products, terms and conditions are included in item 4B.

[2] Long-term debt represents principal repayment obligations relating to Trust pass-through securities ("TRUPS"), subordinated borrowings and borrowings; they are described further in Notes 18.18, 18.19 and 18.24 of the notes to our consolidated financial statements in Item 18 of this Report.

[3] Operating leases are primarily related to agency and administration offices.

ii 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.

iii 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 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 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.

iv 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.

	2008	2007
Financial assets for general account		
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 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 on Securities lending	3,577	8,280
- Cash received on 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, please refer to note 18.13.2 of the notes to our consolidated financial statements in Item 18 of this Annual Report.

5.9 Subsequent Events

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 Jos 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 retire 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.

ITEM 6. DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

6.1 Introduction

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.

6.2 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 of Shareholders, 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.

AEGON is a member of the Stichting Communicatiekanaal 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 (for further details please refer to Item 18 of this Annual Report on Form 20-F), the holder of preferred shares, Vereniging AEGON, may cast 25/12 votes per share. Resolutions are adopted by an absolute majority of valid votes cast, unless the law or AEGON's Articles of Incorporation stipulate otherwise.

6.3 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.

6.4 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 AEGONstakeholders. 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 the company'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 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 rppointment 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.

6.5 Exercise of Control

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

a. CAPITAL STRUCTURE

AEGON has authorized capital of EUR 610,000,000, divided into 3,000,000,000 common shares, each with a par value of EUR 0.12, and 1,000,000,000 class A and class B preferred shares, with a par value of EUR 0.25. As of December 31, 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.

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 the preferred shares, Vereniging AEGON, may in certain circumstances cast 25/12 (approximately 2.08) votes per share in certain circumstances(see below for further explanation).

b. 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.

c. 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 the preferred shares carry multiple voting rights.

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 option rights, Vereniging AEGON would increase its voting power to more than 33%.

d. SPECIAL CONTROL RIGHTS

AEGON's major shareholder, Vereniging AEGON, has voluntarily waived its right to cast 25/12 vote per preferred share, except in the event of a 'special cause' as defined in greater detail in the Preferred Shares Voting Rights Agreement, published on AEGON's website. 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 item 7 of this Annual Report on Form 20-F.

e. 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 Note 18.40 of the notes to our consolidated financial statements as included in Item 18 of this Annual Report on Form 20-F. Under the terms of the existing share option plans, AEGON cannot influence the exercise of granted rights.

f. 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). Depositary receipts for AEGON shares are not issued with the company's cooperation.

g. 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.

h. 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.

i. 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 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.

j. 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 annual General Meeting of Shareholders.

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

k. 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).

l. SEVERANCE PAYMENTS IN EMPLOYMENT AGREEMENTS

The employment contracts with the current memebers 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, however, these more favorable severance payment arrangements have been waived to the extend that, in the case of dismissal, compensation will limited to a maximum of one year's fixed salary.

6.6 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 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 this 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 in 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 the current members of the Board are is not in line with this provision particularly with regard to severance payment arrangements. The employment contracts of the Executive Board members may be found on AEGON's corporate website, www.aegon.com. On December 1, 2008, 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 a 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.

6.7 Executive Board

i Members

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 Group'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 Group's Executive Board. In addition to his positions at AEGON, Mr. Streppel is a member of the Supervisory Boards of both Royal KPN N.V. and Van Lanschot N.V. Mr. Streppel has announced that he will step down at AEGON's General Meeting of Shareholders scheduled for April 22, 2009.

ii Ownership of AEGON N.V. shares

At December 31, 2007, members of the Executive Board held an aggregate number of 81,556 AEGON common shares and 314,470 options and share appreciation rights on AEGON common shares. Refer to Note 18.50 of the notes to our consolidated financial statements in Item 18 of this Annual Report on Form 20-F.

	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.

6.8 Supervisory Board

i Members

Dudley G. Eustace
Chairman of the Supervisory Board
Chairman of the Nominating Committee and member of the Compensation Committee
(1936, Nationality: joint British and Canadian)
Dudley G. Eustace is a former Chairman of London-based Smith & Nephew PLC. He also served as Vice-Chairman of Royal Philips Electronics 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
Chairman of the Risk Committee and member of the Audit Committee
(1941, Nationality: US citizen)
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
Member of the Nominating and Risk Committees
(1946, Nationality: Dutch)
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
Member of the Audit Committee
(1947, Nationality: Dutch)
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
Member of the Nominating and Risk Committees
(1940, Nationality: US citizen)
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
Chairman of the Audit Committee and member of the Risk Committee
(1947, Nationality: French)
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
Member of the Compensation and Nominating Committees
(1944, Nationality: Dutch)
Karla M.H. Peijs is Queen's Commissioner for the Province of Zeeland in the Netherlands. She was appointed to AEGON's Supervisory Board in 2007 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
Member of the Audit and Compensation Committees
(1938, Nationality: Dutch)
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
Member of the Risk Committee
(1942, Nationality: Dutch)
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. (Leuven, Belgium) and Baxter International Inc. (USA).

Ben van der Veer
Member of the Audit Committee
(1951, Nationality: Dutch)
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
Member of the Compensation Committee
(1950, Nationality: Dutch)
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
Chairman of the Compensation Committee
(1946, Nationality: Dutch)
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).

ii Ownership of AEGON N.V. shares

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.

6.9 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.

i 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 of Ernst & Young, AEGON's independent auditor. AEGON's Group Internal Auditor, the Group Risk Officer and the Group Actuarial Officer also periodically attended Audit Committee meetings. Discussions focused on the following topics:

- Quarterly results, 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 the Supervisory Board to 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 AEG ON'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.

ii Risk Committee

In 2007, AEGON's Supervisory 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, and 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.

iii 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, to 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.

iv Compensation Committee

The Compensation Committee held four meetings in 2008, also attended at times by either the Chief Executive Officer or the company's 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 147.
The main items of discussion during the Committee's meetings were the Remuneration Policy for the Executive Board and the Remuneration for the members of the Management Board. Possible amendments to the variable remuneration 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, despite the fact that 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 would necessitate that amendments be made to AEGON's Corporate Governance, these would be made in 2009.

v Supervisory Board Composition

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 Arthur W.H. 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.

vi Executive Board composition

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 Jos 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.

6.10 Compensation of Directors and Officers

i General

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 to ensure it remains fully in line with international standards.

ii Remuneration policy

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

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, Karla M.H. Peijs, was already a serving member of the company's Supervisory Board before her nomination by the government.

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.

See item 6.8 of this Annual Report for information on the members of AEGON's Supervisory Board.

Executive Board remuneration

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 predate 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:

- Net growth in 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.

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[2].

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.

[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.

2 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 under this system to arrive at a variable compensation of zero, AEGON's.Supervisory Board has the authority, if justified by the circumstances, to grant a discretionary payment. It should also be noted that these discretionary adjustments concern variable compensation only, and do not apply to fixed compensation.

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.

iii Remuneration report

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 that is 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 the annual General Meeting of Shareholders in April 2009.

Total compensation

Each year, AEGON sets a so-called 'Target Total Compensation' for each member of the company's 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 the table 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 prevailing international developments.

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	–

Variable compensation

Variable compensation is based on the company's financial performance. Under normal circumstances, amounts paid vary from year to year. Variable compensation comprises two different elements:

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

[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 or receive his base salary.
[2] For details of AEGON's Remuneration Policy with regard to members of the company's Executive Board, please refer to pages 143-146 of this Annual Report on Form 20-F.
[3] Mr. Shepard retired as Chief Executive Officer and Chairman of AEGON's Executive Board in April 2008. His salary shown here therefore covers the first four months of the year.

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 the following table:

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.

1.2 STI Plan 2008, matures 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.

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 Item 18.54 of the notes to our consolidated financial statements in Item 18 of this report.

2.2 LTI Plan 2006, matures 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 the table below for the grants due in 2009 as part of the LTI Plan 2006.

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.

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 follows:

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

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.

[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.

6.11 Employees and labor relations

At the end of 2008, AEGON had 31,425 employees of which were 4,446 agent-employees. Approximately 48% are employed in the Americas, 20% in the Netherlands, 17% in the United Kingdom and 15% in Other Countries. All of AEGON's employees in the Netherlands, other than senior management, are covered by collective labor agreements, which are generally renegotiated annually on an industry wide basis. Individual companies then enter into employment agreements with their employees based on the relevant collective agreement. Since its founding, AEGON has participated in collective negotiations in the insurance industry and has based its employment agreements with its employees on the relevant collective agreement. The collective agreements are generally for a duration of one year. AEGON has experienced no significant strike, work stoppage or labor dispute in recent years.

Under Dutch law, members of the Central Works Council responsible for AEGON in the Netherlands are elected by AEGON The Netherlands' employees. The Central Works Council has certain defined powers at the level of the Dutch subsidiary company AEGON Nederland N.V., including the right to make non-binding recommendations for appointments to its Supervisory Board and the right to enter objections against proposals for appointments to that Supervisory Board. Moreover, the Central Works Council of AEGON The Netherlands is to be consulted as regards a nomination for appointment pertaining to one seat on the Supervisory Board of AEGON.

The average number of employees per geographical area was:

	2008	2007	2006
Americas	15,362	14,887	14,104
The Netherlands	6,378	6,479	5,908
United Kingdom	5,113	4,777	4,553
Other countries	4,421	3,549	2,894
	31,274	29,692	27,459
Of which agent-employees	4,783	4,978	5,057

See Note 18.40 of the notes to our consolidated financial statements in Item 18 of this Annual Report on Form 20-F for a description of share-based payments to employees.

ITEM 7. MAJOR SHAREHOLDERS AND RELATED PARTY TRANSACTIONS

General

As of December 31, 2008, our total authorized share capital consisted of 3,000,000,000 common shares with a par value of EUR 0.12 per share and 1,000,000,000 class A and class B preferred shares, each with a par value of EUR 0.25 per share. At the same date, there were 1,578,227,139 common shares, 211,680,000 class A preferred shares and 35,170,000 class B preferred shares issued. Of the issued common shares 60,264,790 common shares were held by AEGON N.V. as treasury shares and 2,513,404 common shares were held by its subsidiaries.

All of our common shares and preferred shares are fully paid and not subject to calls for additional payments of any kind. All of our common shares are registered shares and held by shareholders worldwide either through Euroclear Netherlands as Deposit Shares or directly registered in the Register of Shareholders kept by the Company. Holders of New York Registry shares hold their common shares in registered form issued by our New York transfer agent on our behalf. New York Registry shares and Deposit Shares are exchangeable on a one-to-one basis and are entitled to the same rights, except that cash dividends are paid in US dollars on New York Registry shares.

As of December 31, 2008, 201 million common shares were held in the form of New York Registry shares. As of December 31, 2008, there were approximately 26,000 record holders, resident in the United States, of our New York Registry shares.

7A Major shareholders

i 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 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.

7B 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. Please refer to note 18.16 of the notes to our consolidated financial statements 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, and EUR 3.7 million for termination benefits. Termination benefits paid in 2008 relate to Mr. Van der Werf who stepped down as CEO of AEGON the Netherlands at the beginning of 2008. The termination benefits were based on existing contractual agreements and include compensation for entitlements to incentive plans which may have had matured beyond 2008. Additional information on the remuneration and share-based compensation of members of the Executive Board and the Supervisory Board are disclosed in the sections Item 6.10iii of this Annual Report.

Interest of management in certain transactions

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. These loans were made in AEGON's ordinary course of business, pursuant to a widely available employee benefit program on terms comparable to other AEGON employees in the Netherlands and were approved in advance by the Supervisory Board. In accordance with the terms of the contracts, no principal repayments were received on the loans in 2008.

ITEM 8. FINANCIAL INFORMATION

8A Consolidated Statements and Other Financial Information

This Annual Report contains the audited consolidated financial statements of AEGON for the fiscal year ended December 31, 2008. The consolidated financial statements in Item 18 of this Annual Report contain a Report of Independent Registered Public Accounting Firm dated March 27, 2009, balance sheets as at December 31, 2008 and 2007, consolidated income statements for the three years ended December 31, 2008, consolidated statement of changes in equity for the three years ended December 31, 2008, consolidated cash flow statements for the three years ended December 31, 2008 and notes to the financial statements.

Legal Proceedings

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.

Dividend policy

Under Dutch law and our Articles of Incorporation, holders of our common shares are entitled to dividends paid out of the profits remaining, if any, after the creation of a reserve account. First of all a fixed dividend is paid on the preferred shares, as described below. The Company may determine the dividend payment date and the dividend record date for the common shares, which may vary for the various kinds of registered shares. The Company may also determine the currency or currencies in which the dividends will be paid. We have historically declared interim and final dividends on our own common shares annually.

The Company may 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 below.

Interim dividends have traditionally been paid (usually in September) after the release of our six-month results. A final dividend is paid, usually in May, upon adoption of the annual accounts at the annual General Meeting of Shareholders.

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.

Holders of common shares historically have been permitted to elect to receive dividends in cash or in common shares, except for the final dividend for 2002, as distributed in May 2003, which was made in common shares only. For dividends, which holders may elect to receive in either cash or common shares, the value of the stock alternative may differ slightly from the value of the cash option. We pay cash dividends on New York Registry Shares in US dollars through Citibank, N.A., our NYSE paying agent, based on the foreign

exchange reference Rate (the rate based on the daily concertation procedure between central banks as published each working day at 14:15 hours by the European Central Bank) on the business day following the announcement of the interim dividend or on the second business day following the shareholder meeting approving the relevant final dividend.

The annual dividend on our class A and class B preferred shares is calculated on the basis of the paid-in capital on the preferred shares using a rate equal to the European Central Bank's fixed interest percentage for basic refinancing transactions plus 1.75%, as determined on Euronext Amsterdam's first working day of the financial year to which the dividend relates. Apart from this, no other dividend is to be paid on the preferred shares.

ITEM 9. THE OFFER AND LISTING

9A Offer and listing details

The principal market for our common shares is Euronext Amsterdam. Our common shares are also listed on the NYSE and the London and Tokyo stock exchanges.

The table below sets forth, for the calendar periods indicated, the high and low sales prices of our common shares on Euronext Amsterdam and the NYSE as reported by Bloomberg and is based on closing prices. Share prices have been adjusted for all stock splits and stock dividends through December 31, 2008.

	Euronext Amsterdam (EUR)		New York Stock Exchange (USD)	
	High	Low	High	Low
2003	13.47	5.87	14.80	6.76
2004	12.98	8.24	16.12	10.41
2005	14.25	9.63	16.78	12.19
2006	15.56	12.17	18.97	15.24
2007	16.06	11.46	21.90	16.75
2008	11.98	2.68	17.52	3.50
2007				
First quarter	15.87	14.33	20.88	18.62
Second quarter	16.06	14.55	21.90	19.43
Third quarter	14.69	12.74	19.95	17.13
Fourth quarter	14.26	11.46	20.66	16.75
2008				
First quarter	11.98	8.51	17.52	13.24
Second quarter	10.72	8.33	16.70	12.91
Third quarter	8.65	6.13	13.11	8.78
Fourth quarter	6.48	2.68	8.55	3.50
September 2008	8.65	6.13	12.16	8.78
October 2008	6.48	2.91	8.55	3.83
November 2008	4.33	2.68	5.59	3.50
December 2008	5.65	3.38	7.37	4.16
January 2009	5.41	3.38	7.21	4.47
February 2009	4.58	2.72	5.91	3.53
March 2009 (through March 6, 2009)	2.48	1.94	3.03	2.42

On Euronext Amsterdam only Euronext registered shares may be traded and on the NYSE only New York Registry Shares may be traded.

9B Plan of distribution

Not applicable

9C Markets

Please see Items 4 and 9A above

9D Selling shareholders

Not applicable

9E Dilution

Not applicable

9F Expenses of the issue

Not applicable

ITEM 10. ADDITIONAL INFORMATION

10A Share capital

Not applicable

10B Memorandum and articles of incorporation

AEGON is registered under number 27076669 in the Commercial Register of the Chamber of Commerce and Industries for Haaglanden, The Hague, the Netherlands.

Certain provisions of AEGON's current Articles of Incorporation are discussed below.

Objects and purposes

(1) The objects of AEGON are to incorporate, acquire and alienate shares and interests in, to finance and grant security for commitments of, to enter into general business relationships with, and to manage and grant services to legal entities and other entities, in particular those involved in the insurance business, and to do all that is connected therewith or which may be conducive thereto, all to be interpreted in the broadest sense.

(2) In achieving the aforesaid objects due regard shall be taken, within the scope of sound business operations, to provide fair safeguards for the interests of all the parties directly or indirectly involved in AEGON.

Provisions related to directors

For information with respect to provisions in the Articles of Incorporation relating to members of the Supervisory Board and Executive Board, see Item 6, "Directors, Senior Management and Employees".

Description of AEGON's capital stock

AEGON has two types of shares: Common shares (par value EUR 0.12) and (class A and class B) Preferred shares (par value EUR 0.25).

Common Characteristics of the Common and Preferred Shares

(1) All shares are in registered form.

(2) All shares have dividend rights except for those shares (if any) held by AEGON as treasury stock. Dividends which have not been claimed within five years lapse to AEGON.

(3) Each currently outstanding share is entitled to one vote except for shares held by AEGON as treasury stock. There are no upward restrictions.

However, in line with the higher par value of the preferred shares, the holder of the preferred shares, Vereniging AEGON, may cast 25/12 votes per share. Vereniging AEGON and AEGON have entered into a preferred shares voting rights agreement, pursuant to which Vereniging AEGON has voluntarily waived its right to cast 25/12 votes 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, at its sole discretion, Vereniging AEGON determines that a 'special cause' has occurred, Vereniging AEGON 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.

(4) All shares have the right to participate in AEGON's net profits. Net profits is the amount of profits after contributions, if any, to a reserve account.

(5) In the event of liquidation, all shares have the right to participate in any remaining balance after settlement of all debts.

(6) The General Meeting of Shareholders may, at the proposal of the Executive Board, as approved by the Supervisory Board, resolve to reduce the outstanding capital either by (i) repurchasing shares and subsequently canceling them, or (ii) by reducing their nominal share value.

(7) There are no sinking fund provisions.

(8) All issued shares are fully paid-up; so there is no liability for further capital calls.

(9) There are no provisions discriminating against any existing or prospective holder of shares as a result of such shareholder owning a substantial number of shares.

Differences between common and preferred shares

(1) The common shares are listed; the preferred shares are not listed.

(2) Preferred shares under certain circumstances are entitled to cast 25/12 votes per share in line with their higher nominal value.

(3) Preferred shares are entitled to a preferred dividend on the paid-in amount, restricted to the fixed rate set by the European Central Bank for basic refinancing transactions plus 1.75%. No additional dividend is paid on the preferred shares and the remaining profit is available for distribution to the holders of common shares.

(4) Any remaining balance after settlement of all debts in the event of liquidation, will first be allocated (to the extent possible) to repaying the paid-in capital on the preferred shares.

(5) Holders of common shares have pre-emptive rights in relation to any issuance of common shares, while holders of preferred shares have no such pre-emptive rights.

Actions necessary to change the rights of shareholders

A change to the rights of shareholders would require an amendment to the Articles of Incorporation. The General Meeting of Shareholders (annual General Meeting or extraordinary General Meeting) may only pass a resolution to amend the Articles of Incorporation pursuant to a proposal of the Executive Board with the approval of the Supervisory Board. The resolution requires a majority of the votes cast at the meeting in order to pass. The actual changes to the text of the Articles of Incorporation will be executed by a civil law notary upon certification that the Minister of Justice does not object.

Furthermore, a resolution of the General Meeting of Shareholders to amend the Articles of Incorporation which has the effect of reducing the rights attributable to holders of preferred shares of a specific class shall be subject to the approval of the meeting of holders of preferred shares of such class.

Conditions under which meetings are held

Annual General Meetings and extraordinary General Meetings of Shareholders shall be convened by an announcement in one or more Dutch daily newspapers. Notice must be given no later than the fifteenth day prior to the date of the meeting. The notice in the newspaper must contain a summary agenda and indicate the place where the complete agenda together with the documents pertaining to the agenda may be obtained. The agenda is also sent to shareholders registered with the Company Register. New York Registry shareholders or their brokers receive a proxy solicitation notice.

For admittance to and voting at the meeting, shareholders must produce evidence of their shareholding as of the record date set by the Executive Board. Shareholders must notify AEGON of their intention to attend the meeting.

Limitation on the right to own securities

There are no limitations, either under the laws of the Netherlands or in AEGON's Articles of Incorporation, on the rights of non-residents of the Netherlands to hold or vote AEGON common shares.

Provisions that would have the effect of delaying a change of control

A resolution of the General Meeting of Shareholders to suspend or dismiss a member of the Executive Board or a member of the Supervisory Board, other than pursuant to a proposal by the Supervisory Board, shall require at least two-thirds of the votes cast representing more than one-half of the issued capital.

In the event a "special cause" occurs (such as the acquisition of 15% of AEGON's voting shares, a tender offer for AEGON's 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), Vereniging AEGON will be entitled to exercise its full voting rights of 25/12 votes per preferred share for up to six months per “special cause”, thus increasing its current voting rights to 33.77%.

Threshold above which shareholder ownership must be disclosed

There are no such provisions in the Articles of Incorporation. Dutch law requires public disclosure to a supervising government agency with respect to the ownership of listed shares when the following thresholds are met: 5%, 10%, 15%, 20%, 25%, 30%, 40%, 50%, 60%, 75% and 95%.

Material differences between Dutch law and US law with respect to the items above

Reference is made to Item 16G.

Special Conditions Governing Changes in the Capital

There are no conditions more stringent than what is required by law.

10C Material contracts

Convertible core capital securities
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.

Financial details
The support 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 capital securities from the company at a corresponding amount and 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 upon the payment of dividends (cash or stock) on the AEGON 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, 125% in the fourth and subsequent years. The coupon is not deductible for corporate income tax. As regards 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% (= 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 however, 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 page Item 7A of this Annual Report). 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 on 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, he 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 on 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.

10D Exchange controls

There are no legislative or other legal provisions currently in force in the Netherlands or arising under AEGON's Articles of Incorporation restricting remittances to holders of AEGON's securities that are not resident in the Netherlands. Cash dividends payable in euros on AEGON's common shares may be officially transferred from the Netherlands and converted into any other convertible currency.

10E Taxation

i Taxation in the Netherlands

Certain Dutch Tax Consequences for holders of common shares in AEGON

This section describes the principal tax consequences that will generally apply to holders of common shares in AEGON under Dutch tax law, Dutch tax treaties, published case law, regulations and judicial interpretations thereof, in each case as in force and in effect as of the date hereof. This description is subject to changes in Dutch law including changes that could have retroactive effect. No assurance can be given that authorities or courts in the Netherlands, the European Court of Justice (ECJ) or the European Free Trade Association Court (EFTA Court) will agree with the description below. Not every potential tax consequence of such investment under the laws of the Netherlands will be addressed and the description below should not be read as extending by implication to matters not specifically referred to herein. Each holder or prospective investor should therefore consult their own tax advisor with respect to the tax consequences in relation to the acquiring, owning and disposing of common shares in AEGON (hereafter referred to as: common shares).

Dutch taxation of resident shareholders

The description of certain Dutch taxes set out in this section "Dutch taxation of resident shareholders" is only intended for the following investors:

(1) individuals who are resident or deemed to be resident in the Netherlands and, with respect to personal income taxation, individuals who opt to be taxed as a resident of the Netherlands for purposes of Dutch taxation and who invest in the common shares ("Dutch Individuals"), excluding individuals:
   (a) who derive benefits from the common shares that are taxable as "benefits from miscellaneous activities", which includes activities that exceed normal active portfolio management;
   (b) for whom the common shares or any payment connected therewith may constitute employment income; or
   (c) who have a substantial interest, or a deemed substantial interest, in AEGON; and

(2) corporate entities (including associations which are taxed as corporate entities) that are resident or deemed to be resident in the Netherlands for purposes of Dutch taxation and who invest in the common shares ("Dutch Corporate Entities"), excluding:
   (a) corporate entities that are not subject to Dutch corporate income tax;
   (b) pension funds and other entities that are exempt from Dutch corporate income tax or are exempt from Dutch corporate income tax upon request;
   (c) corporate entities that hold common shares, the benefits derived from which are exempt under the participation exemption (as laid down in the Dutch Corporate Income Tax Act 1969); and
   (d) investment institutions as defined in section 28 of the Dutch Corporate Income Tax Act 1969.

Ad (1)(c) Generally, an individual who holds common shares will have a substantial interest if he or she holds, alone or together with his or her partner, whether directly or indirectly, the ownership of, or certain other rights relating to, shares representing 5% or more of the total issued and outstanding capital in AEGON (or the issued and outstanding capital of any class of shares), or rights to acquire shares, whether or not already issued, that represent at any time 5% or more of the total existing issued and outstanding capital in AEGON or the existing issued and outstanding capital of any class of shares (without taking into account the potential increase in the issued and outstanding capital in case of exercising rights to acquire newly issued shares), or the ownership of certain profit participating certificates that relate to 5% or more of our annual profit and/or to 5% or more of our liquidation proceeds. A holder of

common shares will also have a substantial interest in AEGON if certain relatives (including foster children) of that holder or of his or her partner have a substantial interest in AEGON. If a holder of common shares does not have a substantial interest, a deemed substantial interest will be present if (part of) a substantial interest has been disposed of, by this holder, or is deemed to have been disposed of, on a non-recognition basis.

Ad (2)(c) Generally, the participation exemption will apply if the shareholding interest represents at least 5% of the nominal paid up capital (or, under certain conditions, 5% of the voting rights) of the company concerned. Shareholdings of less than 5% in AEGON may under certain conditions nevertheless still benefit from the participation exemption.

Personal and corporate income tax

Dutch individuals not engaged or deemed to be engaged in an enterprise. Generally, a Dutch individual who holds common shares that are not attributable to an enterprise from which it derives profits as an entrepreneur or pursuant to a co-entitlement to the net worth of such enterprise other than as an entrepreneur or a shareholder (a "Dutch Private Individual"), will be subject to a fictitious yield tax. Irrespective of the actual income and/or capital gains, the annual taxable benefit of all the assets and liabilities of a Dutch individual that are taxed under such regime including, as the case may be, the common shares, is set at a fixed percentage. This percentage is 4% of the average fair market value of these assets and liabilities at the beginning and at the end of every calendar year (minus a tax-free amount). The tax rate applicable under the fictitious yield tax is 30%.

Dutch individuals engaged or deemed to be engaged in an enterprise and Dutch Corporate Entities. Any benefits derived or deemed to be derived from the common shares (including any capital gains realized on the disposal thereof) that are attributable to an enterprise from which a Dutch Individual derives profits, whether as an entrepreneur or pursuant to a co-entitlement to the net worth of such enterprise (other than as an entrepreneur or a shareholder), are generally subject to personal income tax in its hands. Any benefits derived or deemed to be derived from the common shares (including any capital gains realized on the disposal thereof) that are held by a Dutch Corporate Entity are generally subject to corporate income tax in its hands.

Withholding tax

Dividend distributions are subject to a withholding tax imposed by the Netherlands at a rate of 15%, unless reduced under a relevant tax treaty. The concept "dividends we distribute" used in this section includes, but is not limited to:

(1) distributions in cash or in kind, deemed and constructive distributions, and (partial) repayments of paid-in capital not recognized for Dutch dividend withholding tax purposes;

(2) liquidation proceeds in excess of the qualifying average paid-in capital for Dutch dividend withholding tax purposes;

(3) consideration for the redemption of the common shares, or, as a rule, consideration for the repurchase of common shares by AEGON (including a purchase by a direct or indirect subsidiary of AEGON) in excess of the qualifying average paid-in capital of these specific class of shares for Dutch dividend withholding tax purposes, unless such repurchase is made for temporary investment purposes or is exempt by law;

(4) the par value of common shares issued to a holder of the common shares or an increase of the par value of common shares (unless distributed out of qualifying paid-in capital for Dutch dividend withholding tax purposes), to the extent that it does not appear that a contribution, recognized for Dutch dividend withholding tax purposes, has been made or will be made; and

(5) partial repayment of paid-in capital, recognized for Dutch dividend withholding tax purposes, if and to the extent that AEGON has (cumulative) net profits, or can expect to derive such profits (anticipated profits), unless:
   (a) a general meeting of the AEGON shareholders has resolved in advance to make such repayment; and
   (b) prior to the repayment the par value of the common shares concerned has been reduced by an equal amount by way of an amendment of the articles of association.

Dutch Individuals and Dutch Corporate Entities can generally credit the withholding tax against their personal income tax or corporate income tax liability and are generally entitled to a refund of dividend withholding taxes exceeding their aggregate personal income tax or corporate income tax liability, unless such individual or such entity is not the beneficial owner of the dividend.

Based on a legal provision, a recipient of dividends will not be considered the beneficial owner thereof if as a consequence of a combination of transactions:

- a person other than the recipient wholly or partly benefits from the dividends,
- the recipient is entitled to a larger reduction or refund of withholding tax than such person, and
- such person retains, whether directly or indirectly, an interest in the shares on which the dividends were paid comparable with his position in similar shares before such combination of transactions.

The term combination of transactions includes the sole acquisition of one or more dividend coupons and the establishment of short-term rights of enjoyment on common shares, while the transferor retains the ownership of the common shares. The provisions apply to

the transfer of the common shares and dividend coupons and also to transactions that have been entered into in the anonymity of a regulated stock market.

Currently AEGON may, with respect to certain dividends received from qualifying non-Netherlands subsidiaries, credit taxes withheld from those dividends against the Netherlands withholding tax imposed on certain qualifying dividends that are redistributed by AEGON, up to a maximum of the lesser of:

- 3% of the amount of the qualifying dividends redistributed by AEGON and
- 3% of the gross amount of certain qualifying dividends received by AEGON.

The reduction is applied to the Dutch dividend withholding tax that AEGON must pay to the Dutch tax authorities and not to the Dutch dividend withholding tax that AEGON must withhold.

Gift and inheritance taxes

A liability to gift tax will arise in the Netherlands with respect to an acquisition of the common shares by way of a gift by an individual who is resident in the Netherlands or a corporate entity that is established in the Netherlands. A liability to inheritance tax will arise in the Netherlands with respect to an acquisition or deemed acquisition of the common shares by way of an inheritance or bequest on the death of an individual who is resident in the Netherlands.

For purposes of Dutch gift and inheritance taxes, an individual who holds Dutch nationality will, inter alia, be deemed to be resident in the Netherlands if he has been resident in the Netherlands at any time during the ten years preceding the date of the gift or his death. For purposes of Dutch gift tax, an individual not holding Dutch nationality will be deemed to be resident in the Netherlands if he has been resident in the Netherlands at any time during the 12 months preceding the date of the gift.

Dutch taxation of non-resident shareholders

This section describes certain Dutch tax consequences for a holder of common shares who is neither resident nor deemed to be resident in the Netherlands (a “Non-Resident Shareholder”). This section does not describe the tax consequences for Non-Resident Shareholders that hold the common shares as a participation under the participation exemption as laid down in the Dutch Corporate Income Tax Act 1969 via a Dutch permanent establishment or a Dutch permanent representative.

It is noted that a Non-Resident Shareholder will not become resident, or be deemed to become resident, in the Netherlands solely as a result of holding the common shares, or of the performance, execution, delivery and/or enforcement of rights in respect of the common shares.

Taxes on income and capital gains

A Non-Resident Shareholder will not be subject to any Dutch taxes on income or capital gains in respect of dividends AEGON distributes (other than withholding tax described below) or in respect of any gain realized on the disposal of common shares, provided that:

(1) such Non-Resident Shareholder does not derive profits from an enterprise, whether as an entrepreneur or pursuant to a co-entitlement to the net worth of such enterprise (other than as an entrepreneur or a shareholder) which enterprise is, in whole or in part, carried on through a (deemed) permanent establishment or a permanent representative in the Netherlands and to which permanent establishment or permanent representative, as the case may be, the common shares are attributable;

(2) such Non-Resident Shareholder does not have a substantial interest or a deemed substantial interest in AEGON, or, if such holder does have such an interest, it forms part of the assets of an enterprise;

(3) if such Non-Resident Shareholder is an individual, the benefits derived from the shares are not taxable in the hands of such holder as a “benefit from miscellaneous activities” in the Netherlands, which includes activities that exceed normal active portfolio management;

(4) such Non-Resident Shareholder is not entitled to a share in the profits of an enterprise effectively managed in the Netherlands, other than by way of the holding of securities or through an employment contract, to which enterprise the common shares or payments in respect of the common shares are attributable;

(5) such Non-Resident Shareholder does not carry out and has not carried out employment activities in the Netherlands, does not serve and has not served as a director or a board member of an entity resident in the Netherlands and does not serve and has not served as civil servant of a Dutch public entity with which the holding of or income derived from the common shares is connected; and

(6) if such Non-Resident Shareholder is an individual, he or she does not opt to be taxed as a resident of the Netherlands for purposes of Dutch taxation.

See the section “Dutch taxation of resident shareholders” for a description of the circumstances under which your common shares form part of a substantial interest or may be deemed to form part of a substantial interest in AEGON. It is noted that both non-resident individuals and non-resident corporate entities can hold a substantial interest.

Withholding tax

Dividends we distribute are subject to a withholding tax imposed by the Netherlands at a rate of 15%, unless reduced under a relevant tax treaty. Reference is made to the section “Dutch taxation of resident shareholders — Withholding tax” for a description of the concept “dividends we distribute".

Entities that are resident of a country which is a member of the European Union and that qualify for the application of the EU Parent Subsidiary Directive are eligible for an exemption of dividend withholding tax, provided certain conditions are met (one of the conditions is that the parent company that is resident in the European Union must have a shareholding of at least 5%).

Subject to certain conditions, a legal entity resident in a member state of the European Union, that is not subject to a profit based tax in that member state, and, should that entity be a resident in the Netherlands, would not be subject to Dutch corporate income tax, is entitled to a refund of the Dutch dividend withholding tax withheld.

For certain other legal entities resident in a member state of the European Union that, should that entity be a resident in the Netherlands, would not be subject to Dutch corporate income tax, it may be a breach of the European freedom of capital that they are not entitled to a refund of the Dutch dividend withholding tax withheld.

If a holder of common shares, whether an individual or an entity, is resident in a country other than the Netherlands and if a treaty for the avoidance of double taxation with respect to taxes on income is in effect between the Netherlands and that country, and the holder is a qualifying resident for purposes of such treaty, such holder may, depending on the terms of that particular treaty, qualify for full or partial relief at source or for a refund (in whole or in part) of the Dutch dividend withholding tax.

In the section "Dutch taxation of resident shareholders – Withholding tax", certain legislation is discussed regarding the beneficial ownership of dividends. This legislation may also be applied to deny reduction or a refund of Dutch dividend withholding tax under double taxation conventions or the EU Parent Subsidiary Directive.

Currently AEGON may, with respect to certain dividends received from qualifying non-Netherlands subsidiaries, credit taxes withheld from those dividends against the Netherlands withholding tax imposed on certain qualifying dividends that are redistributed by AEGON, up to a maximum of the lesser of:

- 3% of the amount of the qualifying dividends redistributed by AEGON and
- 3% of the gross amount of certain qualifying dividends received by AEGON.

The reduction is applied to the Dutch dividend withholding tax that AEGON must pay to the Dutch tax authorities and not to the Dutch dividend withholding tax that AEGON must withhold.

Both the EFTA Court as well as the ECJ issued judgments concerning outbound dividend payments to foreign shareholders. According to both courts, it is in breach with the European freedom of capital and the freedom of establishment to treat outbound dividend payments less favorably than dividend payments to domestic shareholders. As of January 1, 2007, in general, dividend payments to certain qualifying EU resident corporate shareholders are treated the same as dividend payments to certain qualifying Dutch resident corporate shareholders. Dividend payments to corporate shareholders residing outside the EU are, in general, still treated less favorably as opposed to dividend payments to certain qualifying Dutch resident corporate shareholders. The above stated court cases may have significant implications for certain non-EU resident shareholders that receive dividends that are subject to Netherlands dividend withholding tax (i.e. the aforementioned different treatment may be a breach of the European freedom of capital).

Although the freedom of capital generally also applies to capital movements to and from third countries, such as the United States, it cannot be ruled out that the freedom of capital movements to and from third countries must be interpreted more stringent as opposed to the freedom of capital movements to EU member states. Furthermore, the freedom of capital movements to and from third countries is generally subject to grandfathering (stand-still) provisions in the EC-Treaty (i.e. the restriction of the freedom of capital movements is allowed if these stand-still provisions apply). However, based on case law of the ECJ and the Netherlands Supreme Court it may be held that these stand-still provisions do not apply in the specific case of claiming a refund of the Netherlands dividend withholding tax by a shareholder who did not acquire the shares in AEGON with a view to establishing or maintaining lasting and direct economic links between the shareholder and AEGON which allow the shareholder to participate effectively in the management of the company or in its control.

Especially the following non-EU resident shareholders may be affected and may as a result be entitled to a refund of Netherlands dividend withholding tax.

- Legal entities that could have invoked the participation exemption with respect to the dividends received in case they would have been a resident of the Netherlands for tax purposes. In general, the participation exemption applies in case of shareholdings of 5% or more. In case of legal entities resident in the Netherlands, in effect no Dutch dividend withholding tax is due with respect to dividends on shareholdings that apply for the participation exemption.

- Legal entities not subject to a profit based tax in their country of residence that, should that entity be a resident in the Netherlands, would not be subject to Dutch corporate income tax and that would, because of this, be eligible for a refund of the Dutch dividend withholding tax withheld at their expense.

- Legal entities that, if they had been based in the Netherlands, would not have been subject to corporate income tax and that would, because of this, be eligible for a refund of dividend withholding tax withheld at their expense.

- Individuals if the shares do not belong to the assets of a business enterprise or do not belong to a substantial interest. In case such an individual would have been a resident of the Netherlands, the dividend as such would not be subject to individual income tax. Instead, the individual would be taxed on a deemed income, calculated at 4% of his average net equity, whereas the dividend tax withheld would have been credited in full against the individual income tax due.

Residents of the United States that qualify for, and comply with the procedures for claiming benefits under, the income tax convention between the Netherlands and the United States (the “US/NL Income Tax Treaty”) may, under various specified conditions, be eligible for a reduction of the dividend withholding tax rate from 15% to 5% if the beneficial owner is a company which holds directly at least 10% of the voting power in AEGON. The US/NL Income Tax Treaty provides, subject to certain conditions, for a complete exemption from, or refund of, Dutch dividend withholding tax for dividends received by exempt pension trusts and exempt organizations, as defined therein.

Subject to compliance with the procedures for claiming benefits, a holder of common shares will generally qualify for benefits under the US/NL Income Tax Treaty (an “eligible U.S. holder”), if the holder:

- is the beneficial owner of the dividends paid on the common shares;

- is resident in the United States according to the US/NL Income Tax Treaty;

- is not restricted in claiming the benefits of the US/NL Income Tax Treaty under article 26 of the US/NL Income Tax Treaty (“limitation on benefits”);

- does not carry on business in the Netherlands through a permanent establishment of which the common shares form part of the business property;

- does not perform independent personal services from a fixed base in the Netherlands to which the holding of the common shares pertains; and is an individual, an exempt pension trust or exempt organization as defined in the US/NL Income Tax Treaty, an estate or trust whose income is subject to U.S. taxation as the income of a resident, either in its hands or in the hands of its beneficiaries, or a corporation that is not excluded from treaty benefits under the limitation on benefits provision of the US/NL Income Tax Treaty.

Gift and inheritance taxes

No liability for gift or inheritance taxes will arise in the Netherlands with respect to an acquisition of the common shares by way of a gift by, or on the death of, a Non-Resident Shareholder, unless:

(1) such Non-Resident Shareholder at the time of the gift has or at the time of his death had an enterprise or an interest in an enterprise that is or was, in whole or in part, carried on through a permanent establishment or a permanent representative in the Netherlands and to which permanent establishment or permanent representative, as the case may be, the common shares are or were attributable; or

(2) in the case of a gift of the common shares by an individual who at the time of the gift was a Non-Resident Shareholder, such individual dies within 180 days after the date of the gift while (at the time of his death) being resident or deemed to be resident in the Netherlands.

For purposes of Dutch gift and inheritance tax, an individual who holds Dutch nationality will, inter alia, be deemed to be resident in the Netherlands if he has been resident in the Netherlands at any time during the ten years preceding the date of the gift or his death. For

purposes of Dutch gift tax, an individual not holding Dutch nationality will be deemed to be resident in the Netherlands if he has been resident in the Netherlands at any time during the 12 months preceding the date of the gift.

Furthermore, in exceptional circumstances the deceased or the donor will be deemed to be a resident in the Netherlands for purposes of Dutch gift and inheritance taxes if the heirs jointly, or the recipient of the gift, as the case may be, elect the deceased or the donor, as the case may be, to be treated as a resident of the Netherlands for purposes of Dutch gift and inheritance taxes.

Other taxes and duties

No Dutch capital contribution tax, registration tax, transfer tax, stamp duty or any other similar documentary tax or duty will be payable in the Netherlands by the investors in respect of or in connection with the subscription, issue, placement, allotment or delivery of the common shares.

Value Added Tax

No Dutch value added tax will arise in respect of payments in consideration for the acquisition or the disposition of common shares, or in respect of payments by AEGON under common shares.

ii Taxation in the United States

This section describes certain US Federal income tax consequences to beneficial holders of common shares that are held as capital assets. This section does not address all US Federal income tax matters that may be relevant to a particular holder. Each investor should consult their tax advisor with respect to the tax consequences of an investment in the common shares. This section does not address tax considerations for holders of common shares subject to special tax rules including, without limitation, the following:

- financial institutions;
- insurance companies;
- dealers or traders in securities or currencies;
- tax-exempt entities;
- regulated investment companies;
- persons that will hold the common shares as part of a “hedging” or “conversion” transaction or as a position in a “straddle” or as part of a “synthetic security” or other integrated transaction for US Federal income tax purposes;
- holders that own (or are deemed to own for US Federal income tax purposes) 10% or more of the voting shares of AEGON;
- partnerships or pass-through entities or persons who hold common shares through partnerships or other pass-through entities; and
- holders that have a “functional currency” other than the US dollar.

Further, this section does not address alternative minimum tax consequences or the indirect effects on the holders of equity interests in a holder of common shares. This section also does not describe any tax consequences arising under the laws of any taxing jurisdiction other than the Federal income tax laws of the US Federal government.

This section is based on the US Internal Revenue Code of 1986, as amended, US Treasury regulations and judicial and administrative interpretations, in each case as in effect and available on the date of this Annual Report on Form 20-F. All of the foregoing is subject to change, which change could apply retroactively and could affect the tax consequences described below.

For the purposes of this section, a “US holder” is a beneficial owner of common shares that is, for US Federal income tax purposes:

- a citizen or individual resident of the United States;
- a corporation or other entity that is treated for US Federal income tax purposes as a corporation, created or organized in or under the laws of the United States or any state of the United States (including the District of Columbia);
- an estate, the income of which is subject to US Federal income taxation regardless of its source; or

- a trust, if a court within the United States is able to exercise primary supervision over its administration and one or more US persons have the authority to control all of the substantial decisions of such trust.

A non-US holder is a beneficial owner of common shares that is not a US holder.

Tax Consequences to US Holders

Distributions

The gross amount of any distribution (including any amounts withheld in respect of Dutch withholding tax) actually or constructively received by a US holder with respect to common shares will be taxable to the US holder as a dividend to the extent of AEGON's current and accumulated earnings and profits as determined under US Federal income tax principles. Such dividends will not qualify for the dividends received deduction otherwise allowable to corporations. Distributions in excess of current and accumulated earnings and profits are treated under US tax law as non-taxable return of capital to the extent of the US holder's adjusted tax basis in the common shares. Distributions in excess of earnings and profits and such adjusted tax basis will generally be taxable to the US holder as capital gain from the sale or exchange of property. However, AEGON does not maintain calculations of its earnings and profits under US Federal income tax principles. Therefore, US holders of AEGON shares will generally be taxed on all distributions as dividends, even if some portion of the distributions might otherwise be treated as a non-taxable return of capital or as capital gain if the amount of US earnings and profits was known. The amount of any distribution of property other than cash will be the fair market value of that property on the date of distribution.

Certain "qualified dividend income" received by individual US holders is taxed at a maximum income tax rate of 15%. Only dividends received from US corporations or from a "qualified foreign corporation" and on shares held by an individual US holder for a minimum holding period (generally, 61 days during the 121-day period beginning 60 days before the ex-dividend date) can qualify for this reduced rate. AEGON is eligible for benefits under the comprehensive income tax treaty between the Netherlands and the US; therefore, AEGON should be considered a "qualified foreign corporation" for this purpose. Accordingly, dividends paid by AEGON to individual US holders on shares held for the minimum holding period may qualify for a reduced income tax rate. The reduced rate for qualified dividends is currently scheduled to expire on December 31, 2010, unless further extended by Congress. Each US holder should consult their tax advisor regarding the reduced rate.

Distributions paid in currency other than US dollars (a "foreign currency"), including the amount of any withholding tax thereon, must be included in the gross income of a US holder in an amount equal to the US dollar value of the foreign currency calculated by reference to the exchange rate in effect on the date of receipt. This is the case regardless of whether the foreign currency is converted into US dollars. If the foreign currency is converted into US dollars on the date of receipt, a US holder generally should not be required to recognize foreign currency gain or loss in respect of the dividend. If the foreign currency received in the distribution is not converted into US dollars on the date of receipt, a US holder will have a basis in the foreign currency equal to its US dollar value on the date of receipt. Any gain or loss on a subsequent conversion or other disposition of the foreign currency will be treated as ordinary income or loss.

Dividends received by a US holder with respect to common shares will be treated as foreign source income for foreign tax credit limitation purposes. Subject to certain conditions and limitations, any Dutch income tax withheld on dividends may be deducted from taxable income or credited against a US holder's Federal income tax liability. For taxable years beginning after December 31, 2006, the limitation on foreign taxes eligible for the US foreign tax credit is calculated separately with respect to "passive category income" and "general category income". Dividends distributed by AEGON generally will constitute "passive category income", or, in the case of certain US holders, "financial services income", which is treated as general category income. Each US holder should consult their tax advisor regarding the availability of the foreign tax credit under their particular circumstances.

The amount of the qualified dividend income paid by AEGON to a US holder that is subject to the reduced dividend income tax rate and that is taken into account for purposes of calculating the US holder's US foreign tax credit limitation must be reduced by the "rate differential portion" of such dividend (which, assuming a US holder is in the highest income tax bracket, would generally require a reduction of the dividend amount by approximately 57.14%). Each US holder should consult their tax advisor regarding the implications of the rules relating to qualified dividend income on the calculation of US foreign tax credits under their particular circumstances.

In general, upon making a distribution to shareholders, AEGON is required to remit all Dutch dividend withholding taxes to the Dutch tax authorities The full amount of the taxes so withheld should (subject to certain limitations and conditions) be eligible for the US holder's foreign tax deduction or credit as described above. Investors are urged to consult their tax advisors regarding the general creditability or deductibility of Dutch withholding taxes.

AEGON generally affords shareholders an option to receive dividend distributions in cash or in stock. A distribution of additional common shares to US holders with respect to their common shares that is made pursuant to such an election will generally be taxable in the same manner as a cash dividend under the rules described above.

Sale or Other Disposition of Shares

Upon the sale or exchange of common shares, a US holder will generally recognize gain or loss for US Federal income tax purposes on the difference between the US dollar value of the amount realized from such sale or exchange and the tax basis in those common shares. This gain or loss will be a capital gain or loss and will generally be treated as from sources within the United States, except that certain US holders may be subject to dividend recapture rules under which such losses could be treated as foreign source to the extent the US holder received dividends during the 24-month period prior to the sale. Investors should consult their tax advisors with respect to the treatment of capital gains (which may be taxed at lower rates than ordinary income for taxpayers who are individuals, trusts or estates that have held the common shares for more than one year) and capital losses (the deductibility of which is subject to limitations).

If a US holder receives foreign currency upon a sale or exchange of common shares, gain or loss, if any, recognized on the subsequent sale, conversion or disposition of such foreign currency will be ordinary income or loss, and will generally be income or loss from sources within the United States for foreign tax credit limitation purposes. However, if such foreign currency is converted into US dollars on the date received by the US holder, the US holder generally should not be required to recognize any gain or loss on such conversion.

Redemption of Common Shares

The redemption of common shares by AEGON could be treated as a sale of the redeemed shares by the US holder (taxable as described above under “Sale or Other Disposition of Shares”) or as a distribution to the US holder (taxable as described above under “Distributions”).

Passive Foreign Investment Company Considerations

Based on the nature of AEGON’s gross income, the average value of AEGON’s gross assets, and the active conduct of AEGON’s insurance business, AEGON does not believe that it could be classified as a PFIC. If AEGON were treated as a PFIC in any year during which a US holder owns common shares, certain adverse tax consequences could apply. Investors should consult their tax advisors with respect to any PFIC considerations.

Tax Consequences to Non-US Holders

A non-US holder generally will not be subject to US Federal income tax on dividends received on common shares or on any gain realized on the sale or exchange of common shares unless the gain is connected with a trade or business that the non-US holder conducts in the United States or unless the non-US holder is an individual, such holder was present in the United States for at least 183 days during the year in which such holder disposes of the common shares, and certain other conditions are satisfied. Non-US holders should consult their tax advisors with respect to the US Federal income tax consequences of dividends received on, and any gain realized from the sale or exchange of, the common shares.

Tax Consequences to US Holders and Non-US Holders

Backup Withholding and Information Reporting

Backup withholding and information reporting requirements may apply to certain payments on the common shares and to proceeds of a sale or redemption of the common shares to US holders made within the United States. AEGON, its agent, a broker, or any paying agent, as the case may be, may be required to withhold tax from any payment that is subject to backup withholding if a US holder fails to furnish the US holder’s taxpayer identification number, fails to certify that such US holder is not subject to backup withholding, or fails to otherwise comply with the applicable requirements of the backup withholding rules. Certain US holders (including, among others, corporations) are not subject to the backup withholding and information reporting requirements.

Non-US holders that provide the required tax certifications of exempt or foreign status will generally be exempt from US information reporting requirements and backup withholding. However, sales proceeds a non-US holder receives on a sale of common shares through a broker may be subject to information reporting and backup withholding if the non-US holder is not eligible for an exemption.

Backup withholding is not an additional tax. Any amounts withheld under the backup withholding rules from a payment to a US holder or a non-US holder generally may be claimed as a credit against such holder’s US Federal income tax liability provided that the required information is furnished to the US Internal Revenue Service. Investors should consult their tax advisors as to their qualification for exemption from backup withholding and the procedure for obtaining an exemption. Non-US holders should consult their tax advisors concerning the applicability of the information reporting and backup withholding rules.

10F Dividends and Paying Agents

Not applicable

10G Statements by Experts

Not applicable

10H Documents on Display

AEGON files annual reports with and furnishes other information to the Securities and Exchange Commission. You may read and copy any document filed with or furnished to the SEC by AEGON at the SEC's public reference room at 450 Fifth Street, N.W., Washington, D.C. 20549. AEGON's SEC filings are also available to the public through the SEC's web site at www.sec.gov. Please call the SEC at 1-800-SEC-0330 for further information on the public reference room in Washington D.C. and in other locations.

The SEC allows AEGON to "incorporate by reference" information into this Annual Report on Form 20-F, which means that:

- Incorporated documents are considered part of this Annual Report on Form 20-F; and
- AEGON can disclose important information to you by referring you to those documents.

Those documents contain important information about AEGON and our financial condition. You may obtain copies of those documents in the manner described above. You may also request a copy of those documents (excluding exhibits) at no cost by contacting us at:

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10I Subsidiary Information

Not applicable

ITEM 11.
QUANTITATIVE AND QUALITATIVE DISCLOSURE ABOUT MARKET RISK

i General

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;
- 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

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.

[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 in Item 11 ii Financial and Insurance Risk. Further information on these sensitivity analyses may be found in this item.

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 poor market condition detoriate further .

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 riskreturn 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);
- 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 all 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 in Item 6.8 of this Annual Report. 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.

OTHER RISKS

Products

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

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, EGON 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.

ii 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.

[1] Please refer to Item 5 for a description of the critical accounting estimates and judgments.

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.

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

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's 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 18.50 and note 18.51 of the notes to our consolidated financial statements in Item 18 of this Annual Report on Form 20-F 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:

CDOs and CDSs	Notional 2008	Fair Value 2008	Notional 2007	Fair Value 2007
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	Limit
(in EUR million)	
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	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**

[1] Includes investments of Holding and other activities

	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

The fair values of these instruments were determined as follows:

	Published price quotations in an active market	Valuation technique based on market observable inputs	Valuation techniques not based on observable market data	2008 Total	Published price quotations in an active market	Valuation technique based on market observable inputs	Valuation techniques not based on observable market data	2007 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

[1] Exposures include past due and impaired assets

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. Please refer to note 18.3 of the notes to our consolidated financial statements in Item 18 of this Annual Report on Form 20-F for details on the pricing process. There are no individual issuers rated below investment grade in the ABS-housing sector which have unrealized loss positions greater than EUR 25 million (2007: EUR 15 million).

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%.

	AAA SSNR[1]	AAA SNR[2]	AAA Mezz[3]	AAA SSUP[4]	AA	A	BBB	<BBB	**2008 Amortized Cost**	**2008 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.

	2008		2007	
Rating	Market Value	%	Market Value	%
AAA	606	81.6	842	99.8
AA	9	1.2	-	-
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**

	2008		2007	
Vintage	Market Value	**%**	Market Value	%
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	-	-
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.

CMBS exposure by Quality

	AAA	AA	A	BBB	< BBB	**2008** Cost price	**2008** 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.

	AAA	AA	A	BBB	< BBB	**2008** Cost price	**2008** 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:

	Published price quotations in an active market	Valuation technique based on market observable inputs	Valuation techniques not based on observable market data	**2008 Total**	Published price quotations in an active market	Valuation technique based on market observable inputs	Valuation techniques not based on observable market data	2007 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 follow table highlights AEGON's credit risk to capital securities within the banking sector:

Amortized Cost	Americas	The Netherlands	United Kingdom	Other countries	**2008** Cost price	**2008** 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, 2008	**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.

Bonds wrapped by monoline insurers

	2008		2007	
	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 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 Netherlands	United Kingdom	Other Countries	Holding and Other activities	**2008 Total**
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
Industrial	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

	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
Industrial	-	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 below. 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 below 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 table below. 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

2008	On Demand	< 1 yr Amount	1<5 yrs Amount	5<10 yrs Amount	>10 yrs Amount	Total Amount
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	On Demand	< 1 yr Amount	1<5 yrs Amount	5<10 yrs Amount	>10 yrs Amount	Total Amount
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; please refer to note 18.24 of the notes to our consolidated financial statements in Item 18 of this Annual Report on Form 20-F 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 18.20, 18.21 and 18.23 of the notes to our consolidated financial statements in Item 18 of this Annual Report on Form 20-F.

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.

ITEM 12. DESCRIPTION OF SECURITIES OTHER THAN EQUITY SECURITIES

Not applicable

PART II

ITEM 13. DEFAULTS, DIVIDEND ARREARAGES AND DELINQUENCIES

None

ITEM 14. MATERIAL MODIFICATIONS TO THE RIGHTS OF SECURITY HOLDERS AND USE OF PROCEEDS

None

ITEM 15. CONTROLS AND PROCEDURES

A Disclosure Controls and Procedures

As of the end of the period covered by this Annual Report on Form 20-F, our management carried out an evaluation, under the supervision and with the participation of our chief executive officer and chief financial officer, of the effectiveness of the design and operation of our disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934). Based on this evaluation, our chief executive officer and chief financial officer have concluded that, as of such date, our disclosure controls and procedures were effective in providing reasonable assurance regarding the reliability of financial reporting.

B Management's annual report on internal control over financial reporting

The directors and management of AEGON are responsible for establishing and maintaining adequate internal control over financial reporting. AEGON's internal control over financial reporting is a process designed under the supervision of AEGON's principal executive and financial officers to provide reasonable but not absolute assurance regarding the reliability of financial reporting and the preparation of its published financial statements. Internal control over financial reporting includes policies and procedures that:

- Pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company;
- Provide reasonable assurance that transactions are recorded as necessary to permit the preparation of financial statements in accordance with the generally accepted accounting principles;
- Provide reasonable assurance that receipts and expenditures are being made only in accordance with the authorizations of management and directors of the company;
- Provide reasonable assurance that unauthorized acquisition, use or disposition of company assets that could have a material effect on our financial statements would be prevented or detected in a timely manner.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with policies or procedures may deteriorate.

Management assessed the effectiveness of our internal control over financial reporting as of December 31, 2008. In making its assessment management used the criteria established in *Internal Control – Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

Based on the assessment, management has concluded that, in all material aspects, our internal control over financial reporting was effective as at December 31, 2008. We have reviewed the results of our work with the Audit Committee of the Supervisory Board.

Ernst & Young's assessment of the effectiveness of internal control over financial reporting as of December 31, 2008 is stated in their report which is included in Item 15C below.

C Attestation report of the independent registered public accounting firm

Report of Independent Registered Public Accounting Firm

The Supervisory Board and the Executive Board of AEGON N.V.

We have audited AEGON N.V.'s internal control over financial reporting as of December 31, 2008, based on criteria established in Internal Control—Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (the COSO criteria). AEGON N.V.'s management is responsible for maintaining effective internal control over financial reporting, and for its assessment of the effectiveness of internal control over financial reporting included in the accompanying Management's Annual Report on Internal Control over Financial Reporting. Our responsibility is to express an opinion on the company's internal control over financial reporting based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, testing and evaluating the design and operating effectiveness of internal control based on the assessed risk, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

In our opinion, AEGON N.V. maintained, in all material respects, effective internal control over financial reporting as of December 31, 2008, based on the COSO criteria.

We also have audited, in accordance with auditing standards generally accepted in The Netherlands and the standards of the Public Company Accounting Oversight Board (United States), the consolidated financial statements of AEGON N.V., which comprise the consolidated balance sheets as of December 31, 2008 and 2007, the related consolidated income statements, statements of changes in equity, and cash flow statements for each of the three years in the period ended December 31, 2008 of AEGON N.V., and our report dated March 27, 2009 expressed an unqualified opinion thereon.

/s/ Ernst & Young Accountants LLP

The Hague, The Netherlands
March 27, 2009

D Changes in internal control over financial reporting

There have been no changes in our internal control over financial reporting during the period covered by this Annual Report on Form 20-F that have materially affected, or are reasonably likely to affect, our internal control over financial reporting.

ITEM 16A AUDIT COMMITTEE FINANCIAL EXPERT

The Audit Committee of the Supervisory Board has determined that its composition satisfies the criteria of independence as defined by the SEC and the Corporate Governance Rules of the NYSE. The current chairman of the Audit Committee, Mr. S. Levy, is a financial expert as defined by the SEC.

ITEM 16B CODE OF ETHICS

AEGON has adopted a Code of Conduct, which contains AEGON's ethical principles in relation to various subjects. The Code of Conduct applies to AEGON employees worldwide, including AEGON's principal executive officer, principal financial officer, principal accounting officer or controller and persons performing similar functions.

In 2008, no amendments were made to, and no waivers were granted in respect of the Code of Conduct. The Code of Conduct is posted on our website – www.aegon.com.

ITEM 16C PRINCIPAL ACCOUNTANT FEES AND SERVICES

Ernst & Young Accountants has served as AEGON's independent public accountant for each of the fiscal years in the three-year period ended December 31, 2008, for which audited financial statements appear in this Annual Report on Form 20-F.

The following table presents the aggregate fees for professional services and other services rendered by Ernst & Young Accountants to AEGON in 2006, 2007 and 2008.

Fees Ernst & Young

	2008	2007	2006
In million EUR			
Audit	23.7	22.4	23.8
Audit-related	2.3	1.7	1.7
Tax	-	-	0.4
Other services	-	-	0.5
	26.0	24.1	26.4

(a) Audit fees consist of fees billed for the annual financial statement audit (including required quarterly reviews), subsidiary audits, equity investment audits and other procedures required to be performed by the independent auditor to be able to form an opinion on AEGON's consolidated financial statements. These other procedures include information systems and procedural reviews and testing performed in order to understand and place reliance on the systems of internal control, and consultations relating to the audit or quarterly review. They also include fees billed for other audit services, which are those services that only the external auditor reasonably can provide, and include statutory audits or financial audits for subsidiaries or affiliates of the Company and services associated with SEC registration statements, periodic reports and other documents filed with the SEC or other documents issued in connection with securities offerings.

(b) Audit-related fees consist of fees billed for audit-related services including assurance and related services that are reasonably related to the performance of the audit or review of AEGON's financial statements or that are traditionally performed by the independent auditor. Audit-related services include, among others, assurance services to report on internal controls for third parties (e.g. SAS 70 audits), due diligence services pertaining to potential business acquisitions/dispositions; accounting consultations related to accounting, financial reporting or disclosure matters not classified as "Audit services"; assistance with understanding and implementing new accounting and financial reporting guidance from rulemaking authorities; financial audits of employee benefit plans; agreed-upon or expanded audit procedures related to accounting and/or billing records required to respond to or comply with financial, accounting or regulatory reporting matters; and assistance with internal control reporting requirements.

(c) Tax fees include fees billed for tax compliance.

(d) All other fees include fees billed for permissible non-audit services that AEGON believes are routine and recurring services, would not impair the independence of the auditor and are consistent with the SEC's rules on auditor independence.

Audit Committee Pre-approval Policies and Procedures

AEGON's Audit Committee is responsible, among other matters, for the oversight of the external auditor. The Audit Committee has adopted a policy regarding pre-approval of audit and permissible non-audit services provided by our independent auditors (the "Pre-approval Policy").

Under the Pre-approval Policy, proposed services either

(i) may be pre-approved by the Audit Committee without consideration of specific case-by-case services ("general pre-approval"); or

(ii) require the specific pre-approval of the Audit Committee ("specific pre-approval"). Appendices to the Pre-approval Policy (that are adopted each year) set out the audit, audit-related, tax and other services that have received the general pre-approval of the Audit Committee. All other audit, audit-related, tax and other services must receive specific pre-approval from the Audit Committee.

During 2008, all services provided to AEGON by Ernst & Young Accountants were pre-approved by the Audit Committee in accordance with the Pre-approval Policy.

ITEM 16D EXEMPTIONS FROM THE LISTING STANDARDS FOR AUDIT COMMITTEES

Not applicable

ITEM 16E PURCHASE OF EQUITY SECURITIES BY THE ISSUER AND AFFILIATED PURCHASERS

	Total number of shares purchased [1]	Average price paid per share in EUR	Total number of shares purchased as part of publicly announced plans or programs	Maximum number of shares that may yet be purchased under the plans or programs at end of month
January 1 - 31, 2008	3,679	7.88	0	0
February 1 – 29, 2008	6,861	6.48	0	0
March 1 – 31, 2008	8,506,387	9.08	0	0
April 1 - 30, 2008	5,099	6.50	0	0
May 1 - 31, 2008	18,754	7.02	0	0
June 1 - 30, 2008	5,518	6.59	0	0
July 1 – 31, 2008	13,186,054	8.03	0	0
August 1 – 31, 2008	3,698,337	7.84	0	0
September 1 - 30, 2008	949,015	7.35	0	0
October 1 - 31, 2008	11,491	3.59	0	0
November 1 - 30, 2008	17,816	2.14	0	0
December 1 - 31, 2008	9,311	2.54	0	0
Total	26,418,322		0	0

[1] The shares have been purchased as part of a share purchase program, to neutralize the dilution effect of issued stock dividends and to hedge AEGON's obligations under its employee stock appreciation plans and other agent related incentive programs. Excludes AEGON shares purchased by index funds controlled by AEGON. Such purchases are made to the extent necessary to maintain a basket of securities within the relevant fund reflecting the underlying index.

ITEM 16F CHANGE IN REGISTRANT'S CERTIFYING ACCOUNTANT

Not applicable.

ITEM 16G CORPORATE GOVERNANCE

Dutch company law is different from US law in the following respects:
AEGON, like other large Dutch public companies, has a two-tier governance system involving an executive board and a supervisory board. The Executive Board is the executive body and its members are employed by the Company. Members of the Executive Board are appointed and dismissed by the General Meeting of Shareholders, as inside directors are in the United States. The remuneration policy as regards the members of the Executive Board is adopted by the General Meeting of Shareholders. The number of the Executive Board members and the terms of their employment are determined by the Supervisory Board within the scope of the adopted remuneration policy. The Supervisory Board performs supervisory and advisory functions only and its members are outsiders that are not employed by the Company. The Supervisory Board has the duty to supervise the performance of the Executive Board, the Company's general course of affairs and the business connected with it. The Supervisory Board also assists the Executive Board by giving advice. Other powers of the Supervisory Board include the prior approval of certain important resolutions of the Executive Board. Members of the Supervisory Board are appointed for a four-year term and may be dismissed by the General Meeting of Shareholders. The remuneration of Supervisory Board members is fixed by the General Meeting of Shareholders. Resolutions entailing a significant change in the identity or character of the Company or its business require the approval of the General Meeting of Shareholders.

PART III

ITEM 17. FINANCIAL STATEMENTS

See Item 18.

ITEM 18. FINANCIAL STATEMENTS

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REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

The Supervisory Board and the Executive Board of AEGON N.V.

We have audited the accompanying consolidated balance sheets of AEGON N.V., as of December 31, 2008 and 2007, and the related consolidated income statements, statements of changes in equity, and cash flow statements for each of the three years in the period ended December 31, 2008. Our audits also include the financial statement schedules listed in the Index at Item 18. These financial statements and schedules are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements and schedules based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in The Netherlands and the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of AEGON N.V. at December 31, 2008 and 2007, and the consolidated results of its operations and its cash flows for each of the three years in the period ended December 31, 2008, in conformity with International Financial Reporting Standards as adopted by the European Union and International Financial Reporting Standards as issued by the International Accounting Standard Board. Also, in our opinion, the related financial statement schedules, when considered in relation to the basic financial statements taken as a whole, present fairly in all material respects the information set forth therein.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), AEGON N.V.'s internal control over financial reporting as of December 31, 2008, based on criteria established in Internal Control-Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission and our report dated March 27, 2009 expressed an unqualified opinion thereon.

/s/ Ernst & Young Accountants LLP

The Hague, The Netherlands
March 27, 2009

Consolidated balance sheet of AEGON Group as at December 31

Amounts in EUR million

	Note number	2008	2007 Adjusted[1]
ASSETS			
Intangible assets	18.6	5,425	4,894
Investments	18.7	130,481	132,861
Investments for account of policyholders	18.8	105,400	142,384
Derivatives	18.9	8,057	1,616
Investments in associates	18.10	595	472
Reinsurance assets	18.11	5,013	4,311
Defined benefit assets	18.26	448	387
Deferred tax assets	18.28	1,447	2
Deferred expenses and rebates	18.12	12,794	11,488
Other assets and receivables	18.13	7,376	7,274
Cash and cash equivalents	18.14	10,223	8,431
Total assets		**287,259**	**314,120**
EQUITY AND LIABILITIES			
Shareholders' equity	18.15	6,055	15,151
Convertible core capital securities	18.16	3,000	-
Other equity instruments	18.17	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	18.18	161	143
Subordinated borrowings	18.19	41	34
Insurance contracts	18.20	97,377	88,496
Insurance contracts for account of policyholders	18.21	60,808	78,394
Investment contracts	18.22	36,231	36,089
Investment contracts for account of policyholders	18.23	45,614	63,756
Derivatives	18.9	6,089	2,226
Borrowings	18.24	5,339	6,021
Provisions	18.25	495	293
Defined benefit liabilities	18.26	2,080	2,136
Deferred revenue liabilities	18.27	42	50
Deferred tax liabilities	18.28	424	1,605
Other liabilities	18.29	18,237	14,458
Accruals	18.30	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 18.2.2.1.

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

Amounts in EUR million (except per share data)

	Note number	**2008**	2007	2006
Premium income	18.31	22,409	26,900	24,570
Investment income	18.32	9,965	10,457	10,376
Fee and commission income	18.33	1,703	1,900	1,665
Other revenues	18.34	5	14	4
Total revenues		**34,082**	**39,271**	**36,615**
Income from reinsurance ceded	18.35	1,633	1,546	1,468
Results from financial transactions	18.36	(28,195)	4,545	9,397
Other income	18.37	6	214	11
Total income		**7,526**	**45,576**	**47,491**
Premiums to reinsurers	18.31	1,571	1,606	1,671
Policyholder claims and benefits	18.38	(808)	34,135	35,267
Profit sharing and rebates	18.39	98	83	133
Commissions and expenses	18.40	6,109	5,939	6,085
Impairment charges/(reversals)	18.41	1,113	117	33
Interest charges and related fees	18.42	526	474	362
Other charges	18.43	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	18.44	(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**

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

	Note number	**2008**	2007	2006
Earnings and dividend per share				
Basic earnings per share (EUR per share) [1]	18.45	(0.92)	1.47	1.87
Diluted earnings per share (EUR per share) [1]	18.45	(0.92)	1.47	1.86
Dividend per common share (EUR per share)	18.46	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 Number	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**
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)**

[1] In 2008, AEGON reclassified its real estate held for own use. Reference is made to note 18.2.2.1.

	Note Number	**2008**	2007 Adjusted[1]	2006 Adjusted[1]
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	18.14	**9,506**	**7,385**	**12,391**

1 In 2008, AEGON reclassified its real estate held for own use. Reference is made to note 18.2.2.1.

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 Number	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	18.15, 18.16, 18.17	**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 Number	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	18.15, 18.16, 18.17	**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 18.2.2.1.

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

Amounts in EUR million

	Note Number	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	**18.15, 18.16, 18.17**	**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 18.2.2.1.

Notes to the consolidated financial statements of AEGON Group

Amounts in EUR million, unless otherwise stated

18.1 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 more than 31,000 people worldwide.

18.2 Summary of significant accounting policies

18.2.1 Basis of presentation

18.2.1.1a 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 18.2.1.1b. 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.

18.2.1.1b. 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*;*
- 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.*

* not yet endorsed by the European Union

IFRIC 12 *Service concession arrangements* is mandatory for accounting periods beginning on or after 1 January 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.

18.2.1.2 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*)*; *
- IFRS 8 *Operating segments*;
- IFRIC 16 *Hedges of a net investment in a foreign operation;* *
- Amendments to IAS 39 *Eligible hedged items* *
- Improvements to IFRS (2008) *

* not yet endorsed by the European Union

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.

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;* *
- IFRIC 17 *Distributions of non-cash assets to owners* *
- IFRIC 18 *Transfers of assets from customers* *
- IFRS 1 (revised) *First time adoption of IFRS* *

* not yet endorsed by the European Union

18.2.2 Changes in reporting

18.2.2.1 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.

18.2.3 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. 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.

18.2.4 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.

18.2.5 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 *;
- *gains and losses on investments in real estate**;
- *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 */ **;
- the *ineffective portion of hedge transactions for which hedge accounting is applied* *;
- *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.

* For segment reporting disclosure purposes the above items are aggregated in the line Gains and losses on investments.

** 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.

18.2.6 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.

18.2.7 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, 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.

18.2.8 Investments

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

a. Financial assets, excluding 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.

18.2.9 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 18.2.8.

18.2.10 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.

18.2.11 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.

18.2.12 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.

18.2.13 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.

18.2.14 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 18.2.8.

18.2.15 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.

18.2.16 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.

18.2.17 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.

18.2.18 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.

18.2.19 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 18.2.19 c or, if bifurcated from the host contract, as described in note 18.2.10.

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.

18.2.20 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.

18.2.21 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.

18.2.22 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.

18.2.23 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.

18.2.24 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.

18.2.25 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.

18.2.26 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.

18.2.27 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.

18.2.28 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.

18.2.29 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.

18.2.30 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 18.2.9). 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.

18.2.31 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 18.41.

18.2.32 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.

18.2.33 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.

18.2.34 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.

18.3 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 purposes is estimated by discounting expected future cash flows using a current market rate applicable to financial instruments with similar yield, credit quality and maturity characteristics.

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 18.47 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:

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]	2008 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]	2007 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 18.47, the potential effect of using reasonable possible 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 and fair value less costs to sell for a cash-generating unit. Impairment testing requires the determination of the value in use or 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.

18.4 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.

[1,] Please refer to Note 18.3 for a description of the critical accounting estimates and judgments.

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.

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

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's 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 18.50 and note 18.51 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:

CDOs and CDSs	Notional 2008	Fair Value 2008	Notional 2007	Fair Value 2007
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	Limit
(in EUR million)	
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	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**

[1] Includes investments of Holding and other activities

	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

The fair values of these instruments were determined as follows:

	Published price quotations in an active market	Valuation technique based on market observable inputs	Valuation techniques not based on observable market data	2008 Total	Published price quotations in an active market	Valuation technique based on market observable inputs	Valuation techniques not based on observable market data	2007 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

[1] Exposures include past due and impaired assets

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 sub prime. 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. There are no individual issuers rated below investment grade in the ABS-housing sector which have unrealized loss positions greater than EUR 25 million (2007: EUR 15 million).

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%.

	AAA SSNR[1]	AAA SNR[2]	AAA Mezz[3]	AAA SSUP[4]	AA	A	BBB	<BBB	**2008 Amortized Cost**	**2008 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.

	2008		2007	
Rating	Market Value	%	Market Value	%
AAA	606	81.6%	842	99.8%
AA	9	1.2%	-	0.0%
A	29	3.9%	2	0.2%
BBB	28	3.8%	-	-
HY	71	9.5%	-	-
At December 31	**743**	**100.0%**	**844**	**100.0%**

	2008		2007	
VINTAGE	Market Value	**%**	Market Value	%
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.

CMBS exposure by Quality

	AAA	AA	A	BBB	< BBB	**2008** Cost price	**2008** 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.

	AAA	AA	A	BBB	< BBB	**2008** Cost price	**2008** 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:

	Published price quotations in an active market	Valuation technique based on market observable inputs	Valuation techniques not based on observable market data	**2008 Total**	Published price quotations in an active market	Valuation technique based on market observable inputs	Valuation techniques not based on observable market data	2007 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 follow table highlights AEGON's credit risk to capital securities within the banking sector:

Amortized Cost	Americas	The Netherlands	United Kingdom	Other countries	**2008** Cost price	**2008** 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, 2008	**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.

Bonds wrapped by monoline insurers

	2008		2007	
	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.

Past due but not impaired assets	2008 0-6 months	6-12 months	> 1 year	Total	2007 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 investments contract 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 Netherlands	United Kingdom	Other Countries	Holding and Other activities	**2008 Total**
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
Industrial	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

	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
Industrial	-	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 below. 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 below 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 table below. 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

2008	On Demand	< 1 yr Amount	1<5 yrs Amount	5<10 yrs Amount	>10 yrs Amount	Total Amount
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	On Demand	< 1 yr Amount	1<5 yrs Amount	5<10 yrs Amount	>10 yrs Amount	Total Amount
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 18.20, 18.21 and 18.23.

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.

18.5 Segment information

Income statement – Operating Earnings - 2008

	Americas	The Netherlands	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	Elimi-nations	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 Netherlands	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 Netherlands	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 18.2.5)

[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 Netherlands[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 18.2.5)

[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 Netherlands	United Kingdom	Other countries	Holding and other activities	Elimi-nations	Total
Life and protection	7,552	2,335	1,836	2,074	-	-	13,797
Individual savings and retirement products	2,872	230	-	8	-	-	3,110
Pensions and asset management	996	2,767	9,872	25	-	-	13,660
Institutional products	3,234	-	-	-	-	-	3,234
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 18.2.5)

[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 Netherlands	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

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

	2008			2007		
	Accident and health insurance	**General insurance**	**Total**	Accident and health insurance	General insurance	Total
Premium income	1,997	616	2,613	2,124	568	2,692
Investment income	251	49	300	258	52	310
Fee and commission income	98	-	98	115	-	115
Income from reinsurance ceded	264	8	272	331	(2)	329
Gains and losses on investments	(21)	(2)	(23)	10	2	12
Premiums to reinsurers	(294)	(22)	(316)	(307)	(19)	(326)
Policyholder claims and benefits	(1,252)	(360)	(1,612)	(1,344)	(345)	(1,689)
Commissions and expenses	(796)	(244)	(1,040)	(820)	(209)	(1,029)
Total	**247**	**45**	**292**	**367**	**47**	**414**

	2006		
	Accident and health insurance	General insurance	Total
Premium income	2,241	561	2,802
Investment income	240	49	289
Fee and commission income	116	-	116
Income from reinsurance ceded	336	3	339
Gains and losses on investments	14	9	23
Premiums to reinsurers	(318)	(20)	(338)
Policyholder claims and benefits	(1,420)	(348)	(1,768)
Commissions and expenses	(840)	(199)	(1,039)
Total	**369**	**55**	**424**

Summarized assets and liabilities per geographical segment

2008	Americas	The Netherlands	United Kingdom	Other countries	Holding and other activities	Elimi-nations	Total
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**

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 Netherlands	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.

18.6 Intangible assets

	Goodwill	VOBA	Future servicing rights	Software	Other	Total
Net book value						
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 18.52 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 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

2008	Americas	The Netherlands	United Kingdom	Other countries	Total
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
Total VOBA	**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
Total VOBA	**2,763**	**172**	**955**	**37**	**3,927**

18.7 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 at fair value through profit or loss (FVTPL) [1]		5,603	7,863
Total financial assets, excluding derivatives	18.7.1	127,953	130,340
Investments in real estate	18.7.2	2,528	2,521
Total investments for general account		**130,481**	**132,861**

Real estate held for own use, previously reported as part of general account investments has been reclassified to other assets and receivables - note 18.13.

[1] Refer to note 18.49 for a summary of all financial assets and financial liabilities at fair value through profit or loss.

18.7.1 Financial assets, excluding derivatives

2008	AFS	FVTPL	HTM	Loans	Total	Fair Value
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	AFS	FVTPL	HTM	Loans	Total	Fair Value
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 18.3 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 18.51 for a discussion of collateral received and paid.

No financial assets were reclassified during the financial year.

18.7.2 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 18.50 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 18.50 for a summary of contractual obligations to purchase investment property or for repairs, maintenance or enhancements.

18.8 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	18.8.1	1,131	2,508
Total investments for account of policyholders		**105,400**	**142,384**

[1] Refer to note 18.49 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 18.13.

18.8.1 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 18.50 for a summary of contractual obligations to purchase investment property or for repairs, maintenance or enhancements.

18.9 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 18.49 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 18.3 for details on measurement of derivatives.

Use of derivatives

Derivatives not designated in a hedge – general account

	Derivative asset		Derivative liability	
	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 18.47 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.

18.10 Investments in associates

	2008	2007
At January 1	472	478
Additions	111	26
Share in net income	24	36
Share in changes in associate's equity (note 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 18.53 for a listing of the principal investments in associates and the Group's percentage holding.

18.11 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 18.13).

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**

	Life insurance general account	Life insurance for account of policyholders	Total life insurance
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**

18.12 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

2008	Americas	The Netherlands	United Kingdom	Other countries	**Total**
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**

18.13 Other assets and receivables

	Note	**2008**	2007
Real estate held for own use and equipment	18.13.1	540	673
Receivables	18.13.2	4,673	4,249
Accrued income	18.13.3	2,163	2,352
At December 31		**7,376**	**7,274**

18.13.1 Real estate held for own use and equipment

Net book value

	General account Real Estate held for own use	Policyholder account 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**

	General account real estate held for own use	Account of policyholder real estate held for own use	Equipment	Total
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 18.50 for a summary of contractual commitments for the acquisition of general account real estate held for own use.

18.13.2 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)**

18.13.3 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.

18.14 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 18.29). Refer to note 18.51 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:

	2008	2007
Cash and cash equivalents	10,223	8,431
Bank overdrafts (note 18.24)	(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).

18.15 Shareholders' equity

Issued share capital and reserves attributable to shareholders of AEGON N.V.

	Note	**2008**	2007	2006
Share capital – par value	18.15.1	251	258	255
Share premium	18.15.2	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]	18.15.3	(725)	(2,053)	(787)
Total retained earnings		8,093	10,349	10,136
Revaluation reserves	18.15.4	(7,167)	(516)	1,648
Other reserves	18.15.5	(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.

18.15.1 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 18.48 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 18.40.

18.15.2 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.

18.15.3 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 Number of shares (thousands)	2007 Number of shares (thousands)	2006 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 Number of shares (thousands)	Total amount	2007 Number of shares (thousands)	Total Amount	2006 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**

18.15.4 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.

18.15.5 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.

18.16 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 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.

18.17 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, as of	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 Next 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 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.

18.18 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).

18.19 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).

18.20 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**

18.21 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**

18.22 Investment contracts

	2008	2007
Investment contracts [1]	**36,231**	36,089

	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**
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**

[1] Refer to note 18.49 for a summary of all financial assets and financial liabilities at fair value through profit or loss.

	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**

18.23 Investment contracts for account of policyholders

	2008	2007
Investment contracts for account of policyholders [1]	**45,614**	63,756

	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**

[1] Refer to note 18.49 for a summary of all financial assets and financial liabilities at fair value through profit or loss.

18.24 Borrowings

	2008	2007
Debentures and other loans	3,840	4,682
Commercial paper	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.

	2008	2007
Undrawn committed borrowing facilities:		
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.

18.25 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.

18.26 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:

	Retirement benefit plans 2008	**Other post-employment benefit plans 2008**	**Total 2008**	Retirement benefit plans 2007	Other post-employment benefit plans 2007	Total 2007
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.

Defined benefit expenses:

	Retirement benefit plans 2008	**Other post-employment benefit plans 2008**	**Total 2008**	Retirement benefit plans 2007	Other post-employment benefit plans 2007	Total 2007
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**

	Retirement benefit plans 2006	Other post-employment benefit plans 2006	Total 2006
Current year service costs	119	4	123
Interest cost	211	12	223
Expected return on plan assets	(190)	-	(190)
Actuarial (gains)/losses recognized	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.

	Retirement benefit plans 2008	Other post-employment benefit plans 2008	Total 2008	Retirement benefit plans 2007	Other post-employment benefit plans 2007	Total 2007
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:

	+ 1% 2008	- 1% 2008	+ 1% 2007	- 1% 2007
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).

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	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.

18.27 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**

18.28 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.

18.29 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 18.40 for a description of share appreciation rights and related expenses.

18.30 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.

18.31 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**

18.32 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:			
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:			
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).

18.33 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).

18.34 Other revenues

	2008	2007	2006
Other revenues	5	14	4

Other revenues relate to non-core activities.

18.35 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.

18.36 Results from financial transactions

	2008	2007	2006
Results from financial transactions comprise:			
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**

	2008	2007	2006
Net fair value change of general account financial investments at fair value through profit or loss, other than derivatives comprise:			
Shares	(639)	96	344
Debt securities and money market investments	(317)	86	61
Other	(305)	391	370
Total	**(1,261)**	**573**	**775**

	2008	2007	2006
Realized gains and losses on financial investments comprise:			
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**

	2008	2007	2006
Realized gains and losses on financial investments relate to:			
Available-for-sale investments	90	923	536
Loans	9	34	61
Total	**99**	**957**	**597**

	2008	2007	2006
Net fair value change of derivatives comprise:			
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**

	2008	2007	2006
Net fair value change on for account of policyholder financial assets at fair value through profit or loss comprise:			
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 18.32 for further information.

18.37 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.

18.38 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.

18.39 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**

18.40 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 18.3 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 18.29 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).

Share options	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 18.54 for detailed information about the SARs/share options and the shares and options conditionally granted to the Executive Board.

18.41 Impairment charges/(reversals)

	2008	2007	2006
Impairment charges/(reversals) comprise:			
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**
Impairment charges on financial assets, excluding receivables, from:			
- 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:			
- Debt securities and money market instruments	(36)	(51)	(103)
- Loans	-	(10)	(15)
- Other	-	(3)	-
Total	**(36)**	**(64)**	**(118)**

[1] Impairment charges/(reversals) on financial assets, excluding receivables are for segment reporting excluded from operating earnings before tax (refer note 18.5).

18.42 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).

18.43 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 18.2.5).

18.44 Income tax

	2008	2007	2006
Current tax			
- Current year	(103)	501	304
- Adjustments to prior year	36	(104)	(27)
	(67)	397	277
Deferred tax (refer to note 18.28)			
- 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%.

18.45 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 18.15).

	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**

18.46 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.

18.47 Guarantees in insurance contracts

For financial reporting purposes AEGON distinguishes between the following types of minimum guarantees:

1) Financial guarantees: these guarantees are treated as bifurcated embedded derivatives, valued at fair value and presented as derivatives (refer note 18.2.10 and note 18.3).
2) 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 18.2.19);
3) 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 18.2.19 and note 18.3); and
4) 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 18.2.19 and note 18.3).

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 18.2.19).

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:

	United States[1]	Canada[1]	UK	The Nether-lands[2]	**2008 Total**[3]	United States[1]	Canada[1]	UK	The Nether-lands[2]	2007 Total
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**

	United States[1]	Canada[1]	UK	The Nether-lands[2]	**2008 Total**	United States[1]	Canada[1]	UK	The Nether-lands[2]	2007 Total
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 note 18.9
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.

	GMDB[1]	GMIB[2]	**2008 Total[4]**	GMDB[1]	GMIB[2]	**2007 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]	**2008 Total[3]**	GMDB[1]	GMIB[2]	**2007 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 note 18.20

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 products are valued at fair value and are included as part of insurance liabilities with the underlying host insurance contracts in note 18.20.

The following table provides information on the liabilities for guarantees that are included in the valuation of the host contracts.

	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 note 18.20

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 18.3 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 IFRS 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.

18.48 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 18.17) 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 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 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 (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 EU 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 EU, 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 UK 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.

18.49 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.

	Trading 2008	**Designated 2008**	Trading 2007	Designated 2007
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 above.

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:

	Trading 2008	**Designated 2008**	Trading 2007	Designated 2007
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).

18.50 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 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 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			2007		
	Not later than 1 year	1-5 years	Later than 5 years	Not later than 1 year	1-5 years	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.

18.51 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.

	2008	2007
Financial assets for general account		
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 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 on Securities lending	3,577	8,280
- Cash received on 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 18.13.2.

18.52 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 business.

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, the estimated fair values are subject to adjustment at the initial allocation for a one year period as more information relative to the fair values as of the acquisition date become available. As the acquisition was completed at the end of December, the net income of the acquired operations was not material to the AEGON's consolidated net income. Had the acquisition taken place on 1 January 2007, the contribution of these companies to the Group's net income is estimated at EUR 75 million; contribution to revenues would have been approximately EUR 271 million.

In June 2007 AEGON acquired OPTAS N.V., a Dutch life insurance company specializing in employee benefit products and services within the Dutch group pension market for EUR 1.5 billion OPTAS N.V., the successor of Stichting Pensioenfonds voor de Vervoer- en Havenbedrijven (a pension fund for companies active in the transport and port industries) was converted into a public company in 1997. At the end of 2006, OPTAS had 60,000 policyholders and reported total gross written premiums of EUR 86 million, with total assets of EUR 4.5 billion. Assets held as investment amounted to EUR 3.4 billion, the insurance liabilities were EUR 2.9 billion. A portion of the shareholders' equity of OPTAS is subject to restrictions as set out in the articles of association of the company. These restrictions assure continued fulfillment of existing policy obligations and will remain in force after the acquisition. Since the acquisition, OPTAS has contributed EUR 11 million to AEGON's income before tax. Had the acquisition taken place on 1 January 2007, OPTAS' contribution to the Group's net income is estimated at EUR 22 million, contribution to revenues would have been approximately EUR 251 million.

In 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 Group. No operations have been disposed off as a result of the combination. The cost of acquiring the remaining 55% of the shares was EUR 59 million, which was paid in cash. In total an amount of EUR 96 million was paid to acquire the 100% interest. At the acquisition date assets and liabilities were recognized for EUR 186 million and EUR 134 million respectively which included a cash position of EUR 0 million. Since the acquisition

date, Unirobe has contributed EUR 5 million to the net income of AEGON in 2006. The acquisition resulted in the recognition of EUR 49 million goodwill, of which EUR 18 million had previously been included in the measurement of the interest held in Unirobe as an associate. Goodwill reflects the commission income that is expected to be generated by Unirobe in future years.

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.

18.53 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 18.10 for further details on investments in associates.

18.54 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 18.16 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 below.

Remuneration of active and retired members of the Executive Board

Amounts in EUR thousands

	Short Term Periodic payments		Performance related		Pension	
	Salary	Other[3]	Cash[4]	Shares[5]	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 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 AGM.

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. These loans were made in AEGON's ordinary course of business, pursuant to a widely available employee benefit program on terms comparable to other AEGON employees in the Netherlands and were approved in advance by the Supervisory Board. 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: (1) a base fee for membership of the Supervisory Board; (2) an additional fee for membership of a Committee; and (3) an attendance fee for face-to-face Committee meetings. Members of the Supervisory Board do not have any share options or share appreciation rights in AEGON N.V. at December 31, 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 shareholders' general meeting on April 22, 2009. Not included in the table above 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.

18.55 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 Jos 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 retire 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

18.56.1 Information related to Transamerica Finance Corporation

AEGON has fully and unconditionally guaranteed all of the outstanding public indebtedness of TFC, a wholly owned subsidiary of AEGON. The guarantees were issued on January 14, 2004. The following condensed consolidating financial information presents the condensed balance sheets, condensed income statements and cash flow statements of (i) AEGON NV (parent company only), (ii) TFC, (iii) other subsidiaries (iv) the eliminations necessary to arrive at the information for AEGON on a consolidated basis and (v) the total. The condensed consolidating balance sheets are shown as of December 31, 2008 and 2007 and the condensed consolidating income statements and condensed consolidating cash flow statements are shown for the years ended December 31, 2008, 2007, and 2006. The information is prepared in accordance with IFRS.

The AEGON NV parent company only column in this condensed consolidating financial information presents investments in subsidiaries under the equity method of accounting. The TFC column in this condensed consolidating financial information presents the individual line items for TFC. TFC is reported as a component of Holdings and other activities, which includes additional parent company interest charges.

The condensed consolidating balance sheets as at December 31, 2008 and 2007 are shown below:
As at December 31, 2008

Amounts in million EUR	AEGON NV	TFC	Other Subsidiaries	Elimi-nations	Total
Investments general account	-	-	130,483	(2)	130,481
Investments for account of policyholders	-	-	105,409	(9)	105,400
Investments in associates	-	-	595	-	595
Group companies & loans	12,507	-	1,422	(13,929)	-
Other assets and receivables	8,431	446	48,306	(6,400)	50,783
Total assets	20,938	446	286,215	(20,340)	287,259
Shareholders' equity	6,055	9	6,306	(6,315)	6,055
Convertible core capital securities	3,000	-	-	-	3,000
Other equity instruments	4,699	-	-	-	4,699
Minority interest	-	-	6	-	6
Group equity	13,754	9	6,312	(6,315)	13,760
Trust pass-through securities	-	-	161	-	161
Subordinated borrowings	34	-	7	-	41
Insurance contracts general account	-	-	97,377	-	97,377
Insurance contracts for account of policyholders	-	-	60,808	-	60,808
Investment contracts general account	-	-	36,231	-	36,231
Investment contracts for account of policyholders	-	-	45,614	-	45,614
Group companies & loans	3,705	-	10,320	(14,025)	-
Other liabilities	3,445	437	29,385	-	33,267
Total equity and liabilities	20,938	446	286,215	(20,340)	287,259

As at December 31, 2007

Amounts in million EUR	AEGON NV	TFC	Other Subsidiaries*	Elimi-nations	Total*
Investments general account	-	-	132,867	(6)	132,861
Investments for account of policyholders	-	-	142,408	(24)	142,384
Investments in associates	-	-	472	-	472
Group companies & loans	22,185	-	589	(22,774)	-
Other assets and receivables	4,946	413	38,969	(5,925)	38,403
Total assets	27,131	413	315,305	(28,729)	314,120
Shareholders' equity	15,151	(11)	15,299	(15,288)	15,151
Other equity instruments	4,795	-	-	-	4,795
Minority interest	-	-	16	-	16
Group equity	19,946	(11)	15,315	(15,288)	19,962
Trust pass-through securities	-	-	143	-	143
Subordinated borrowings	34	-	-	-	34
Insurance contracts general account	-	-	88,496	-	88,496
Insurance contracts for account of policyholders	-	-	78,394	-	78,394
Investment contracts general account	-	-	36,089	-	36,089
Investment contracts for account of policyholders	-	-	63,756	-	63,756
Group companies & loans	3,091	-	10,350	(13,441)	-
Other liabilities	4,060	424	22,762	-	27,246
Total equity and liabilities	27,131	413	315,305	(28,729)	314,120

* In 2008, AEGON reclassified its real estate held for own use. Reference is made to note18.2.2.1

The condensed consolidating income statements for the years ended December 31, 2008, 2007 and 2006:

Year ended December 31, 2008

Amounts in million EUR	AEGON NV	TFC	Other Subsidiaries	Elimi-nations	Total
Income					
Total revenues	(817)	12	33,647	1,240	34,082
Income from reinsurance ceded	-	-	1,633	-	1,633
Results from financial transactions	233	-	(28,447)	19	(28,195)
Other income	-	-	6	-	6
Total income	(584)	12	6,839	1,259	7,526
Charges					
Benefits and expenses	120	4	6,846	-	6,970
impairment charges/(reversals)	-	-	1,113	-	1,113
Interest charges and related fees	255	32	335	(96)	526
Other charges	-	-	2	-	2
Total charges	375	36	8,296	(96)	8,611
Share in profit/(loss) of associates	-	-	24	-	24
Income before tax	(959)	(24)	(1,433)	1,355	(1,061)
Income tax	(123)	(14)	116		(21)
Minority interest	-	-	-	-	-
NET INCOME	(1,082)	(38)	(1,317)	1,355	(1,082)

Year ended December 31, 2007

Amounts in million EUR	AEGON NV	TFC	Other Subsidiaries	Elimi-nations	Total
Income					
Total revenues	2,916	28	38,759	(2,432)	39,271
Income from reinsurance ceded	-	-	1,546	-	1,546
Results from financial transactions	(3)	-	4,538	10	4,545
Other income	-	-	214	-	214
Total income	2,913	28	45,047	(2,422)	45,576
Charges					
Benefits and expenses	80	12	41,671	-	41,763
impairment charges/(reversals)	-	16	101	-	117
Interest charges and related fees	355	37	201	(119)	474
Other charges	-	-	181	-	181
Total charges	435	65	42,154	(119)	42,535
Share in profit/(loss) of associates	-	-	36	-	36
Income before tax	2,478	(37)	2,939	(2,303)	3,077
Income tax	73	(8)	(591)	-	(526)
Minority interest	-	-	-	-	-
NET INCOME	2,551	(45)	2,348	(2,303)	2,551

Year ended December 31, 2006

Amounts in million EUR	AEGON NV	TFC	Other Subsidiaries	Elimi-nations	Total
Income					
Total revenues	3,514	29	36,080	(3,008)	36,615
Income from reinsurance ceded	-	-	1,468	-	1,468
Results from financial transactions	52	-	9,351	(6)	9,397
Other income	-	-	11	-	11
Total income	3,566	29	46,910	(3,014)	47,491
Charges					
Benefits and expenses	86	45	43,058	-	43,189
Interest charges and related fees	303	-	134	(75)	362
Other charges	-	-	1	-	1
Total charges	389	45	43,193	(75)	43,552
Share in profit/(loss) of associates	-	-	32	-	32
Income before tax	3,177	(16)	3,749	(2,939)	3,971
Income tax	(8)	52	(846)	-	(802)
Minority interest	-	-	-	-	-
NET INCOME	3,169	36	2,903	(2,939)	3,169

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The condensed consolidating cash flow statements for the years ended December 31, 2008, 2007 and 2006 are presented below:

Year ended December 31, 2008

Amounts in million EUR	AEGON NV	TFC	Other Subsidiaries	Elimi-nations	Total
Cash flow from operating activities					
Income before tax	(959)	(24)	(1,433)	1,355	(1,061)
Adjustments	411	14	3,314	(1,355)	2,384
	(548)	(10)	1,881	-	1,323
Cash flow from investing activities					
Purchase and disposal of intangible assets	-	-	(12)	-	(12)
Purchase and disposal of equipment	-	18	47	-	65
Purchase, disposal and dividend of subsidiaries and associates	-	-	(449)	(8)	(457)
Other	-	-	6	-	6
	-	18	(408)	(8)	(398)
Cash flow from financing activities					
Issuance and repayments of share capital and dividends paid	(877)	-	-	-	(877)
Issuance, repayment and coupons of convertible core capital securities	3,000	-	-	-	3,000
Issuance, repayment and coupons of perpetuals	(368)	-	-	-	(368)
Issuance and repayment on borrowings	1,978	(8)	(2,236)	8	(258)
Other	(12)	-	(24)	-	(36)
	3,721	(8)	(2,260)	8	1,461
Net increase/(decrease) in cash and cash equivalents	3,173	-	(787)	-	2,386

Year ended December 31, 2007

Amounts in million EUR	AEGON NV	TFC	Other Subsidiaries*	Elimi-nations	Total*
Cash flow from operating activities					
Income before tax	2,478	(37)	2,939	(2,303)	3,077
Adjustments	(3,090)	(14)	(3,616)	2,303	(4,417)
	(612)	(51)	(677)	-	(1,340)
Cash flow from investing activities					
Purchase and disposal of intangible assets	-	-	(10)	-	(10)
Purchase and disposal of equipment	-	47	(95)	-	(48)
Purchase, disposal and dividend of subsidiaries and associates	-	-	(2,611)	2	(2,609)
Other	-	-	(12)	-	(12)
	-	47	(2,728)	2	(2,679)
Cash flow from financing activities					
Issuance and repayments of share capital and dividends paid	(463)	-	(1,643)	-	(2,106)
Issuance, repayment and coupons of perpetuals	510	-	-	-	510
Issuance and repayment on borrowings	(1,391)	2	2,277	(2)	886
Other	-	-	11	-	11
	(1,344)	2	645	(2)	(699)
Net increase/(decrease) in cash and cash equivalents	(1,956)	(2)	(2,760)	-	(4,718)

* In 2008, AEGON reclassified its real estate held for own use. Reference is made to note18.2.2.1

Year ended December 31, 2006

Amounts in million EUR	AEGON NV	TFC	Other Subsidiaries*	Elimi-nations	Total*
Cash flow from operating activities					
Income before tax	3,177	(16)	3,749	(2,939)	3,971
Adjustments	(2,587)	21	3,539	2,939	3,912
	590	5	7,288	-	7,883
Cash flow from investing activities					
Purchase and disposal of intangible assets	-	-	(10)	-	(10)
Purchase and disposal of equipment	-	38	(87)	-	(49)
Purchase, disposal and dividend of subsidiaries and associates	168	-	(236)	(60)	(128)
Other	(64)	11	12	-	(41)
	104	49	(321)	(60)	(228)
Cash flow from financing activities					
Issuance and repayments of share capital and dividends paid	(751)	-	20	-	(731)
Issuance, repayment and coupons of perpetuals	434	-	-	-	434
Issuance and repayment on borrowings	839	(60)	(1,394)	60	(555)
Other	-	-	(22)	-	(22)
	522	(60)	(1,396)	60	(874)
Net increase/(decrease) in cash and cash equivalents	1,216	(6)	5,571	0	6,781

* In 2008, AEGON reclassified its real estate held for own use. Reference is made to note18.2.2.1

18.56.2 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 Jos 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 retire 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.

SCHEDULE I

SUMMARY OF INVESTMENTS OTHER THAN INVESTMENTS IN RELATED PARTIES

	December 31, 2008		
In million EUR	Cost[1]	Fair value	Book value
Shares			
Available-for-sale	1,399	1,429	1,429
Fair value through profit or loss	1,173	1,173	1,173
Bonds:			
Available-for-sale and held-to-maturity:			
US government	3,573	4,006	4,006
Dutch government	1,787	1,876	1,876
Other government	15,815	16,711	16,567
Mortgage backed	13,046	9,234	9,234
Asset backed	11,396	7,997	7,997
Corporate	54,405	46,584	46,594
Money market investments	8,318	8,318	8,318
Other	989	996	996
Sub-total	109,329	95,722	95,588
Fair value through profit or loss	2,282	2,282	2,282
Other investments at fair value through profit or loss	2,148	2,148	2,148
Mortgages	20,166		20,166
Private loans	822		822
Deposits with financial institutions	1,640		1,640
Policy loans	2,473		2,473
Receivables out of share lease agreements	54		54
Other	178		178
Sub-total	25,333		25,333
Real estate:			
Investments in real estate	2,528		2,528
Grand total	144,192		130,481

[1] Cost is defined as original cost for available-for-sale shares and amortized cost for available-for-sale and held-to-maturity bonds. For fair value through profit or loss investments, including investments in real estate, cost is set equal to fair value.

SCHEDULE III

SUPPLEMENTARY INSURANCE INFORMATION

Column A	Column B	Column C	Column D	Column E	Column F
Segment	Deferred policy acquisitions Costs	Future policy benefits	Unearned premiums	Other policy claims and benefits	Premium revenue
In million EUR					
2008					
Life insurance	11,557	230,210	-	-	19,795
Non-life insurance [1]	667	-	2,860	2,340	2,614
2007					
Life insurance	10,291	256,757	-	-	24,210
Non-life insurance [1]	666	-	2,605	2,200	2,690
2006					
Life insurance	10,210	252,340	-	-	21,768
Non-life insurance [1]	728	-	2,632	2,254	2,802

	Column G	Column H	Column I	Column J	Column K
	Net investment income	Benefits, claims and losses	Amortization of deferred policy acquisition costs	Other operating expenses	Premiums written
In million EUR					
2008					
Life insurance	9,561	1,882	1,177	3,772	18,540
Non-life insurance [1]	300	1,346	125	920	2,298
2007					
Life insurance	10,082	19,786	870	3,947	22,931
Non-life insurance [1]	310	1,347	128	899	2,363
2006					
Life insurance	9,812	19,753	1,111	3,843	20,435
Non-life insurance [1]	288	1,444	132	906	2,464

[1] Includes Accident and Health insurance

.

SCHEDULE IV

REINSURANCE

In million EUR	Gross amount	Ceded to other companies	Assumed from other companies	Net amount	% of amount assumed to net
For the year ended December 31, 2008					
Life insurance in force	906,610	521,716	682,575	1,067,469	64%
Premiums					
Life insurance	18,279	1,255	1,516	18,540	8%
Non-Life insurance	2,614	316	-	2,298	-
Total Premiums	20,893	1,571	1,516	20,838	7%
For the year ended December 31, 2007					
Life insurance in force	888,758	463,688	599,663	1,024,733	59%
Premiums					
Life insurance	22,614	1,278	1,596	22,931	7%
Non-Life insurance	2,690	328	-	2,362	-
Total Premiums	25,304	1,606	1,596	25,293	6%
For the year ended December 31, 2006					
Life insurance in force	888,112	485,133	594,013	996,992	60%
Premiums					
Life insurance	20,270	1,333	1,498	20,435	7%
Non-Life insurance	2,802	338	-	2,464	-
Total Premiums	23,072	1,671	1,498	22,899	7%

SCHEDULE V

VALUATION AND QUALIFYING ACCOUNTS

In million EUR

	Years ended December 31,		
	2008	2007	2006
Balance at January 1	221	233	244
Addition charged to earnings	25	8	15
Amounts written off and other changes	(19)	(12)	(19)
Currency translation	5	(9)	(7)
Balance at December 31	232	221	233

The provisions can be analyzed as follows:

	December 31,		
	2008	2007	2006
Mortgages	42	18	31
Other loans	48	40	44
Receivables	142	163	158
Total	232	221	233

ITEM 19. EXHIBITS

Index to Exhibits

1	Articles of Incorporation. (1)
4.1	Amendment of the 1983 Merger Agreement among AEGON and Vereniging AEGON. (2)
4.2	Preferred Shares Voting Rights Agreement. (3)
4.3	Employment Agreement between J.B.M. Streppel and AEGON N.V. (4)
4.4	J.B.M. Streppel 2004 Long-Term Incentive Plan Agreement (4)
4.5	Employment Agreement between A.R. Wynaendts and AEGON N.V. (4)
4.6	A.R. Wynaendts 2004 Long-term Incentive Plan Agreement (4)
4.7	AEGON N.V. Long-term Incentive Plan Rules (4)
4.8	AEGON N.V. Short-term Incentive Plan Rules (4)
4.9	Assignment Agreement between A.R. Wynaendts and AEGON N.V. (5)
4.10	Senior Loan Agreement between Vereniging AEGON, The State of the Netherlands and AEGON N.V. dated December 1, 2008.
4.11	Subscription Agreement between Vereniging AEGON, The State of the Netherlands and AEGON N.V. dated December 1, 2008.
4.12	Agreement on Governance and Certain Other Matters between Vereniging AEGON, The State of the Netherlands and AEGON N.V. dated December 1, 2008.
7	Ratio of earnings to fixed charges.
8	List of Subsidiaries of AEGON N.V. – Incorporation by reference to Note 18.52 of this Annual Report on Form 20-F.
12.1	Certification of the Chief Executive Officer pursuant to Rule 13A-14 or 15D-14 of the Securities Exchange Act of 1934.
12.2	Certification of the Chief Financial Officer pursuant to Rule 13A-14 or 15D-14 of the Securities Exchange Act of 1934.
13	Certification of the Chief Executive Officer and Chief Financial Officer pursuant to 18 U.S.C. Section 1350
15	Consent of independent registered public accounting firm.

(1)	Incorporated by reference to Form 6-K (file no. 1193125-07-126500) filed with the SEC on May 31, 2007.
(2)	Incorporated by reference to Exhibit 4.2 to Form F-3 (file no. 333-106497) filed with the SEC on June 25, 2003.
(3)	Incorporated by reference to Exhibit 4.3 to Form F-3 (file no. 333-106497) filed with the SEC on June 25, 2003.
(4)	Incorporated by reference to Exhibit 19 to Form 20-F 2004 filed with the SEC on March 29, 2005.
(5)	Incorporated by reference to Exhibit 19 to Form 20-F 2005 filed with the SEC on March 30, 2006.

The Company agrees to furnish to the Securities and Exchange Commission upon request copies of instruments with respect to long-term debt of the Company and its consolidated subsidiaries.

SIGNATURES

The registrant hereby certifies that it meets all of the requirements for filing on Form 20-F and that it has duly caused and authorized the undersigned to sign this annual report on its behalf.

AEGON N.V.

/s/ Joseph B.M. Streppel

_____

Joseph B.M. Streppel
Chief Financial Officer

Date: March 27, 2009

Exhibit 4.10

Senior Loan Agreement between Vereniging AEGON, The State of the Netherlands and AEGON N.V. dated December 1, 2008.

SENIOR LOAN AGREEMENT

For

VERENIGING AEGON

with

THE STATE OF THE NETHERLANDS
as Lender

and

AEGON NV

EUR 3,000,000,000

LOAN AGREEMENT

ALLEN & OVERY

Allen & Overy LLP

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THIS AGREEMENT is dated 1 December 2008 and made

BETWEEN:

(1) **VERENIGING AEGON**, an association (*vereniging*) incorporated by notarial deed and duly established in accordance with the laws of The Netherlands, with offices at AEGONplein 50, 2591 TV, The Hague, The Netherlands (the **Association**);

(2) **THE STATE OF THE NETHERLANDS,** an entity under public law, acting through the Ministry of Finance, with address at the Korte Voorhout 7, 2511 CW, The Hague, as lender (the **Lender**); and

(3) **AEGON N.V.**, a public limited liability company (*naamloze vennootschap*) duly incorporated under the laws of The Netherlands, with its registered seat in The Hague, the Netherlands and address at AEGONplein 50, 2591 TV, The Hague, The Netherlands ("**AEGON**").

IT IS AGREED as follows:

1. DEFINITIONS AND INTERPRETATION

1.1 Definitions

In this Agreement:

Accounting Principles means generally accepted accounting principles in The Netherlands, including IFRS.

AEGON Ordinary Shares means the ordinary shares in the share capital of AEGON.

AEGON Preference Shares means the A and B preference shares issued by AEGON to the Association pursuant to the terms and conditions set out in the articles of association of AEGON.

AEGON Securities means the "securities" under and as defined in the Subscription Agreement, issued or to be issued by AEGON to the Association pursuant to the Subscription Agreement.

AEGON Securities Pledge Agreement means the Dutch law governed first ranking pledge agreement on the AEGON Securities between the Association, the Lender and AEGON dated on or about the date of this Agreement.

Affiliate means, in relation to any person, a Subsidiary of that person or a Holding Company of that person or any other Subsidiary of that Holding Company.

Agreed Security Principles means the principles set out in Schedule 3 (Agreed Security Principles).

Annual Financial Statements means the financial statements for a Financial Year delivered pursuant to paragraph (a) of Subclause 12.1 (Financial statements).

Assignment Agreement means an assignment agreement substantially in the form set out in Schedule 5 (Form of Assignment Agreement) or any other form satisfactory to the Lender.

Auditors means one of PricewaterhouseCoopers, Ernst & Young, KPMG or Deloitte & Touche or such other firm approved in advance by the Lender (such approval not to be unreasonably withheld or delayed).

Authorisation means an authorisation, consent, approval, resolution, licence, exemption, filing, notarisation or registration.

Availability Period means the period from and including the date of this Agreement to and including 1 December 2008.

Bank Facility Agreement means the EUR 1,650,000,000 Revolving Repo Back-Up Facility Agreement dated 28 April 2005 between (among others) the Association and ABN AMRO Bank N.V. as facility agent and security agent.

Bank Finance Documents means:

(a) the Bank Facility Agreement;

(b) the Bank Repo Facility Agreement;

(c) the Bank Hedging Documents;

(d) the Bank Security Documents;

(e) any amendment, restatement, extension, replacement or refinancing of the financing under the documents listed in paragraphs (a) to (d) above; and

(f) any other "finance document" designated as such in the documents listed in paragraphs (a) to (e) above.

Bank Hedging Documents means any master agreement, confirmation, schedule or other agreement between the Association and a hedge counterparty for the purposes of hedging interest rate liabilities in relation to the facilities described in the Bank Facility Agreement (and any amendment, restatement, extension, replacement or refinancing of the Bank Facility Agreement).

Bank Lenders has the meaning given to "lenders", "agent" or "finance parties" in the Bank Finance Documents from time to time.

Bank Repo Facility Agreement means the TMBA/ISMA Global Master Repurchase Agreement (Version 2000) together with the annexes to it, dated 28 April 2005 between (among others) the Association as seller and ABN AMRO Bank N.V. as repo agent.

Bank Security Documents means documents entered into by the Association by which the following Security is provided to the Bank Lenders to secure the obligations of the Association under the Bank Finance Documents:

(a) a first ranking right of pledge over the bank accounts of the Association; and

(b) a first ranking right of pledge of all rights in respect of future dividends or other distributions declared but not paid in respect of certain preference shares in AEGON held by the Association as further detailed in the Bank Facility Agreement.

Business Day means a day (other than a Saturday or Sunday) on which banks are open for general business in Amsterdam and (in relation to any date for payment or purchase of euro) which is a TARGET Day.

Calculation Agent means AEGON or such other Calculation Agent in respect of the Securities for the time being as may have been appointed as such by the Issuer or the Holders in accordance with the Subscription Agreement.

Charged Property means all of the assets of the Association which from time to time are, or are expressed to be, the subject of the Transaction Security.

Closing Date shall mean 11.00 a.m. (Amsterdam time) on 1 December 2008 or such other time and/or date as the AEGON and the Association may agree with the prior written approval of the Lender.

Commitment means EUR 3,000,000,000, to the extent not cancelled or reduced under this Agreement.

Confidential Information means all information relating to the Association, AEGON, the Group, the Transaction Documents or the Facility in respect of which a Party becomes aware in its capacity as a Party or which is received by a Party in relation to the Transaction Documents or the Facility from any other Party, any member of the Group or any of its advisers, in whatever form, and includes information given orally and any document, electronic file or any other way of representing or recording information which contains or is derived or copied from such information but excludes information that:

(a) is or becomes public information other than as a direct or indirect result of any breach by that Party of Clause 24 (Confidentiality); or

(b) is identified in writing at the time of delivery as non-confidential by a Party or any member of the Group or any of its advisers; or

(c) is known by a Party before the date the information is disclosed to it in accordance with paragraphs (a) or (b) above or is lawfully obtained by that Party after that date, from a source which is, as far as that Party is aware, unconnected with the other Parties or the Group and which, in either case, as far as that Party is aware, has not been obtained in breach of, and is not otherwise subject to, any obligation of confidentiality.

Constitutional Documents means,

(a) in respect of the Association,

  (i) its articles of association (*statuten*); and

  (ii) an extract (*uittreksel*) from the trade register held with the relevant Dutch Chamber of Commerce (*Handelsregister*);

(b) in respect of AEGON,

  (i) its articles of association (*statuten*);

  (ii) its shareholders register (*aandeelhoudersregister*); and

(iii) an extract (*uittreksel*) from the trade register held with the relevant Dutch Chamber of Commerce (*Handelsregister*);

Default means an Event of Default or any event or circumstance specified in Clause 14 (*Events of Default*) which would (with the expiry of a grace period, the giving of notice, the making of any determination under the Transaction Documents or any combination of any of the foregoing) be an Event of Default.

Disruption Event means either or both of:

(a) a material disruption to those payment or communications systems or to those financial markets which are, in each case, required to operate in order for payments to be made in connection with the Facility (or otherwise in order for the transactions contemplated by the Finance Documents to be carried out) which disruption is not caused by, and is beyond the control of, any of the Parties; or

(b) the occurrence of any other event which results in a disruption (of a technical or systems-related nature) to the treasury or payments operations of a Party preventing that, or any other Party:

(i) from performing its payment obligations under the Finance Documents; or

(ii) from communicating with other Parties in accordance with the terms of the Finance Documents,

and which (in either such case) is not caused by, and is beyond the control of, the Party whose operations are disrupted.

Event of Default means any event or circumstance specified as such in Clause 14 (Events of Default).

Facility means the loan facility made available under this Agreement as described in Clause 2 (The Facility).

Finance Document means this Agreement, any Transaction Security Document, any Utilisation Request and any other document designated as a "Finance Document" by the Parties.

Financial Indebtedness means any indebtedness for or in respect of:

(a) moneys borrowed and debit balances at banks or other financial institutions;

(b) any acceptance under any acceptance credit or bill discounting facility (or dematerialised equivalent);

(c) any note purchase facility or the issue of bonds, notes, debentures, loan stock or any similar instrument;

(d) the amount of any liability in respect of any lease or hire purchase contract which would, in accordance with the Accounting Principles, be treated as a finance or capital lease;

(e) receivables sold or discounted (other than any receivables to the extent they are sold on a non-recourse basis and meet any requirement for de-recognition under the Accounting Principles);

(f) any Treasury Transaction (and, when calculating the value of that Treasury Transaction, only the marked to market value (or, if any actual amount is due as a result of the termination or close-out of that Treasury Transaction, that amount) shall be taken into account);

(g) any counter-indemnity obligation in respect of a guarantee, indemnity, bond, standby or documentary letter of credit or any other instrument issued by a bank or financial institution;

(h) any amount raised by the issue of redeemable shares which are redeemable (other than at the option of the issuer) before all amounts outstanding under the Facility are repaid or prepaid (as relevant) or are otherwise classified as borrowings under the Accounting Principles);

(i) any amount of any liability under an advance or deferred purchase agreement if (i) one of the primary reasons behind entering into the agreement is to raise finance or to finance the acquisition or construction of the asset or service in question or (ii) the agreement is in respect of the supply of assets and services and payment is due more than 45 days after the date of supply;

(j) any arrangement pursuant to which an asset sold or otherwise disposed of by that person may be reacquired by a member of the Group (whether following the exercise of an option or otherwise);

(k) any amount raised under any other transaction (including any forward sale or purchase, sale and sale back or sale and leaseback agreement) having the commercial effect of a borrowing or otherwise classified as borrowings under the Accounting Principles; and

(l) the amount of any liability in respect of any guarantee for any of the items referred to in paragraphs (a) to (k) above.

Financial Year means the annual accounting period of the Group ending on or about 31 December in each year.

First Year Repurchase Compensation has the meaning given to such term in clause 4(b)(ii) of the Securities Terms and Conditions.

Governance Agreement means the agreement on governance and certain other matters between the Lender, the Association and AEGON entered into on or about the date of this Agreement.

Group means the Association, AEGON and each of AEGON's Subsidiaries for the time being.

Holder means the registered holder of any Security.

Holding Company means, in relation to a company or corporation, any other company or corporation in respect of which it is a Subsidiary.

IFRS means international accounting standards within the meaning of IAS Regulation 1606/2002 to the extent applicable to the relevant financial statements.

Interest Period means, in relation to the Loan, each period that corresponds to a Securities Interest Period.

Issue means the issue of the AEGON Securities in accordance with the Subscription Agreement.

Issue Date means the date on which the Issue occurs.

Issue Price means EUR 4 for each of the AEGON Securities.

Issuer means AEGON.

Joint Venture means any joint venture entity, whether a company, unincorporated firm, undertaking, association, joint venture or partnership or any other entity.

Legal Opinion means any legal opinion delivered to the Lenders under Subclause 4.1 (Initial conditions precedent).

Legal Reservations means:

(a) the principle that remedies may be granted or refused at the discretion of a court and the limitation of enforcement by laws relating to insolvency, reorganisation and other laws generally affecting the rights of creditors;

(b) the time barring of claims under limitation provisions of any applicable law, and defences of set-off or counterclaim; and

(c) any other matters which are set out as qualifications or reservations as to matters of law of general application in the Legal Opinions.

Loan means the loan made or to be made under the Facility or the principal amount outstanding for the time being of that loan.

Material Adverse Effect means a material adverse effect on:

(a) the business, operations, property, condition (financial or otherwise) or prospects of, as applicable, the Association or AEGON; or

(b) the ability of each of the Association and AEGON to perform its obligations under the Transaction Documents; or

(c) the validity or enforceability of, or the effectiveness or ranking of any Security granted or purporting to be granted pursuant to any of, the Transaction Documents or the rights or remedies of the Lender under any of the Transaction Documents,

it being understood that in case of (a) and (b), the value or changes in the value of AEGON on any stock exchange will in itself not constitute a Material Adverse Effect under those paragraphs.

Month means a period starting on one day in a calendar month and ending on the numerically corresponding day in the next calendar month, except that:

(a) if the numerically corresponding day is not a Business Day, that period shall end on the next Business Day in that calendar month in which that period is to end if there is one, or if there is not, on the immediately preceding Business Day; and

(b) if there is no numerically corresponding day in the calendar month in which that period is to end, that period shall end on the last Business Day in that calendar month.

The above rules will only apply to the last Month of any period. "Monthly" shall be construed accordingly.

Original Financial Statements means:

(a) in relation to the Association, its audited financial statements for the financial year ending 31 December 2007;

(b) in relation to AEGON its consolidated audited financial statements for its Financial Year ended 31 December 2007.

Party means a party to this Agreement.

Quasi-Security has the meaning given to that term in Subclause 13.8 (Negative pledge).

Refund Claim has the meaning given to that term in Subclause 9.3 (Assignment of Refund Claim).

Register means the register or registers maintained by the Registrar in respect of the Securities pursuant to the Subscription Agreement**.**

Registrar means AEGON or such other Registrar in respect of the Securities for the time being as may have been appointed as such by the Issuer or the Holders in accordance with the Subscription Agreement.

Relevant Interbank Market means the European interbank market.

Relevant Jurisdiction means, in relation to the Association and AEGON:

(a) its jurisdiction of incorporation;

(b) any jurisdiction where any asset subject to or intended to be subject to the Transaction Security to be created by it is situated;

(c) any jurisdiction where it conducts its business; and

(d) the jurisdiction whose laws govern the perfection of any of the Transaction Security Documents entered into by it.

Repeating Representations means each of the representations set out in Subclause 11.2 (Status) to Subclause 11.7 (Governing law and enforcement), Subclause 11.11 (No default), Subclause 11.13 (Original Financial Statements), Subclause 11.18 (Ranking) to Subclause 11.20 (Ownership) and Subclause 11.22 (Centre of main interests and establishments).

Security means a mortgage, charge, pledge, lien or other security interest securing any obligation of any person or any other agreement or arrangement having a similar effect.

Securities Cash Interest means, for a Securities Interest Date, if AEGON has declared an annual or interim dividend payable in cash in respect of the AEGON Ordinary Shares, an amount equal to the "coupon amount" payable in cash on that Securities Interest Date under and as defined in the Securities Terms and Conditions.

Securities Deed means the deed of issue and placement of the Securities, substantially in the form set out in schedule 2 of the Subscription Agreement.

Securities Default Interest means any default interest due by AEGON to the Association for an overdue amount under clause 3(i) of the Securities Terms and Conditions.

Securities Interest means Securities Cash Interest or Securities Scrip Interest.

Securities Interest Date means a date on which Securities Interest is paid (or deemed to be paid) by AEGON to (or at the direction of) the Association as required under the Securities Terms and Conditions.

Securities Interest Period means a period during which Securities Interest accrues in accordance with the Securities Terms and Conditions.

Securities Scrip Interest means, in respect of a Securities Interest Date, if AEGON has declared an annual or interim dividend in scrip in respect of the AEGON Ordinary Shares, the Stock Dividends (as defined in the Securities Terms and Conditions) to be issued to the Lender on that Securities Interest Date under and as defined in the Securities Terms and Conditions.

Securities Terms and Conditions means the terms and conditions of the AEGON Securities as set out in schedule 1 of the Subscription Agreement.

Subscription Agreement means the subscription agreement dated on or about the date of this Agreement relating to the AEGON Securities and made between the Association, AEGON and the Lender.

Subscription Documents means the Subscription Agreement, the Securities Terms and Conditions, the Securities Deed and any other document designated as a "Subscription Document" by the Parties.

Subsidiary means:

(a) in relation of any company or corporation, a company or corporation:

(i) (which is controlled directly or indirectly, by the first mentioned company or corporation;

(ii) more than half the issued share capital of which is beneficially owned, directly or indirectly by the first mentioned company or corporation;

(iii) which is a Subsidiary of another Subsidiary of the first mentioned company or corporation,

and for this purpose a company or corporation shall be treated as being controlled by another if that other company or corporation is able to direct its affairs and / or control the composition of its board of directors or equivalent body; and

(b) in relation to a legal person incorporated in The Netherlands, a subsidiary as defined in section 2:24a CC and in relation to financial statements of the Group, a group company (*groepsmaatschappij*) as defined in section 2:24b of the Dutch CC.

TARGET means the Trans-European Automated Real-time Gross Settlement Express Transfer payment system which utilises a single shared platform and which was launched on 19 November 2007.

TARGET Day means any day on which TARGET is open for the settlement of payments in euro.

Tax means any tax, levy, impost, duty or other charge or withholding of a similar nature (including any penalty or interest payable in connection with any failure to pay or any delay in paying any of the same).

Tax Deduction means a deduction or withholding for or on account of Tax from a payment under a Transaction Document.

Term Sheet means the term sheet dated 28 October 2008 in respect of the issuance of the AEGON Securities and the Loan and entered into between the Association, the Lender and AEGON.

Transaction Documents means the Finance Documents, the Subscription Documents, the Governance Agreement and any other document designated as a "Transaction Document" by the Parties.

Transaction Security means the Security created or expressed to be created in favour of the Lender pursuant to the Transaction Security Documents.

Transaction Security Documents means each of the documents listed as being a Transaction Security Document in paragraph 3(b) of Schedule 1 (Conditions Precedent) together with any other document entered into by the Association creating or expressed to create any Security over all or any part of its assets in respect of the obligations of the Association and AEGON to the Lender under any of the Transaction Documents.

Transfer Certificate means a certificate substantially in the form set out in Schedule 4 (Form of Transfer Certificate) or any other form satisfactory to the Lender.

Transfer Date means, in relation to an assignment or transfer, the later of:

(a) the proposed Transfer Date specified in the relevant Assignment Agreement or Transfer Certificate; and

(b) the date on which the Lender and the other Parties (if required) have executed the relevant Assignment Agreement or Transfer Certificate.

Treasury Transactions means any derivative transaction entered into in connection with protection against or benefit from fluctuation in any rate or price.

Unpaid Sum means any sum due and payable but unpaid by the Association or AEGON under the Transaction Documents.

Utilisation Date means the date on which the Loan is made.

Utilisation Request means a notice substantially in the relevant form set out in Schedule 2 (Utilisation Request).

1.2 Construction

(a) Unless a contrary indication appears, a reference in this Agreement to:

(i) the **Lender**, the **Association**, **AEGON**, any **Party** or any other person shall be construed so as to include its successors in title, permitted assigns and permitted transferees;

(ii) a document in **agreed form** is a document which is previously agreed in writing by or on behalf of the Association and the Lender or, if not so agreed, is in the form specified by the Lender;

(iii) **assets** includes present and future properties, revenues and rights of every description;

(iv) "**determination**", "**approval**", "**designation**", "**consent**" or similar term means a determination, approval, designation, consent or similar term made or given by the person making or giving it acting reasonably (and "**determine**", "**approve**", "**designate**", "**consent**" and similar terms shall be construed accordingly);

(v) a "**director**", in relation to the Association or AEGON, means a managing director (*bestuurder*) and "**board of directors**" means its managing board (*bestuur*);

(vi) a **Finance Document,** the **Governance Agreement,** a **Bank Finance Document** or a **Transaction Document** or any other agreement or instrument is a reference to that Finance Document, the Governance Agreement, that Bank Finance Document or that Transaction Document or other agreement or instrument as amended, novated, supplemented, extended or restated;

(vii) **guarantee** means any guarantee, letter of credit, bond, indemnity or similar assurance against loss, or any obligation, direct or indirect, actual or contingent, to purchase or assume any indebtedness of any person or to make an investment in or loan to any person or to purchase assets of any person where, in each case, such obligation is assumed in order to maintain or assist the ability of such person to meet its indebtedness;

(viii) **indebtedness** includes any obligation (whether incurred as principal or as surety) for the payment or repayment of money, whether present or future, actual or contingent;

(ix) a **person** includes any person, firm, company, corporation, government, state or agency of a state or any association, trust, joint venture, consortium or partnership (whether or not having separate legal personality) of two or more of the foregoing;

(x) a **regulation** includes any regulation, rule, official directive, request or guideline (whether or not having the force of law) of any governmental, intergovernmental or supranational body, agency, department or regulatory, self-regulatory or other authority or organisation;

(xi) a provision of law is a reference to that provision as amended or re-enacted; and

(xii) a time of day is a reference to time in The Hague.

(b) Section, Clause, Subclause and Schedule headings are for ease of reference only.

(c) Unless a contrary indication appears, a term used in any other Transaction Document or in any notice given under or in connection with any Transaction Document has the same meaning in that Transaction Document or notice as in this Agreement.

(d) A Default (other than an Event of Default) is "**continuing**" if it has not been remedied or waived and an Event of Default is "**continuing**" if it has not been remedied or waived.

1.3 Third party rights

Except where this agreement specifically provides otherwise, a person who is not a Party has no right under section 6:253 CC to enforce or to enjoy the benefit of any term of this Agreement.

1.4 Dutch terms

In this Agreement, a reference to:

(a) gross negligence means *grove schuld*;

(b) negligence means *schuld*;

(c) a security interest includes any mortgage (*hypotheek*), pledge (*pandrecht*), retention of title arrangement (*eigendomsvoorbehoud*), privilege (*voorrecht*), right of retention (*retentie recht*), right to reclaim goods (*recht van reclame*), and, in general any right in rem (*beperkt recht*), created for the purpose of granting security (*goederenrechtelijk zekerheidsrecht*);

(d) wilful misconduct means *opzet*;

(e) (i) a winding-up, administration or dissolution (and any of those terms) includes a Dutch entity being declared bankrupt (*failliet verklaard*) or dissolved (*ontbonden*);

(ii) a moratorium includes *surséance van betaling* and granted a moratorium includes *surséance verleend*;

(iii) any step or procedure taken in connection with insolvency proceedings includes a Dutch entity having filed a notice under section 36 of the Tax Collection Act of the Netherlands (*Invorderingswet 1990*) or Section 16d of the Social Insurance Coordination Act of the Netherlands (*Coördinatiewet Sociale Verzekeringen*);

(f) a trustee in bankruptcy includes a *curator*;

(g) an administrator includes a *bewindvoerder*;

(h) a receiver or an administrative receiver does not include a *curator* or *bewindvoerder*; and

(i) an attachment includes a *beslag*.

2. THE FACILITY

Subject to the terms of this Agreement, the Lender makes available a euro loan in an aggregate amount equal to the Commitment.

3. PURPOSE

3.1 Purpose

The Association shall apply all amounts borrowed by it under the Facility exclusively for the purpose of financing the subscription price for the AEGON Securities (to be) issued on 1 December 2008 in accordance with the Subscription Agreement.

3.2 Monitoring

The Lender is not bound to monitor or verify the application of any amount borrowed pursuant to this Agreement.

4. CONDITIONS OF UTILISATION

4.1 Initial conditions precedent

The Lender will only be obliged to comply with Subclause 5.3 (Lender's participation) in relation to the Loan if on or before the Utilisation Date for the Loan, the Lender has received all of the documents and other evidence listed in Schedule 1 (Conditions Precedent) in form and substance satisfactory to it. The Lender shall notify the Association promptly upon being so satisfied.

4.2 Further conditions precedent

Subject to Subclause 4.1 (Initial Conditions Precedent), the Lender will only be obliged to comply with Subclause 5.3 (Lender's participation) if on the date of the Utilisation Request and on the proposed Utilisation Date:

(a) no Default is continuing or would result from the proposed Loan; and

(b) all the representations and warranties in Clause 11 (Representations) are true.

5. UTILISATION

5.1 Delivery of Utilisation Request

The Association may utilise the Facility by delivery to the Lender of a duly completed Utilisation Request not later than 11.00 am on the proposed Utilisation Date.

5.2 Completion of a Utilisation Request

(a) The Utilisation Request is irrevocable and will not be regarded as having been duly completed unless:

(i) the proposed Utilisation Date is a Business Day within the Availability Period;

(ii) the amount of the Loan requested is EUR 3,000,000,000;

(iii) the Association directs the proceeds to be payable to AEGON in accordance with the purpose of the Facility as provided in Subclause 3.1 (Purpose); and

(iv) the Utilisation Request complies with the requirements of paragraph (b) below.

(b) Only one Utilisation Request may be given, and only one Loan may be requested in the Utilisation Request.

5.3 Lender's participation

If the conditions set out in this Agreement have been met, the Lender shall make the Loan available by the Utilisation Date at the account details requested in the Utilisation Request.

6. MANDATORY PREPAYMENT, VOLUNTARY PREPAYMENT

6.1 Definitions

For the purpose of Clauses 6 through 8,

(i) terms defined in the Securities Terms and Conditions shall, unless the context suggests otherwise, have the same meaning when used in this Clause 6; and

(ii) the following terms shall have the meanings ascribed thereto below:

Conversion means a conversion of all or some of the AEGON Securities in accordance with clause 6 of the Securities Terms and Conditions.

Conversion Amount means, on a Conversion Date, the amount calculated by multiplying the Issue Price by the number of Converted Securities for that Conversion Date.

Conversion Date means the date on which a Conversion occurs in accordance with the Securities Terms and Conditions.

Conversion Make-up Interest means, in connection with a Conversion on a Conversion Date, the amount of any additional interest payment, as calculated in accordance with clause 3(h) of the Securities Terms and Conditions.

Converted Securities means, on a Conversion Date, the AEGON Securities the subject of a Conversion on that Conversion Date.

Converted Shares means, on a Conversion Date, the AEGON Ordinary Shares that have been converted from the Converted Securities on that Conversion Date.

Repurchase means a repurchase of all or some of the AEGON Securities in accordance with either clause 4(b) or 4(c) of the Securities Terms and Conditions.

Repurchase Date means the date on which a Repurchase is effectuated in accordance with the Securities Terms and Conditions.

Repurchase Make-up Interest means, in connection with a Repurchase on a Repurchase Date, any additional interest payment, as calculated in accordance with clause 3(h) of the Securities Terms and Conditions.

Repurchase Principal means, for a Repurchase Date, the amount calculated by multiplying the Issue Price by the number of Repurchase Securities for that Repurchase Date.

Repurchase Proceeds means all cash proceeds (including any amount attributable to Securities Interest and (if applicable) to the First Year Repurchase Compensation, and which are due and calculated in accordance with the Securities Terms and Conditions) payable on a Repurchase Date to the Association by the Issuer in connection with a Repurchase.

Repurchase Securities means, on a Repurchase Date, the AEGON Securities the subject of a Repurchase on that Repurchase Date.

6.2 Repurchase

On each Repurchase Date:

(a) the Association shall pay to the Lender an amount equal to the amount of the Repurchase Proceeds received by it on that Repurchase Date;

(b) the principal amount of the Loan shall be irrevocably reduced by the amount of the Repurchase Principal for that Repurchase Date; and

(c) subject to the payment required by paragraph (a) being made and received by the Lender, the payment obligations of the Association under or pursuant to the Finance Documents in respect of the Loan (including in relation to any accrued and unpaid interest and other amounts payable) and relating to those Repurchase Securities on such Repurchase Date, shall be deemed to be satisfied in full.

If after a Repurchase Date the Association is to receive any Repurchase Make-up Interest from the Issuer in cash pursuant to the Securities Terms and Conditions, the Issuer shall transfer to the Lender the amount of any such Repurchase Make-up Interest on the date that such Repurchase Make-up Interest is received by it under the Securities Terms and Conditions. If and to the extent that any Repurchase Make-up Interest to be received by the Association from AEGON pursuant to the Securities Terms and Conditions is received in the form of Securities Scrip Interest rather than in cash, the Association shall pay or transfer to the Lender such Securities Scrip Interest.

If a Tax Deduction is required to be made by AEGON in respect of Repurchase Proceeds or Repurchase Make-up Interest paid to the Association under the Securities Terms and Conditions and such Tax Deduction is made, then (a) the Association shall pay to the Lender the amount actually received by it from AEGON net of such Tax Deduction, and (b) the Association shall assign to the Lender its refund claim in respect of such Tax Deduction in accordance with the provisions of Subclause 9.3 (Assignment of Refund Claim).

6.3 Conversion

(a) On each Conversion Date:

(i) the Association shall transfer to the Lender the Converted Shares received by it on that Conversion Date;

(ii) the principal amount of the Loan shall be irrevocably reduced by the Conversion Amount for that Conversion Date;

(iii) subject to the transfer required by subparagraph (a)(i) being made, the payment obligations of the Association under or pursuant to the Finance Documents in respect of the Loan (including in relation to any accrued and unpaid interest and other amounts payable) in relation to those Converted Shares on such Conversion Date, shall be deemed to be satisfied in full.

If after a Conversion Date the Association receives any Conversion Make-up Interest from the Issuer pursuant to the Securities Terms and Conditions, the Association shall transfer to the Lender the amount of any such Conversion Make-up Interest if and as soon as received. If and to the extent that any Conversion Make-up Interest received by the Association from AEGON pursuant to the Securities Terms and Conditions is received in the form of Securities Scrip Interest rather than in cash, such Securities Scrip Interest shall be transferred by the Association to the Lender hereunder if and as soon as received. If a Tax Deduction is required to be made by AEGON in respect of Conversion Make-up Interest paid to the Association under the Securities Terms and Conditions and such Tax Deduction is made, then (a) the Association shall pay to the Lender the amount actually received by it from AEGON net of such Tax Deduction, and (b) the Association shall assign to the Lender its refund claim in respect of such Tax Deduction in accordance with the provisions of 9.3 (Assignment of Refund Claim).

(b) Any sale or transfer by the Lender of Converted Shares shall occur after consultation with AEGON.

6.4 Transfer

(a) The Association may at any time transfer all of the AEGON Securities outstanding at that time and held by it to the Lender on a date not earlier than 5 Business Days after the Association has given notice to the Lender of its intention to do so, such notice to specify the contemplated transfer date. Upon such notice having been provided, the Association and the Lender shall each promptly take such action (including the entering into of a deed of assignment and notification substantially in the form of Annex III to the Subscription Agreement) as is necessary to be taken by it to ensure the transfer of ownership of the AEGON Securities to the Lender pursuant to this Clause on the contemplated transfer date.

(b) As of the date of the completion of the transfer of the AEGON Securities contemplated by paragraph (a) above (the **Transfer Date**), the Loan together with any accrued and unpaid interest and any other amounts payable in connection with the Loan (the **Other Amounts**) shall be deemed to be prepaid and paid in full and all other obligations of the Association under or pursuant to the Finance Documents (the **Other Obligations**) shall be deemed to be satisfied in full.

(c) To the extent immediately prior to the deemed prepayment and payment in full of the Other Amounts and the deemed satisfaction in full of the Other Obligations of the Association under to paragraph (b) above, any Other Amounts or Other Obligations were payable by the Association, then AEGON undertakes vis-à-vis the Lender, to be liable for, or bound by, an amount equal to the Other Amounts and liable for obligations equivalent to the Other Obligations as of the Transfer Date.

7. RESTRICTIONS

7.1 Notice of Prepayment

Any notice of prepayment, authorisation or other election given by any Party under Subclause 6.4 (Mandatory Prepayment, Voluntary Prepayment) shall (subject to the terms of such Subclause) be irrevocable and, unless a contrary indication appears in this Agreement, any such notice shall specify the date or dates upon which the relevant prepayment, conversion or transfer is to be made.

7.2 No reborrowing of Facility

The Association shall not reborrow any part of the Facility which is prepaid.

7.3 Prepayment in accordance with Agreement

The Association shall not repay or prepay all or any part of the Loan or cancel all or any part of the Commitments except at the times and in the manner expressly provided for in this Agreement.

8. INTEREST

8.1 Calculation of interest

The amount and type of interest on the Loan shall be equal to, and the same as, the amount and type, respectively, of Securities Interest payable by AEGON to the Association under the Subscription Documents.

8.2 Selection type of Securities Interest

Whenever the Association has the right to choose the type of Securities Interest, it must opt for Security Cash Interest.

8.3 Payment of interest

On each Securities Interest Date, the Association shall

(a) pay to the Lender the amount of any Securities Cash Interest, together with any Securities Default Interest, received by it pursuant to the Securities Terms and Conditions;

(b) transfer to the Lender any Securities Scrip Interest issued to it pursuant to the Securities Terms and Conditions; and

(c) pay to the Lender the amount of any cash component of any Securities Scrip Interest, together with any Securities Default Interest, received by it pursuant to clause 3(c)(iii) of the Securities Terms and Conditions.

If a Tax Deduction is required to be made by AEGON in respect of any Securities Cash Interest, Securities Scrip Interest or cash component of any Scrip Securities Interest paid to the Association under the Securities Terms and Conditions and such Tax Deduction is made, then (a) the Association shall pay to the Lender the relevant amount actually received by it from AEGON net of such Tax Deduction, and (b) the Association shall assign to the Lender

its refund claim in respect of such Tax Deduction in accordance with the provisions of Subclause 9.3 (Assignment of Refund Claim).

8.4 Default interest

(a) If the Association fails to pay any amount payable by it under a Transaction Document and such amount is not paid by AEGON, in each case, on its due date, interest shall accrue on the overdue amount from the due date up to the date of actual payment (both before and after judgment) at a rate which is 1% per annum above the interest otherwise payable hereunder. Any interest accruing under this Subclause 8.4 shall be immediately payable by the Association to the Lender and AEGON shall pay such amounts to the Lender at those times that the Association is required to make those payments under this Agreement.

(b) Default interest (if unpaid) arising on an overdue amount under this Agreement will be compounded with the overdue amount at the end of each Securities Interest Period applicable to that overdue amount but will remain immediately due and payable.

9. TAX AND INDEMNITIES

9.1 Definition

Unless a contrary indication appears, in this Clause 9 a reference to **determines** or **determined** means a determination made in the reasonable discretion of the person making the determination.

9.2 Tax

(a) The Association shall make all payments to be made by it without any Tax Deduction, unless a Tax Deduction is required by the law applicable to it.

(b) The Association shall promptly upon becoming aware that it must make a Tax Deduction (or that there is any change in the rate or the basis of a Tax Deduction) notify the Lender accordingly. Similarly, the Lender shall notify the Association on becoming so aware in respect of a payment payable to the Lender.

(c) If a Tax Deduction is required by law to be made by the Association, the Association shall not be obliged to increase the amount of payment due from the Association to an amount which (after making the Tax Deduction) leaves an amount equal to the payment which would have been due if no Tax Deduction had been required.

(d) If the Association is required to make a Tax Deduction, the Association shall make that Tax Deduction and any payment required in connection with that Tax Deduction within the time allowed and in the minimum amount required by the law applicable to it.

9.3 Assignment of Refund Claim

(a) The Association shall upon payment by AEGON of any amounts under the Securities Terms and Conditions on which a Tax Deduction is applied, submit a claim (in each case, a **Refund Claim**) for a refund from the Dutch revenue service for any Tax withheld by AEGON.

(b) The Association shall assign in advance to the Lender any and all (present and future) Refund Claims owing to it at any time, and the parties shall execute an assignment deed to that effect at the date of this Agreement. The obligation of the Association to pay to the

Lender an amount equal to a Refund Claim each time that such Refund Claim arises shall be deemed to be satisfied in full upon the Association obtaining approval of the tax authorities in respect of the assignment of such Refund Claim as envisaged by article 24(5) of the Collection of State Taxes Act 1990 (*Invorderingswet 1990*).

9.4 Conversion

Following a Conversion, the Lender, AEGON and the Association shall enter into discussions with a view to agreeing on a tax efficient method for payment of any Tax attributable to that Conversion. Each Party shall use its reasonable commercial efforts to agree to such method within a reasonable time but not later than within 1 months after such Conversion.

9.5 Indemnities

(a) AEGON shall, within three Business Days of demand, indemnify the Lender against any cost, loss or liability incurred by it as a result of:

(i) the occurrence of any Event of Default;

(ii) a failure by the Association or AEGON to pay any amount due under a Transaction Document on its due date;

(iii) funding, or making arrangements to fund, the Loan but not made by reason of the operation of any one or more of the provisions of this Agreement (other than by reason of default or negligence by the Lender alone);

(iv) the Loan (or part thereof) not being prepaid in accordance with any notice given by the Association or AEGON as a result of which a prepayment of the Loan is to occur;

(b) investigating any event which it reasonably believes is a Default;

(c) acting or relying on any notice, request or instruction which it reasonably believes to be genuine, correct and appropriately authorised;

(d) the taking, holding, protection or enforcement of the Transaction Security;

(e) the exercise of any of the rights, powers, discretions and remedies vested in the Lender by the Transaction Documents or by law; or

(f) any default by the Association or AEGON in the performance of any of the obligations expressed to be assumed by it in the Transaction Documents.

10. COSTS AND EXPENSES

10.1 Transaction expenses

AEGON shall promptly on demand pay the Lender the amount of all costs and expenses (including legal fees) incurred by it in connection with the negotiation, preparation, printing, execution, syndication and perfection of:

(a) the Term Sheet, Transaction Documents and any other documents referred to in this Agreement and the Transaction Security; and

(b) any other Finance Document executed after the date of this Agreement.

10.2 Amendment costs

If:

(a) the Association or AEGON requests an amendment, waiver or consent by the Lender; or

(b) the Lender incurs costs (including, but not limited to, legal fees)directly relating to paragraph 16.2(b) (Conditions of assignment or transfer by the Lender),

AEGON shall, within three Business Days of demand, reimburse (or cause to be reimbursed to) each of the Lender for the amount of all costs and expenses (including legal fees) incurred by the Lender:

(i) in responding to, evaluating, negotiating or complying with that request or requirement; or

(ii) in connection with the amendments to the Finance Document referred to in paragraph 16.2(b) (Conditions of assignment or transfer by the Lender),

as the case may be.

10.3 Enforcement and preservation costs

AEGON shall, within three Business Days of demand, pay (or cause to be paid) to the Lender the amount of all costs and expenses (including legal fees) incurred by it in connection with the enforcement of or the preservation of any rights under the Term Sheet, any Transaction Document and the Transaction Security and any proceedings instituted by or against the Lender as a consequence of taking or holding the Transaction Security or enforcing these rights.

11. REPRESENTATIONS

11.1 General

Unless otherwise provided in this Clause 11:

(a) the Association makes to the Lender in respect of itself, the representations and warranties set out in:

(i) paragraph 11.2(a) and 11.2(c) Status;

(ii) Subclause 11.3 (Binding obligations) to Subclause 11.7 (Governing law and enforcement);

(iii) Subclause 11.8 (Insolvency), but only to the extent the clauses referred to therein apply to the Association;

(iv) Subclause 11.9 (No filing or stamp taxes) to Subclause 11.11 (No default);

(v) Subclause 11.12 (No misleading information), but only to the extent to information by or on behalf of the Association;

(vi) Subclause 11.13 (Original Financial Statements), but only in respect of the financial statements of the Association;

(vii) Subclause 11.14 (No proceedings pending or threatened) to Subclause 11.25 (Security).

(b) AEGON represents and warrants to the Lender that the representations given by the Association in this Clause 11 are correct, and AEGON further gives the representations and warranties contained in this Clause 11 where such representations and warranties relate to AEGON rather than the Association.

11.2 Status

(a) The Association is an association (*vereniging*), duly established and validly existing under the laws of The Netherlands;

(b) AEGON is a limited liability company (*naamloze vennootschap*), duly incorporated and validly existing under Dutch law; and

(c) It has the power to own its assets and carry on its business as it is being conducted.

11.3 Binding obligations

(a) Without prejudice to paragraph (b) below and subject to the Legal Reservations, the obligations expressed to be assumed by it in each Transaction Document to which it is a party are legal, valid, binding and enforceable obligations; and

(b) Each Transaction Security Document to which it is a party creates the security interests which that Transaction Security Document purports to create and those security interests are valid and effective.

11.4 Non-conflict with other obligations

The entry into and performance by it of, and the transactions contemplated by, the Transaction Documents and the granting of the Transaction Security pursuant to the Agreed Security Principles do not and will not conflict with:

(a) any law or regulation applicable to it;

(b) its Constitutional Documents; or

(c) any agreement or instrument binding upon it or any of its assets or constitute a default or termination event (however described) under any such agreement or instrument.

11.5 Power and authority

(a) It has the power to enter into, perform and deliver, and has taken all necessary action to authorise its entry into, performance and delivery of, the Transaction Documents to which it is or will be a party and the transactions contemplated by those Transaction Documents.

(b) No limit on its powers will be exceeded as a result of the borrowing, grant of security or giving of guarantees or indemnities contemplated by the Transaction Documents to which it is a party.

11.6 Validity and admissibility in evidence

(a) All Authorisations required or desirable:

(i) to enable it lawfully to enter into, exercise its rights and comply with its obligations in the Transaction Documents to which it is a party; and

(ii) to make the Transaction Documents to which it is a party admissible in evidence in its Relevant Jurisdiction,

have been obtained or effected and are in full force and effect.

(b) All Authorisations necessary for the conduct of its business and other of its ordinary activities have been obtained or effected and are in full force and effect, if failure to obtain or effect those Authorisations has or is reasonably likely to have a Material Adverse Effect.

11.7 Governing law and enforcement

(a) The choice of Dutch law as the governing law of the Transaction Documents to which it is a party will be recognised and enforced in its Relevant Jurisdiction.

(b) Any judgment obtained in relation to a Transaction Document to which it is a party in The Netherlands will be recognised and enforced in its Relevant Jurisdiction.

11.8 Insolvency

No:

(a) corporate action, legal proceeding or other procedure or step described in paragraph (a) of Subclause 14.6 (Insolvency proceedings); or

(b) creditors' process described in Subclause 14.7 (Creditors' process),

has been taken or threatened in relation to it and none of the circumstances described in Subclause 14.5 (Insolvency) applies to it.

11.9 No filing or stamp taxes

Under the laws of its Relevant Jurisdiction it is not necessary that the Transaction Documents to which it is a party be filed, recorded or enrolled with any court or other authority in that jurisdiction or that any stamp, registration, notarial or similar Taxes or fees be paid on or in relation to the Transaction Documents or the transactions contemplated by the Transaction Documents.

11.10 Deduction of Tax

Other than as specified in Clause 9 (*Taxes and Indemnities*), it is not required to make any deduction for or on account of Tax from any payment it may make under any Transaction Document to the Lender.

11.11 No default

(a) No Event of Default, and on the date of this Agreement and on the Utilisation Date, no Default is continuing or is reasonably likely to result from the making of the Loan or the

entry into, the performance of, or any transaction contemplated by, any Transaction Document.

(b) No other event or circumstance is outstanding which constitutes (or, with the expiry of a grace period, the giving of notice, the making of any determination or any combination of any of the foregoing, would constitute) a default or termination event (however described) under any other agreement or instrument which is binding on it or to which its assets are subject which has or is reasonably likely to have a Material Adverse Effect.

11.12 No misleading information

Save as disclosed in writing to the Lender prior to the date of this Agreement,

(a) any factual information contained in any documents provided to the Lender by the Association or AEGON for the purposes of entering into the Transaction Documents (the "**Information Documents**") was true and accurate in all material respects as at the date of the Information Document or (as the case may be) as at the date the information is expressed to be given;

(b) the written expressions of opinion or intention provided by or on behalf of the Association or AEGON for the purposes of the Information Documents were made after careful consideration and (as at the date of the relevant report or document containing the expression of opinion or intention) were fair and based on reasonable grounds;

(c) no event or circumstance has occurred or arisen and no information has been omitted from the Information Documents and no information has been given or withheld that results in the information contained in the Information Documents being untrue or misleading in any material respect;

(d) all material written information provided to the Lender by or on behalf of the Association or AEGON for the purposes of entering into the Transaction Documents and the financial condition of the Group on or before the date of this Agreement and, in each case, not superseded before that date is accurate and not misleading in any material respect and all written financial information provided to the Lender on or before the date of this Agreement for the purposes of entering into the Transaction Documents have been prepared in good faith on the basis of assumptions which were considered reasonable at the time at which they were prepared and supplied.

11.13 Original Financial Statements

(a) Its Original Financial Statements were prepared in accordance with the Accounting Principles consistently applied.

(b) Its Original Financial Statements fairly represent its financial condition and results of operations for the relevant financial year.

(c) Its audited Original Financial Statements give a true and fair view of its financial condition and results of operations during the relevant financial year.

(d) There has been no material adverse change in its assets, business or financial condition since the date of the Original Financial Statements, other than as has been disclosed to the Lender prior to the date of this Agreement.

(e) The Original Financial Statements of AEGON do not consolidate the results, assets or liabilities of any person or business which does not form part of the Group.

(f) Its Annual Financial Statements fairly represent its financial condition and results of operations for the relevant financial year.

(g) Its most recent financial statements delivered pursuant to Subclause 12.1 (Financial statements):

(i) have been prepared in accordance with the Accounting Principles as applied to the Original Financial Statements; and

(ii) give a true and fair view of (if audited) or fairly present (if unaudited) its consolidated financial condition as at the end of, and consolidated results of operations for, the period to which they relate.

(h) Since the date of the most recent financial statements delivered pursuant to Subclause 12.1 (Financial statements) there has been no material adverse change in its business, assets or financial condition , other than as has been disclosed to the Lender prior to the date of this Agreement.

11.14 No proceedings pending or threatened

No litigation, arbitration or administrative proceedings or investigations of, or before, any court, arbitral body or agency which, if adversely determined, are reasonably likely to have a Material Adverse Effect have been started or threatened against it, other than as disclosed to the Lender in writing prior to the date of this Agreement.

11.15 No breach of laws

It has not breached any law or regulation which breach has or is reasonably likely to have a Material Adverse Effect.

11.16 Taxation

Save as disclosed in writing to the Lender prior to the date of this Agreement,

(a) it is not materially overdue in the filing of any Tax returns and it is not overdue in the payment of any amount in respect of Tax in excess of €10,000,000 (in case of AEGON) or €100,000 (in case of the Association) (or their equivalent in any other currency), except to the extent that such payment, is being contested in good faith, it has maintained adequate reserves for those Taxes and payment can be lawfully withheld;

(b) no claims or investigations are being, or are reasonably likely to be, made or conducted against it with respect to Taxes such that a liability of, or claim against, it in excess of €10,000,000 (in case of AEGON) or €100,000 (in case of the Association) (or their equivalent in any other currency) or more is reasonably likely to arise; and

(c) it is resident for Tax purposes only in The Netherlands.

11.17 Security and Financial Indebtedness

In respect of the Association only,

(a) no Security or Quasi-Security exists over all or any of its present or future assets other than as permitted by this Agreement; and

(b) at the date of this Agreement, all its assets which are capable of being encumbered by Security are encumbered by Security under the Bank Finance Documents, except for:

(i) its AEGON Securities;

(ii) its AEGON Preference Shares; and

(iii) its other assets of which the aggregate value at any time does not exceed €250,000.

(c) It has no Financial Indebtedness outstanding other than as permitted by this Agreement.

11.18 Ranking

In respect of the Association only, the Transaction Security has or will have the ranking in priority which it is expressed to have in the Transaction Security Documents.

11.19 Good title to assets

In respect of the Association only, it has a good, valid and marketable title to, or valid leases or licences of, and all appropriate Authorisations to use, the assets necessary to carry on its business as presently conducted.

11.20 Ownership

In respect of the Association only, it is the sole legal and beneficial owner of the assets over which it purports to grant Security.

11.21 AEGON Securities

(a) In respect of the Association only,

(i) On the Issue Date, the AEGON Securities are fully paid and not subject to any option to purchase or similar rights other than as contemplated by the Subscription Documents.

(ii) The Constitutional Documents of AEGON do not restrict or inhibit any transfer of the AEGON Securities on creation or enforcement of the Transaction Security.

(iii) Except as provided in the Transaction Documents, there are no agreements in force which provide for the issue or allotment of, or grant any person the right to call for the issue or allotment of, any of the AEGON Securities (including any option or right of pre-emption or conversion).

(b) In respect of AEGON only, all consents and approvals of any court, government department or other regulatory body required by AEGON for the issue and distribution of the Securities and the performance of the terms of the Securities have been obtained.

11.22 Centre of main interests and establishments

In respect of the Association only, for the purposes of The Council of the European Union Regulation No. 1346/2000 on Insolvency Proceedings (the **Regulation**), its centre of main interest (as that term is used in Article 3(1) of the Regulation) is situated in The Netherlands and it has no "establishment" (as that term is used in Article 2(h) of the Regulation) in any other jurisdiction.

11.23 No Immunity

In respect of the Association only, in any proceedings taken in its Relevant Jurisdiction in relation to any Transaction Document, it will not be entitled to claim for itself or any of its assets immunity from suit, execution, attachment or other legal process.

11.24 Insurance

In respect of the Association only, it maintains insurances on and in relation to its business and assets with reputable underwrites or insurance companies against those risk and to the extent (if any) as it usual for an entity carrying on the same or substantially similar business.

11.25 Security

In respect of the Association only,

(a) no Security exists over all or any of its present and future assets other than any Security permitted under Subclause 13.8 (Negative pledge); and

(b) each Transaction Security Document validly creates the Security which is expressed to be created by that Transaction Security Document and evidences the Security it is expressed to evidence.

11.26 Times when representations made

(a) All the representations and warranties in this Clause 11 are, unless otherwise indicated in this Clause 11 made on the date of this Agreement and on the Utilisation Date.

(b) The representations and warranties in Clause 11.12 (No misleading information) are deemed to be made by each of the Association and AEGON on the date that the Lender transfers all or parts of its rights and obligations under the Finance Documents to a third party.

(c) The Repeating Representations are deemed to be made on the date of the Utilisation Request, on the first day of each Interest Period and on each date that a payment is made under this Agreement in accordance with Clause 6 (Mandatory Prepayment, Voluntary Prepayment) (except that those contained in paragraphs (a) - (e) of Subclause 11.13 (Original Financial Statements) will cease to be so made once subsequent financial statements have been delivered under this Agreement).

(d) Each representation or warranty deemed to be made after the date of this Agreement shall be deemed to be made by reference to the facts and circumstances existing at the date the representation or warranty is deemed to be made.

12. INFORMATION UNDERTAKINGS

The undertakings in this Clause 12 remain in force from the date of this Agreement for so long as any amount is outstanding under the Transaction Documents or any Commitment is in force.

In this Clause 12:

Half Year Financial Statements means the financial statements delivered pursuant to paragraph (b) of Subclause 11.1 (Financial statements).

12.1 Financial statements

The Association shall supply to the Lender:

(a) as soon as they are available, but in any event within 120 days after the end of each of its Financial Years, its audited financial statements for that Financial Year; and

(b) as soon as they are available, but in any event within 60 days after the end of each half of each of its Financial Years its consolidated financial statements for that financial half year.

12.2 Requirements as to financial statements

(a) The Association shall procure that each set of financial statements delivered pursuant to Subclause 12.1 (Financial statements):

(i) includes a balance sheet, profit and loss account and cashflow statement;

(ii) is certified by the Association as giving a true and fair view of (in the case of Annual Financial Statements for any Financial Year), or fairly representing (in other cases), its financial condition and operations as at the date as at which those financial statements were drawn up and, in the case of the Annual Financial Statements, shall be accompanied by any cover letter addressed to the management of the Association by the Auditors and accompanying those Annual Financial Statements;

(iii) shall be prepared using the Accounting Principles, accounting practices and financial reference periods consistent with those applied in the preparation of the Original Financial Statements, unless, in relation to any set of financial statements, the Association notifies the Lender that there has been a change in the Accounting Principles or the accounting practices and its Auditors deliver to the Lender:

(A) a description of any change necessary for those financial statements to reflect the Accounting Principles or accounting practices upon which the Original Financial Statements were prepared; and

(B) sufficient information, in form and substance as may be reasonably required by the Lender, to enable the Lender to make an accurate comparison between the financial position indicated in those financial statements and the Original Financial Statements.

(b) In addition the Association shall procure that each set of Annual Financial Statements shall be audited by the Auditors.

(c) If the Lender (acting reasonably) wishes to discuss the financial position of AEGON or the Association with the Auditors, the Lender may notify the Association and AEGON, stating the questions or issues which that Lender wishes to discuss with the Auditors. In this event, the Association and AEGON must ensure that the Auditors are authorised (at the expense of the Association and AEGON) to discuss their financial position with the Lender on reasonable request from the Lender.

(d) Any such discussions under paragraph (c) above shall be held in the presence of AEGON and the Association and AEGON and the Association shall be entitled to participate in such discussions.

(e) Any reference in this Agreement to any financial statements shall be construed as a reference to those financial statements as adjusted to reflect the basis upon which the Original Financial Statements were prepared.

12.3 Information: miscellaneous

The Association and AEGON shall supply to the Lender (each of them in respect of itself only):

(a) at the same time as they are dispatched, copies of all documents dispatched by AEGON to its shareholders generally (or any class of them) and by the Association to its members generally or dispatched by any of the Association and AEGON to its creditors generally (or any class of them);

(b) promptly upon becoming aware of them, the details of any litigation, arbitration or administrative proceedings which are current, threatened or pending against the Association or AEGON, and which, if adversely determined, are reasonably likely to have a Material Adverse Effect;

(c) promptly, such information as the Lender may reasonably require about the Charged Property and compliance of the Association and AEGON with the terms of any Transaction Security Documents; and

(d) promptly on request, such information regarding its financial condition, assets and operations of the Association and AEGON as the Lender may reasonably request.

12.4 Notification of default

(a) Each of the Association and AEGON shall notify the Lender of any Default (and the steps, if any, being taken to remedy it) promptly upon becoming aware of its occurrence.

(b) Promptly upon a request by the Lender, the Association and AEGON shall supply to the Lender a duly executed certificate certifying that no Default is continuing (or if a Default is continuing, specifying the Default and the steps, if any, being taken to remedy it).

13. GENERAL UNDERTAKINGS

The undertakings in this Clause 13 remain in force from the date of this Agreement for so long as any amount is outstanding under the Transaction Documents or any Commitment is in force.

13.1 Authorisations

The Association shall promptly:

(a) obtain, comply with and do all that is necessary to maintain in full force and effect; and

(b) supply certified copies to the Lender, of

any Authorisation required under the law or regulation of a Relevant Jurisdiction to:

(i) enable it to perform its obligations under the Transaction Documents;

(ii) ensure the legality, validity, enforceability or admissibility in evidence of any Transaction Document; and

(iii) carry on its business,

in each case, where failure to do so has or is reasonably likely to have a Material Adverse Effect.

13.2 Compliance with laws

The Association shall comply in all respects with all laws to which it may be subject, if failure so to comply has or is reasonably likely to have a Material Adverse Effect.

13.3 Taxation

(a) The Association shall pay and discharge all Taxes imposed upon it or its assets within the time period allowed without incurring penalties unless and only to the extent that:

(i) such payment is being contested in good faith;

(ii) adequate reserves are being maintained for those Taxes and the costs required to contest them which have been disclosed in its latest financial statements delivered to the Lender under Subclause 12.1 (Financial statements); and

(iii) such payment can be lawfully withheld and failure to pay those Taxes does not have or is not reasonably likely to have a Material Adverse Effect.

(b) The Association may not change its residence for Tax purposes.

13.4 Merger

The Association shall not enter into any amalgamation, demerger, merger, consolidation or corporate reconstruction.

13.5 Acquisitions

(a) Except as permitted under paragraph (b) below or with the prior consent of the Lender, the Association shall not:

(i) acquire any assets, company or any shares or securities or a business or undertaking (or, in each case, any interest in any of them);

(ii) incorporate a company; or

(iii) enter into, invest in or acquire (or agree to acquire) any shares, stocks, securities or other interest in any Joint Venture.

(b) Paragraph (a) above does not apply to:

(i) the acquisition of any AEGON Ordinary Shares, AEGON Preference Shares or AEGON Securities;

(ii) the acquisition of any asset as required by any Transaction Document; or

(iii) the acquisition of any asset pursuant to any Bank Finance Document.

13.6 Business

(a) (The Association shall not trade, carry on any business, own any assets or incur any liabilities except for:

(i) any business or other activities carried on prior to and/or at the date of this Agreement;

(ii) ownership of the AEGON Ordinary Shares, AEGON Preference Shares, AEGON Securities, credit balances in bank accounts, cash and cash equivalent investments; and

(iii) any assets and liabilities under the Transaction Documents and the Bank Finance Documents to which it is a party and professional fees and administration costs in the ordinary course of business as a shareholding entity.

13.7 Pari passu ranking

The Association shall ensure that at all times any unsecured and unsubordinated claims of the Lender against it under the Transaction Documents rank at least *pari passu* with the claims of all its other unsecured and unsubordinated creditors except those creditors whose claims are mandatorily preferred by laws of general application to entities such as the Association.

13.8 Negative pledge

In this Subclause 13.8, **Quasi-Security** means a transaction described in paragraph (b) below.

Except as permitted under paragraph (c) below or with the prior consent of the Lender:

(a) the Association shall not create or permit to subsist any Security over any of its assets.

(b) the Association shall not:

(i) sell, transfer or otherwise dispose of any of its assets on terms whereby they are or may be leased to or re-acquired by it;

(ii) sell, transfer or otherwise dispose of any of its receivables on recourse terms;

(iii) enter into any other preferential arrangement having an effect similar to the granting of Security,

in circumstances where the arrangement or transaction is entered into primarily as a method of raising Financial Indebtedness or of financing the acquisition of an asset.

(c) AEGON shall not create or permit to subsist any Security over any of its shares in its Subsidiaries which are incorporated in The Netherlands.

(d) Paragraphs (a) and (b) above do not apply to:

(i) any Security or Quasi-Security arising under clauses 18, 19 and 20 of the general terms and conditions (*algemene bank voorwaarden*) of any member of the Dutch Bankers' Association (*Nederlandse Vereniging van Banken*) in connection with the account referred to in sub-paragraph (b)(i) of Subclause 13.11 (Financial indebtedness);

(ii) any transaction, or Security or Quasi-Security contemplated by the Transaction Documents; or

(iii) any Security or Quasi-Security contemplated pursuant to the Bank Finance Documents but only if, and to the extent that, failure to create, permit or subsist such Security or Quasi-Security would prejudice a continuation, an extension or refinancing of the arrangements under the Bank Financing Documents.

13.9 Disposals

(a) Except as permitted under paragraph (b) below or with the prior consent of the Lender, the Association shall not:

(i) enter into a single transaction or a series of transactions (whether related or not) and whether voluntary or involuntary to sell, lease, transfer or otherwise dispose of any asset; or

(ii) transfer any assets or lend to or guarantee or give an indemnity for or give Security for the obligations of a Joint Venture or maintain the solvency of or provide working capital to any Joint Venture (or agree to do any of the foregoing).

(b) Paragraph (a) above does not apply to any sale, lease, transfer or other disposal:

(i) pursuant to and in accordance with any Transaction Document; or

(ii) pursuant to and in accordance with any Bank Finance Document.

13.10 Loans, credit or guarantee

(a) Except as permitted under paragraph (b) below or with the prior consent of the Lender, the Association shall not be a creditor in respect of any Financial Indebtedness, and shall not incur or allow to remain outstanding any guarantee in respect of any obligation of any person.

(b) Paragraph (a) above does not apply to any Financial Indebtedness made, or any guarantee:

(i) required under any Transaction Document; or

(ii) required under any Bank Finance Document.

13.11 Financial Indebtedness

(a) Except as permitted under paragraph (b) below or with the prior consent of the Lender, the Association shall not incur or allow to remain outstanding any Financial Indebtedness.

(b) Paragraph (a) above does not apply to Financial Indebtedness which is incurred or outstanding:

(i) under an account held by the Association with a financial institution in The Netherlands, provided that any Financial Indebtedness in connection with that account is incurred or is outstanding in connection with operational expenses of the Association and does not exceed €2,000,000 at any time;

(ii) under the Transaction Documents; or

(iii) under the Bank Finance Documents.

13.12 Treasury Transactions

The Association shall not enter into any Treasury Transaction, other than:

(a) any Treasury Transaction entered into under the Bank Finance Documents; or

(b) any Treasury Transaction in the ordinary course of its business and on non-speculative terms.

13.13 Access

If a Default is continuing or the Lender reasonably suspects a Default is continuing or may occur, each of the Association and AEGON shall permit the Lender and/or accountants or other professional advisers of the Lender free access at all reasonable times and on reasonable notice to (i) its premises, assets, books, accounts and records and (ii) meet and discuss with the management, unless to do so would cause the Association or AEGON to be in breach of any applicable laws or regulations, stock exchange rules or any confidentiality undertakings that the Association or AEGON is subject to.

13.14 Insurance

The Association shall maintain insurances on and in relation to its business and assets with reputable underwriters or insurance companies against those risks and to the extent (if any) as is usual for an entity carrying on the same or substantially similar business.

13.15 Amendments

Neither the Association nor AEGON shall amend, vary, novate, supplement, supersede, waive or terminate any term of a Transaction Document or its Constitutional Documents or any other document delivered to the Lender pursuant to Subclause 4.1 (Initial conditions precedent) except in writing:

(a) prior to or on the Closing Date or if so provided under this Agreement, with the prior written consent of the Lender; or

(b) after the Closing Date, in a way which:

(i) could not be reasonably expected materially and adversely to affect the interests of the Lender;

(ii) would not change the date, amount or method of payment of interest or principal on the AEGON Securities other than as contemplated by the Subscription Documents.

The Association shall promptly supply to the Lender a copy of any document relating to any of the matters referred to in paragraphs (a) and (b) above.

13.16 Further assurance and Security

(a) Subject to the Agreed Security Principles, the Association shall promptly do all such acts or execute all such documents (including assignments, transfers, mortgages, charges, notices and instructions) as the Lender may specify (and in such form as the Lender may require) to perfect the Security created or intended to be created under or evidenced by the Transaction Security Documents or for the exercise of any rights, powers and remedies of the Lender provided by or pursuant to the Transaction Documents or by law.

(b) If and when any Security extended in favour of the Bank Lenders (or a security agent acting for the benefit of the Bank Lenders) is finally released by such Bank Lenders (or by such security agent) or terminates by operation of law and the Association, and for so long as there are any amounts outstanding under the Bank Financing Documents, if and when it is not restricted under the Bank Finance Documents to grant Security over its assets, the Association shall, and AEGON shall procure that the Association will, establish additional Security on standard commercial terms on its assets as requested by the Lender in a form and substance satisfactory to the Lender. For the avoidance of doubt, the provision of this sub-clause (b) will not apply to:

(i) assets that are transferred and re-transferred under the Bank Repo Facility;

(ii) assets that are required to be encumbered in order to extend or to refinance the indebtedness under the Bank Finance Documents (in which case, for the avoidance of doubt, the provision of Security on such assets is permitted);

(iii) any AEGON Preference Shares held by the Association (but excluding, for the avoidance of doubt, any distributions on those AEGON Preference Shares which shall, subject to subparagraph (ii) above, be subject to Security in favour of the Lender if and when this is required under the first sentence of this Subclause 13.16(b); and

(iv) any other assets of the Association of which the aggregate value at any time does not exceed €250,000.

13.17 Conditions subsequent

(a) The Association must use all reasonable endeavours lawfully available to avoid or mitigate the constraints on the provision of Security provided for in the Agreed Security Principles.

(b) AEGON must as soon as possible after the date of this Agreement provide to the Lender a copy of the written pages of its shareholders' register.

13.18 Conversion

If AEGON intends to exercise its right to realise a Conversion and as a result of that Conversion and Clause 6 (Mandatory Prepayment, Voluntary Prepayment), the Lender would hold more than 29.9% of the voting rights on shares in AEGON, AEGON, the Association and the Lender will consult with each other with a view to their taking such action as will prevent that the Lender is required to make a mandatory public offer for AEGON.

13.19 Exercise of voting rights on shareholding

The Association shall exercise its full voting rights on shares in AEGON held by it at any general or other shareholder meeting of AEGON in such a manner required to give full effect to the performance of any obligation or transaction contemplated by the Transaction Documents.

13.20 Public offer and similar situations

The provisions of this Clause 13 shall not be interpreted or applied so as to restrict the Association in any manner in exercising its voting rights on shares in AEGON held by it or in accepting or rejecting any offer for any shares in AEGON held by it or in tendering or refusing to tender any shares in AEGON held by it, in the context of a public offer for AEGON or a contemplated merger or acquisition of AEGON.

13.21 Assistance AEGON to Association

(a) AEGON shall use its best efforts to:

(i) enable the Association to comply with its obligations vis-à-vis the Lender under this Agreement;

(ii) refrain from any actions that may frustrate, hinder, jeopardise or delay the performance by the Association of the implementation by the Association of the transactions contemplated by the Term Sheet.

(b) For the avoidance of doubt, the undertakings of AEGON in paragraph (a) above do not constitute, nor should be construed to constitute, a guarantee by AEGON of any financial obligations of the Association vis-à-vis the Lender.

14. EVENTS OF DEFAULT

Each of the events or circumstances set out in this Clause 14 is an Event of Default (save for Subclause 14.15 (Acceleration)).

14.1 Non-payment

The Association or AEGON does not pay on the due date any amount payable pursuant to a Transaction Document at the place at and in the currency in which it is expressed to be payable unless:

(a) its failure to pay is caused by:

(i) administrative or technical error; or

(ii) a Disruption Event; and

(b) payment is made within 3 Business Days of its due date.

14.2 Other obligations

(a) The Association or AEGON does not comply with any provision of the Transaction Documents (other than those referred to in Subclause 14.1 (Non-payment)).

(b) No Event of Default under paragraph (a) above will occur if the failure to comply is capable of remedy and is remedied within 10 Business Days of the earlier of (i) the Lender giving notice to the Association and AEGON and (ii) the Association or AEGON becoming aware of the failure to comply.

14.3 Misrepresentation

(a) Any representation or statement made or deemed to be made by the Association or AEGON in the Transaction Documents or any other document delivered by or on behalf of the Association or AEGON under or in connection with any Transaction Document is or proves to have been incorrect or misleading when made or deemed to be made.

(b) No Event of Default under paragraph (a) above will occur if the circumstances giving rise to the misrepresentation are capable of remedy and are remedied within 10 Business Days of the earlier of:

(i) the Lender giving notice to the Association; and

(ii) the Association becoming aware of the circumstances giving rise to the misrepresentations.

14.4 Cross default

(a) Any Financial Indebtedness of the Association is not paid when due nor within any originally applicable grace period.

(b) Any Financial Indebtedness of the Association is declared to be or otherwise becomes due and payable prior to its specified maturity as a result of an event of default (however described).

(c) Any commitment for any Financial Indebtedness of the Association is cancelled or suspended by a creditor of the Association as a result of an event of default (however described).

(d) Any creditor of the Association becomes entitled to declare any Financial Indebtedness of the Association due and payable prior to its specified maturity as a result of an event of default (however described).

(e) No Event of Default will occur under this Subclause 14.4 if the aggregate amount of Financial Indebtedness or commitment for Financial Indebtedness falling within paragraphs (a) to (d) above is less than €15,000,000 (or its equivalent in any other currency or currencies).

14.5 Insolvency

(a) The Association or AEGON is unable or admits inability to pay its debts as they fall due or is deemed to or declared to be unable to pay its debts under applicable law, suspends or threatens to suspend making payments on any of its debts or, by reason of actual or anticipated financial difficulties, commences negotiations with one or more of its creditors with a view to rescheduling any of its indebtedness.

(b) A moratorium is declared in respect of any indebtedness of the Association or AEGON. If a moratorium occurs, the ending of the moratorium will not remedy any Event of Default caused by that moratorium.

14.6 Insolvency proceedings

(a) Any corporate action, legal proceedings or other procedure or step is taken in relation to:

(i) the suspension of payments, a moratorium of any indebtedness, winding-up, dissolution, administration or reorganisation (by way of voluntary arrangement, scheme of arrangement or otherwise) of the Association or AEGON;

(ii) a composition, compromise, assignment or arrangement with any creditor of the Association or AEGON;

(iii) the appointment of a liquidator, receiver, administrator, administrative receiver, compulsory manager or other similar officer in respect of the Association or AEGON or, in each case, any of its assets; or

(iv) enforcement of any Security over any assets of the Association or AEGON,

or any analogous procedure or step is taken in any jurisdiction.

(b) Paragraph (a) shall not apply to any winding-up petition which is frivolous or vexatious and is discharged, stayed or dismissed within 15 Business Days of commencement or, if earlier, the date on which it is advertised.

14.7 Creditors' process

Any expropriation, attachment, sequestration, distress or execution or any analogous process in any jurisdiction affects any asset or assets of the Association having, in each case, an aggregate value of €15,000,000 and is not discharged within 15 days.

14.8 Unlawfulness and invalidity

(a) It is or becomes unlawful for the Association to perform any of its obligations under the Transaction Documents or any Transaction Security created or expressed to be created or evidenced by the Transaction Security Documents ceases to be effective.

(b) Any obligation or obligations of the Association under any Transaction Documents are not (subject to the Legal Reservations) or cease to be legal, valid, binding or enforceable and the cessation individually or cumulatively materially and adversely affects the interests of the Lender under the Transaction Documents.

(c) Any Transaction Document ceases to be in full force and effect or any Transaction Security ceases to be legal, valid, binding, enforceable or effective or is alleged by a party to it (other than the Lender) to be ineffective.

14.9 Cessation of business

The Association suspends or ceases to carry on (or threatens to suspend or cease to carry on) all or a material part of its business except as a result of a disposal permitted under Subclause 13.9 (Disposals) or with the Lender's consent.

14.10 Audit qualification

The Auditors of the Association make a qualification in their audit opinion (*verklaring* pursuant to Section 2:393, paragraph 5 of the Dutch Civil Code) in relation to any annual financial statements of the Association, respectively, required to be delivered pursuant to Subclause 12.1 (Financial Statements), other than any qualification of a minor or technical nature relating to the manner of presentation of the financial statements or the detailed disclosures to those statements, provided such disclosure would not have altered the numbers on the face of the profit and loss account, the balance sheet, the cashflow statement, the statement of total recognised gains or any note or contingent liabilities.

14.11 Repudiation and rescission of agreements

(a) The Association rescinds or purports to rescind or repudiates or purports to repudiate a Transaction Document or any of the Transaction Security or evidences an intention to rescind or repudiate a Transaction Document or any Transaction Security.

(b) Any party to the Transaction Documents rescinds or purports to rescind or repudiates or purports to repudiate any of those agreements or instruments in whole or in part where to do so has or is, in the reasonable opinion of the Lender, likely to have a material adverse effect on the interests of the Lender under the Transaction Documents.

14.12 Litigation

Any litigation, arbitration, administrative, governmental, regulatory or other investigations, proceedings or disputes are commenced or threatened against the Association in relation to the Transaction Documents or the transactions contemplated in the Transaction Documents or against the Association, or in each case, any of its assets which has or is reasonably likely to have a Material Adverse Effect.

14.13 Material Adverse Change

Any event or circumstance occurs which has or is reasonably likely to have a Material Adverse Effect.

14.14 Termination Event

The Association acts in a fraudulent manner, wilfully misconducts its business or activities or provides information to the Lender which is misleading, in each case, in a material respect and under or in connection with the Transaction Documents.

14.15 Acceleration

(a) On and at any time after the occurrence of an Event of Default which is continuing the Lender may, by notice to the Association and AEGON:

(i) cancel the Commitments at which time they shall immediately be cancelled;

(ii) declare that all or part of the Loan, together with accrued interest, and all other amounts accrued or outstanding under the Transaction Documents be immediately due and payable, at which time they shall become immediately due and payable;

(iii) direct that all of the AEGON Securities are transferred to the Lender; and/or

(iv) exercise any or all of its rights, remedies, powers or discretions under the Transaction Documents.

(b) Immediately after receipt of notice from the Lender in accordance with sub-paragraph (iii) above, the Association shall promptly take all necessary steps to transfer the AEGON Securities to the Lender in accordance with clause 6 of the Securities Terms and Conditions. To this effect, the Association, AEGON and the Lender shall on the date hereof enter into an assignment agreement by virtue of which the Association will assign to the Lender the AEGON Securities held by it at the time that assignment becomes effective, such assignment to become effective if and when and as of the date upon which:

(i) an Event of Default has occurred which is continuing; and

(ii) the Lender has sent a notice to the Association under paragraph (a) above, with a copy to AEGON; provided that

(iii) the Association or AEGON has not contested the occurrence of an Event of Default within 3 Business Days after the date of receipt by the Association and AEGON of the notice from the Lender referred to in subparagraph (ii) above.

(c) Upon the date of the completion of the transfer of the AEGON Securities to the Lender in accordance with this Subclause (the **Transfer Date**), the Loan together with any accrued and unpaid interest and any other amounts payable in connection with the Loan (the **Other Amounts**) shall be deemed to be prepaid and paid in full and all other obligations of the Association under or pursuant to the Finance Documents (the **Other Obligations**) shall be deemed to be satisfied in full.

(d) To the extent immediately prior to the deemed prepayment and payment in full of the Other Amounts and the deemed satisfaction in full of the Other Obligations of the Association under paragraph (c) above, any Other Amounts or Other Obligations were payable by the Association, then AEGON undertakes vis-à-vis the Lender, to be liable for, or bound by, an amount equal to the Other Amounts and liable for obligations equivalent to the Other Obligations as of the Transfer Date.

15. RELEASE OF SECURITY

Promptly upon:

(a) a Repurchase, Conversion or transfer of the AEGON Securities made pursuant to Clauses 6 (Mandatory prepayment, voluntary prepayment), 14.15 (Acceleration) or otherwise in accordance with the Transaction Documents; or

(b) the satisfaction in full of the obligations of the Association to the Lender pursuant to the Transaction Documents,

the Lender shall take all steps necessary to release the Transaction Security over the applicable AEGON Securities the subject of the Repurchase, Conversion or transfer (as relevant), and in the case of paragraph (b) above, over the other assets of the Association (if any) subject to the Transaction Security, if such Transaction Security has not already terminated by operation of law.

16. ASSIGNMENTS AND TRANSFERS

16.1 Assignments and transfers by the Lender

Subject to Subclause 16.2 (Conditions of assignment or transfer by the Lender), on the Transfer Date the Lender may by executing:

(a) a Transfer Certificate, transfer by way of transfer of contract all or a proportional part of any of its rights and obligations or

(b) an Assignment Agreement assign all or part of its rights,

in each case, (a **Transfer**) under any Finance Document to another person (a **Transferee**).

16.2 Conditions of assignment or transfer by the Lender

(a) The Lender must obtain the consent of AEGON in respect of a Transfer which consent may only be withheld if the Transfer materially affects the permanent capital treatment of AEGON. In addition, the provisions of clause 10.2 of the Governance Agreement shall apply.

(b) If the State of the Netherlands (which is a lender at the date of this Agreement) assigns or transfers all or part of its rights under the Finance Documents, AEGON, the Association and the State of the Netherlands shall prior to any such assignment or transfer enter into an amendment of the Finance Documents:

(i) in order to ensure that the Transferee will not have any rights or entitlements that are extended to the State of the Netherlands hereunder and that would not have been extended to the State of the Netherlands if the Loan were originally extended by one or more financial institutions on usual commercial terms then prevailing in the market; and

(ii) if, the Transfer is by way of part of the rights of the State of the Netherlands hereunder, in order to reflect the administration of multiple lenders under the Finance Documents

(c) If the State of the Netherlands (which is a lender at the date of this Agreement) assigns or transfers all or part of its rights under the Finance Documents, the Association has the right to:

(i) in relation to a Transfer (either full or partial) stipulate in respect of any Transferee that any provisions in the Governance Agreement for the benefit of such lender shall cease to apply; and

(ii) in relation to a full Transfer, stipulate in respect of any Transferee and DNB that any provisions providing for any consultation or approval rights for DNB included in any Finance Document shall cease to apply.

16.3 Assignment and transfers by the Association

Neither the Association nor AEGON may assign any of its rights or transfer any of its rights or obligations under the Transaction Documents without the prior written consent of the Lender.

16.4 Transfer of Securities

For so long as any obligations of the Association or AEGON to the Lender under this Agreement remain unsatisfied, the AEGON Securities may be transferred only with the prior written consent of the Lender and AEGON (which consent by AEGON may not be unreasonably withheld), except for:

(a) a transfer of the AEGON Securities by AEGON or the Association to the Lender; or

(b) the enforcement by the Lender of the AEGON Securities Pledge Agreement.

No approval of the Lender is required for the transfer of any AEGON Securities if the Lender is the Holder (as defined in the Securities Terms and Conditions) of those AEGON Securities.

17. PAYMENT MECHANICS

17.1 Payments

(a) Subject to paragraph (b) below, all payments by a Party under the Transaction Documents shall be made to the relevant Party to its account at such office or bank as it may notify to the other Party for this purpose by not less than five Business Days' prior notice.

(b) Notwithstanding any terms of this Agreement, it is agreed between the Parties that if any obligation under this Agreement (whether to pay monies, transfer assets or otherwise) is to be fulfilled by the Association to the Lender and the Issuer is obliged to fulfil the same corresponding obligation to the Association under the Securities Terms and Conditions or the Subscription Agreement, then the Issuer shall fulfil that obligation directly to and in favour of the Lender, and such fulfilment, if and to the extent made, shall (i) discharge the Issuer from that obligation towards the Association under the Security Terms and Conditions, and (ii) discharge the Association from the same corresponding obligation towards the Lender under this Agreement.

(c) For the avoidance of doubt, for so long as there are any obligations outstanding under the Transaction Documents, the Association shall not have the right to require the Issuer to discharge any of its obligations directly towards the Association under the Subscription Agreement and the Securities Terms and Conditions in any manner other than as stated in paragraph (b) above directly to and in favour of the Lender. In respect of the obligations of the Issuer as set forth in paragraph (b) above (including the obligations of the Issuer to pay all amounts and perform all obligations of the Issuer vis-a-vis the Association directly to the Lender), the Lender shall have a direct right against the Issuer with respect to such obligations

and shall have the right to enforce performance of these obligations directly to it to the fullest extent. This proviso will however not be construed so as to constitute a guarantee by or several or joint liability of the Issuer in respect of the obligations of the Association in favour of the Lender.

(d) Payment of the Utilisation by the Lender under this Agreement shall be made directly to the account notified to it by AEGON in accordance with paragraph (a) in satisfaction of the obligation of the Association under the Subscription Documents to pay the subscription price for the AEGON Securities.

17.2 No set-off or suspension by the Association or AEGON

(a) All payments to be made by the Association or AEGON to the Lender under the Transaction Documents shall be calculated and be made without (and free and clear of any deduction for) set-off or counterclaim.

(b) Neither AEGON nor the Association may suspend (*opschorten*) the performance of any of its obligations towards the Lender under the Transaction Documents.

17.3 Business Days

(a) Any payment which is due to be made on a day that is not a Business Day shall be made on the next Business Day in the same calendar month (if there is one) or the preceding Business Day (if there is not).

(b) During any extension of the due date for payment of any principal or Unpaid Sum under this Agreement interest is payable on the principal or Unpaid Sum at the rate payable on the original due date.

17.4 Currency of account

Euros are the currency of account and payment for any sum due from the Association or AEGON under any Transaction Document.

17.5 Change of currency

(a) Unless otherwise prohibited by law, if more than one currency or currency unit are at the same time recognised by the central bank of any country as the lawful currency of that country, then:

(i) any reference in the Transaction Documents to, and any obligations arising under the Transaction Documents in, the currency of that country shall be translated into, or paid in, the currency or currency unit of that country designated by the Lender (after consultation with the Association); and

(ii) any translation from one currency or currency unit to another shall be at the official rate of exchange recognised by the central bank for the conversion of that currency or currency unit into the other, rounded up or down by the Lender (acting reasonably).

(b) If a change in any currency of a country occurs, this Agreement will, to the extent the Lender (acting reasonably and after consultation with the Association) specifies to be necessary, be amended to comply with any generally accepted conventions and market practice in the Relevant Interbank Market and otherwise to reflect the change in currency.

18. SET-OFF

The Lender may set off any matured obligation due from the Association or AEGON under the Transaction Documents against any matured obligation owed by the Lender to the Association or AEGON, respectively, regardless of the place of payment, booking branch or currency of either obligation. If the obligations are in different currencies, the Lender may convert either obligation at a market rate of exchange in its usual course of business for the purpose of the set-off.

19. NOTICES

19.1 Communications in writing

Any communication to be made under or in connection with the Transaction Documents shall be made in writing and, unless otherwise stated, may be made by fax or letter.

19.2 Addresses

The address and fax number (and the department or officer, if any, for whose attention the communication is to be made) of each Party for any communication or document to be made or delivered under or in connection with the Transaction Documents is:

(a) in the case of the Association, that identified with its name below;

(b) in the case of AEGON, that identified with its name below;

(c) in the case of the Lender, that identified with its name below,

or any substitute address, fax number or department or officer as the Party may notify to the other Party by not less than five Business Days' notice.

19.3 Delivery

(a) Any communication or document made or delivered by one person to another under or in connection with the Transaction Documents will only be effective:

(i) if by way of fax, when received in legible form; or

(ii) if by way of letter, when it has been left at the relevant address or five Business Days after being deposited in the post postage prepaid in an envelope addressed to it at that address,

and, if a particular department or officer is specified as part of its address details provided under Subclause 19.2 (Addresses), if addressed to that department or officer.

(b) Any communication or document to be made or delivered to the Lender will be effective only when actually received by the Lender and then only if it is expressly marked for the attention of the department or officer identified with each Lender's signatures below (or any substitute department or officer as the Lender shall specify for this purpose).

(c) All notices from or to the Association shall be sent through and (except of the notice is from AEGON itself) with a copy to AEGON.

(d) All notices between AEGON and the Association under this Agreement must be sent with a copy to the Lender.

19.4 Electronic communication

Any communication to be made between the Parties under or in connection with the Transaction Documents may be made by electronic mail or other electronic means, on the following terms:

(a) each Party agrees that, unless and until notified to the contrary, this is to be an accepted form of communication;

(b) each Party notifies the other in writing of their electronic mail address and/or any other information required to enable the sending and receipt of information by that means; and

(c) each Party notifies the other of any change to their address or any other such information supplied by them.

19.5 English language

(a) Any notice given under or in connection with any Transaction Document must be in English.

(b) All other documents provided under or in connection with any Transaction Document must be:

(i) in English; or

(ii) if not in English, and if so required by the Lender, accompanied by a certified English translation and, in this case, the English translation will prevail unless the document is a constitutional, statutory or other official document.

20. CALCULATIONS AND CERTIFICATES

20.1 Accounts

In any litigation or arbitration proceedings arising out of or in connection with a Transaction Document, the entries made in the accounts maintained by the Lender are *prima facie* evidence of the matters to which they relate.

20.2 Certificates and determinations

Any certification or determination by the Lender of a rate or amount under any Transaction Document is, in the absence of manifest error, conclusive evidence of the matters to which it relates.

20.3 Day count convention

Any interest, commission or fee accruing under a Transaction Document will accrue from day to day and is calculated on the basis a 360-day year of twelve 30-day months.

21. PARTIAL INVALIDITY

If, at any time, any provision of the Transaction Documents is or becomes illegal, invalid or unenforceable in any respect under any law of any jurisdiction, neither the legality, validity or enforceability of the remaining provisions nor the legality, validity or enforceability of such provision under the law of any other jurisdiction will in any way be affected or impaired.

22. REMEDIES AND WAIVERS

No failure to exercise, nor any delay in exercising, on the part of the Lender, any right or remedy under the Transaction Documents shall operate as a waiver, nor shall any single or partial exercise of any right or remedy prevent any further or other exercise or the exercise of any other right or remedy. The rights and remedies provided in this Agreement are cumulative and not exclusive of any rights or remedies provided by law.

23. AMENDMENTS AND WAIVERS

(a) Subject to paragraph (b) below, any term of the Transaction Documents may be amended or waived only with the consent of the Lender and the Association and AEGON.

(b) An amendment or waiver that has the effect of changing or which relates to:

(i) an extension to the date of payment of any amount under the Transaction Documents;

(ii) a reduction in the amount of any payment of principal, interest, fees or commission payable;

(iii) an increase in or an extension of any Commitment;

(iv) Clause 6 (Mandatory Prepayment, Voluntary Prepayment), Clause 16 (Assignments and Transfers) or this Clause 23;

(v) (other than as expressly permitted by the provisions of any Transaction Document) the nature or scope of:

(A) the Charged Property; or

(B) the manner in which the proceeds of enforcement of the Transaction Security are distributed,

(except insofar as it relates to a sale or disposal of an asset which is the subject of the Transaction Security where such sale or disposal is expressly permitted under this Agreement or any other Transaction Document);

(vi) the release of any Transaction Security unless permitted under this Agreement or any other Transaction Document or relating to a sale or disposal of an asset which is the subject of the Transaction Security where such sale or disposal is expressly permitted under this Agreement or any other Transaction Document; or

(vii) any amendment to the order of priority or any subordination under this Agreement;

shall not be made without the prior consent of the Lender.

24. CONFIDENTIALITY

Subclauses 3.15 through 3.19 (Confidentiality) of the Governance Agreements apply to Confidential Information available to any party under this Agreement as if set out herein in full.

25. COUNTERPARTS

Each Transaction Document may be executed in any number of counterparts, and this has the same effect as if the signatures on the counterparts were on a single copy of the Transaction Document.

26. GOVERNING LAW

This Agreement, and any obligations arising out of or in connection with it, is governed by, and shall be construed in accordance with Dutch law.

27. ENFORCEMENT

27.1 Jurisdiction of Dutch courts

(a) This Agreement, and any non-contractual obligations arising out of or in connection with it, is governed by, and shall be construed in accordance with, Dutch law.

(b) Each of the parties hereto agrees that the courts of Amsterdam, The Netherlands are to have jurisdiction to settle any disputes which may arise out of or in connection with this Agreement and accordingly submit to the jurisdiction of such courts (with the exception of cassation (*cassatie*)).

THIS AGREEMENT has been entered into on the date stated at the beginning of this Agreement.

SCHEDULE 1

CONDITIONS PRECEDENT

1. Each of the Association and AEGON

(a) A copy of its Constitutional Documents.

(b) A copy of a resolution of its the board of directors:

(i) approving the terms of, and the transactions contemplated by, the Transaction Documents to which it is a party and resolving that it execute, deliver and perform the Transaction Documents to which it is a party;

(ii) authorising a specified person or persons to execute the Transaction Documents to which it is a party on its behalf; and

(iii) authorising a specified person or persons, on its behalf, to sign and/or despatch all documents and notices (including, if relevant, any Utilisation Request) to be signed and/or despatched by it under or in connection with the Finance Documents to which it is a party.

(c) A copy of a certificate from the company secretary of AEGON confirming that each member of the supervisory board of AEGON has approved the entering into the Term Sheet and the transactions envisaged thereby and has accepted the governance arrangements as set out in the Term Sheet and as further elaborated upon in the Governance Agreement.

(d) A certificate of an authorised signatory including incumbency wording and certifying that:

(i) each copy document relating to it specified in Schedule 1 (Conditions Precedent) is correct, complete and in full force and effect and has not been amended or superseded as at a date no earlier than the date of this Agreement; and

(ii) confirming that the Loan would not cause any borrowing, guaranteeing or similar limit binding on it to be exceeded.

2. Transaction Documents

(a) A copy of each of the Subscription Documents executed by the parties to those documents.

(b) A copy of the Governance Agreement executed by AEGON.

3. Finance Documents

(a) This Agreement executed by the Association.

(b) At least two originals of the AEGON Securities Pledge Agreement executed by the Association and AEGON.

4. Legal opinions

A legal opinion of Allen & Overy LLP, legal advisers to AEGON as to Dutch law, addressed to the Lender and substantially in the form distributed to the Lender prior to signing this Agreement.

5. Other documents and evidence

(a) A copy, certified by an authorised signatory of the Association to be a true copy, of the Original Financial Statements.

(b) A copy of the consent and waiver to the transactions contemplated by the Transaction Documents by the facility agent on behalf of the lenders under the Bank Finance Documents.

(c) A copy of any other authorisation or other document, opinion or assurance which the Lender acting reasonably considers to be necessary or desirable (if it has notified the Association accordingly) in connection with the entry into and performance of the transactions contemplated by any Transaction Document or for the validity and enforceability of any Transaction Document.

SCHEDULE 2

UTILISATION REQUEST

From: VERENIGING AEGON

To: THE STATE OF THE NETHERLANDS

Dated: 1 December 2008

Dear Sirs

VERENIGING AEGON – EUR 3,000,000,000 senior loan agreement dated 1 December 2008 **(the Senior Loan Agreement)**

1. We refer to the Senior Loan Agreement. This is a Utilisation Request. Terms defined in the Senior Loan Agreement have the same meaning in this Utilisation Request unless given a different meaning in this Utilisation Request.

2. We wish to borrow the Loan on the following terms:

   (a) Proposed Utilisation Date: 1 December 2008 (or, if that is not a Business Day, the next Business Day)

   (b) Amount: EUR 3,000,000,000

3. We confirm that each condition specified in Subclause 4.2 (Further conditions precedent) is satisfied on the date of this Utilisation Request.

4. The proceeds of this Loan should be credited to

   AEGON

   [*account details to be provided*].

5. This Utilisation Request is irrevocable.

Yours faithfully

.....
authorised signatory for

VERENIGING AEGON

SCHEDULE 3

AGREED SECURITY PRINCIPLES

1. Considerations

In determining what Security will be provided in support of the Facility the following matters will be taken into account. Security shall not be created or perfected to the extent that it would:

(a) result in any breach of corporate benefit, financial assistance, fraudulent preference or thin capitalisation laws or regulations (or analogous restrictions) of any applicable jurisdiction;

(b) result in a significant risk to the officers of the relevant grantor of Security of contravention of their fiduciary duties and/or of civil or criminal liability; or

(c) result in costs that, in the opinion of the Lender, are disproportionate to the benefit obtained by the beneficiaries of that Security.

For the avoidance of doubt, in these Agreed Security Principles, "cost" includes, but is not limited to, income tax cost, registration taxes payable on the creation or enforcement or for the continuance of any Security, stamp duties, out-of-pocket expenses, and other fees and expenses directly incurred by the relevant grantor of Security or any of its direct or indirect owners, subsidiaries or Affiliates.

2. Obligations to be Secured

(a) Subject to 1 (Considerations) and to paragraph 2 above, the obligations to be secured are the Secured Liabilities (as defined below). The Security is to be granted in favour of the Lender.

For ease of reference, the following definitions should, to the extent legally possible, be incorporated into each Transaction Security Document:

Secured Liabilities means all present and future obligations and liabilities (whether actual or contingent and whether owed jointly or severally or in any other capacity whatsoever) of the Association and AEGON to the Lender under each or any of the Transaction Documents together with all costs, charges and expenses incurred by the Lender in connection with the protection, preservation or enforcement of its respective rights under the Transaction Documents.

(b) The secured obligations will be limited:

(i) to avoid any breach of corporate benefit, financial assistance, fraudulent preference, thin capitalisation rules or the laws or regulations (or analogous restrictions) of any applicable jurisdiction; and

(ii) to avoid any risk to officers of the Association of contravention of their fiduciary duties and/or civil or criminal or personal liability.

3. General

Where appropriate, defined terms in the Transaction Security Documents should mirror those in this Agreement.

The parties to this Agreement agree to negotiate the form of each Transaction Security Document in good faith and will ensure that all documentation required to be entered into as a condition precedent to first drawdown under this Agreement is in a finally agreed form as soon as reasonably practicable after the date of this Agreement.

The Security shall, to the extent possible under law, be enforceable only in accordance with Subclause 14.15(b) (Acceleration).

4. Undertakings/Representations and Warranties

Any representations, warranties or undertakings which are required to be included in any Transaction Security Document shall reflect (to the extent to which the subject matter of such representation, warranty and undertaking is the same as the corresponding representation, warranty and undertaking in this Agreement) the commercial deal set out in this Agreement in order to protect or preserve the Security granted to the Lender).

SCHEDULE 4

FORM OF TRANSFER CERTIFICATE

To: VERENIGING AEGON (the **Association**) and AEGON N.V. (**AEGON**)

From: [EXISTING LENDER] (the **Existing Lender**) and [NEW LENDER] (the **New Lender**)

Date: [ ]

VERENIGING AEGON - €3,000,000,000 Senior Loan Agreement dated 1 December 2008 (the **Agreement**)

1. We refer to the Agreement. This is a Transfer Certificate.

2. Terms defined in the Agreement have the same meaning in this transfer.

3. The Existing Lender transfers by way of transfer of contract to the New Lender the Existing Lender's rights and obligations in the proportion referred to in the Schedule below in accordance with the terms of the Agreement.

4. The proposed Transfer Date is [ ].

5. The address, fax number and attention details for notices of the New Lender for the purposes of Subclause 19.2 (Addresses) are set out in the Schedule.

6. This Transfer Certificate may be executed in any number of counterparts and this has the same effect as if the signatures on the counterparts were on a single copy of this Transfer Certificate.

7. This Transfer Certificate is governed by Dutch law.

[Existing Lender]	[New Lender]
By:	By:

Note: Seek Dutch advice if the amount being transferred is for an amount equal to or less than €50,000 (or its equivalent).

THE SCHEDULE

Commitment/rights and obligations to be transferred

[*Insert relevant details*]

Administrative details of the New Lender

[*Insert address, fax number and attention details for notices and account details for payments, etc.*]

This Transfer Certificate is accepted by the Association and AEGON and the Transfer Date is the date of the last execution of this Transfer Certificate by any of the relevant parties.

The Association

VERENIGING AEGON

BY:

DATE:

AEGON

AEGON N.V.

BY:

DATE:

SCHEDULE 5

FORM OF ASSIGNMENT AGREEMENT

To: VERENIGING AEGON (the **Association**) and AEGON N.V. (**AEGON**)

From: [EXISTING LENDER] (the **Existing Lender**) and [NEW LENDER] (the **New Lender**)

Date: [ ]

VERENIGING AEGON - €3,000,000,000 Senior Loan Agreement dated 1 December 2008 (the **Agreement**)

1. We refer to the Agreement. This is an Assignment Agreement.

2. Terms defined in the Agreement have the same meaning in this Assignment Agreement.

3. The Existing Lender assigns absolutely to the New Lender all the rights of the Existing Lender under the Agreement and the other Finance Documents which correspond to that portion of the Existing Lender's commitments and participations in the Loan under the Agreement as specified in the Schedule;

4. The proposed Transfer Date is [ ].

5. The address, fax number and attention details for notices of the New Lender for the purposes of Subclause 19.2 (Addresses) are set out in the Schedule.

6. This Assignment Agreement may be executed in any number of counterparts and this has the same effect as if the signatures on the counterparts were on a single copy of this Assignment Agreement.

7. This Assignment Agreement is governed by Dutch law.

8. This Assignment Agreement has been entered into on the date stated at the beginning of this Assignment Agreement.

[Existing Lender]	[New Lender]
By:	By:

Note: Seek Dutch advice if the amount being transferred is for an amount equal to or less than €50,000 (or its equivalent).

THE SCHEDULE

Rights to be assigned by assignment

[I*nsert relevant details*]

Administrative details of the New Lender

[*Insert address, fax number and attention details for notices and account details for payments, etc.*]

Signature of this Assignment Agreement by the Association and AEGON constitutes confirmation by each of them of receipt of notice of the assignment referred to herein.

The Association

VERENIGING AEGON

BY:

DATE:

AEGON

AEGON N.V.

BY:

DATE:

SIGNATORIES

THE ASSOCIATION

VERENIGING AEGON

By: /s/ Dr. W.M. van den Goorbergh

Address:

Email:

Fax:

THE LENDER

THE STATE OF THE NETHERLANDS

By: /s/ State of the Netherlands

Address:

Email:

Fax:

AEGON

AEGON N.V.

By: /s/Mr. J.G.A. Struycken

Address:

Email:

Fax:

Exhibit 4.11

Subscription Agreement between Vereniging AEGON, The State of the Netherlands and AEGON N.V. dated December 1, 2008

SUBSCRIPTION AGREEMENT

DATED 1 DECEMBER 2008

EUR 3,000,000,000 Non-Voting Convertible Capital Securities

AEGON N.V.

and

VERENIGING AEGON

and

THE STATE OF THE NETHERLANDS

ALLEN & OVERY

Allen & Overy LLP

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THIS SUBSCRIPTION AGREEMENT is made on 1 December 2008 **BETWEEN**:

(1) **AEGON N.V.**, a public company with limited liability (*naamloze vennootschap*) incorporated under the laws of the Netherlands with offices at AEGONplein 50, 2591 TV The Hague, The Netherlands (the **Issuer**);

(2) **VERENIGING AEGON**, an association (*vereniging*) incorporated under the laws of the Netherlands with offices at AEGONplein 50, 2591 TV The Hague, The Netherlands (the **Subscriber**); and

(3) **THE STATE OF THE NETHERLANDS**, an entity under public law, acting through the Ministry of Finance, with address at the Korte Voorhout 7, 2511 CW, The Hague, The Netherlands (the **State**, and together with the Issuer and the Subscriber, the **Parties**).

WHEREAS:

(A) The Issuer proposes to issue the Securities, with the specifics as set out in the Securities Terms and Conditions. The Securities will be in registered form in the denomination of EUR 4.00 each and will be issued pursuant to the Securities Deed.

(B) Pursuant to the Term Sheet, the State will lend up to EUR 3,000,000,000 to the Subscriber under the Senior Loan Agreement, which amount the Subscriber shall use to subscribe for the Securities. The parties to the Term Sheet have agreed that all payments in respect of the Securities shall be made directly to the State, in discharge of the Subscriber's payment obligations to the State under the Senior Loan Agreement.

(C) In this Subscription Agreement, the Issuer, the Subscriber and the State wish to lay down the agreement for the Subscriber to subscribe for the Securities.

(D) The expression **Agreement** shall herein mean this Subscription Agreement, including its Schedules.

(E) Capitalised terms used in this Agreement, unless otherwise defined herein in which case they have the meaning ascribed thereto herein, shall have the meaning ascribed to such terms in the Securities Terms and Conditions or in the Senior Loan Agreement. In case of any inconsistencies between the terms defined or used in the Senior Loan Agreement and the Securities Terms and Conditions, the terms used or defined in the Senior Loan Agreement shall prevail.

IT IS AGREED as follows:

1. SUBSCRIPTION

Subject to the terms and conditions of this Agreement, the Issuer agrees to issue the Securities and the Subscriber agrees to subscribe and pay for the principal amount of each Security on the Closing Date (as defined below) at the Issue Price, at the time and in the manner set out in Clause 2.1 below.

2. CLOSING

2.1 On the Closing Date, the Issuer, the Registrar and the Subscriber will enter into the Securities Deed.

2.2 Against execution between the parties thereto of the Securities Deed, the Subscriber will, on the Closing Date, request a Loan and arrange for the proceeds of such Loan to be paid by the State immediately to the Issuer on the Closing Date of the aggregate net subscription amount for the Securities, namely an amount equal to EUR 3,000,000,000, less fees and expenses payable to the State in accordance with clause 10.1 of the Senior Loan Agreement.

3. UNDERTAKINGS

3.1 The Issuer undertakes with the Subscriber and the State that it will on or before the Closing Date enter into the Transaction Documents.

3.2 The Issuer undertakes with the Subscriber and the State that, for so long as the Subscriber is the holder of any Securities outstanding, if any payments (in whatever form under and in accordance with the Securities Terms and Conditions) are to be made by the Issuer to the Subscriber in respect of the Securities held by the Subscriber which the Subscriber is obliged under the Senior Loan Agreement to on-pay to the State upon receipt thereof, such payments will be paid directly by the Issuer to the State and the Subscriber will be notified of such payment by the Issuer. Any such direct payment, or issue of Stock Dividend as the case may be, made by the Issuer to the State will to the extent of the amount thereof discharge (a) the Issuer's relevant payment obligation to the Subscriber under the Securities Terms and Conditions, and (b) the Subscriber's relevant payment obligation to the State under, and in accordance with, the terms and conditions of the Senior Loan Agreement.

For the avoidance of doubt, for so long as there are any obligations outstanding under the Transaction Documents (as defined in the Senior Loan Agreement), the Subscriber shall not have the right to require the Issuer to discharge any of its obligations directly towards the Subscriber under this Agreement and the Securities Terms and Conditions in any manner other than as stated above directly to and in favour of the State. In respect of the obligations of the Issuer as set forth in this Clause 3.2 (including the obligations of the Issuer to pay all amounts and perform all obligations of the Issuer vis-a-vis the Subscriber directly to the State), the State shall have a direct right against the Issuer with respect to such obligations and shall have the right to enforce performance of these obligations directly to it to the fullest extent. This proviso will however not be construed so as to constitute a guarantee by or several or joint liability of Issuer in respect of the obligations of the Subscriber in favour of the State.

4. EXPENSES

The Issuer shall bear and pay all costs and expenses (together with any value added tax, if applicable) incidental to the performance of its obligations hereunder, including:

(a) any initial and ongoing fees and expenses of the Calculation Agent and the Registrar; and

(b) the fees of the legal advisers of the Subscriber and the State.

5. REPRESENTATIONS AND WARRANTIES OF THE ISSUER

5.1 The Issuer undertakes with the Subscriber and the State that it will forthwith notify the Subscriber and the State of any change affecting any of the representations and warranties set out in clause 11 (Representations) of the Senior Loan Agreement made by it (assuming and deeming them to have been repeated at the time of the change) at any time before payment is made to the Issuer on the Closing Date and that it will take those steps reasonably necessary and, in any case, as may be requested by the Subscriber or the State to remedy and/or publicise the change or event. Upon any, in the opinion of the State, breach of any of such representations and warranties or any change rendering any of such representations and warranties, in the opinion of the State, inaccurate or any such event coming to the notice of the Subscriber or the State before payment being made to the Issuer on the Closing Date, the Subscriber shall be entitled (and upon request by the State thereto, bound) to give notice to the Issuer of its election to treat such breach or change or event as (except as otherwise specifically provided) releasing and discharging the Subscriber from its obligations under this Agreement.

5.2 The representations and warranties set out in clause 11 (Representations) of the Senior Loan Agreement made by the Issuer shall continue in full force and effect in relation to each of the Subscriber and the State notwithstanding its actual knowledge with respect to any of the matters referred to in such representations and warranties, the completion of the arrangements set out in this Agreement for the subscription and issue of the Securities or the termination of this Agreement pursuant to Clause 5.1 and 6.

6. CONDITIONS PRECEDENT

6.1 This Agreement and the respective rights and obligations of the parties to this Agreement are conditional upon:

(a) there having been, as at the Closing Date no event making any of the representations and warranties contained in clause 11 (Representations) of the Senior Loan Agreement made by it untrue or incorrect on the Closing Date as though they had been given and made on such date and the Issuer having performed all the obligations to be performed by it under this Agreement on or before the Closing Date;

(b) the delivery to the Subscriber and the State on or before the Closing Date of: a legal opinion dated the Closing Date in such form and with such contents as the Subscriber and the State may reasonably require from Allen & Overy LLP, Amsterdam, the legal advisers to the Issuer;

(c) the execution of the Governance Agreement by the parties thereto on or before the Closing Date; and

(d) the execution of the Senior Loan Agreement on or before the Closing Date, the fulfilment, save if and to the extent waived in writing by the State, of the conditions precedent under the Senior Loan Agreement and Utilisation of the entire amount of the Loan, subject to the terms and conditions of the Senior Loan Agreement.

6.2 In the event that any of the conditions set out in Clause 6.1 is not satisfied on or before the Closing Date, this Agreement shall (subject as mentioned below) terminate and the parties hereto shall (except for the liability of the Issuer in relation to expenses as provided under, or under any arrangements referred to in, Clause 4 and except for any liability arising before or in relation to such termination) be under no further liability arising out of this Agreement, provided that the Subscriber (upon approval by the State) and the State may in its discretion and by notice to the Issuer waive satisfaction of any of the above conditions or of any part of them.

7. SUBSCRIBER'S REPRESENTATIONS, WARRANTIES AND UNDERTAKINGS

7.1 No action has been taken by the Issuer or the Subscriber that would, or is intended to, permit a public offer of the Securities or any offering or publicity material relating to the Securities in any country or jurisdiction where any such action for that purpose is required. Accordingly, the Subscriber undertakes that it will not, directly or indirectly, offer or sell any Securities or have in its possession, distribute or publish any offering circular, prospectus, form of application, advertisement or other document or information in any country or jurisdiction except if this is mandatorily required under any laws and regulations applicable to it and all offers and sales of Securities by it will be made on the same terms.

7.2 Subject to Clause 7.1 above, the Subscriber agrees that it will obtain any consent, approval or permission which is required for the offer, purchase or sale by it of Securities under the laws and regulations in force in any jurisdiction to which it is subject or in which it makes such offers, purchases or sales and it will comply with all such laws and regulations.

7.3 The Subscriber undertakes to indemnify the State and, only after full payment to the State in respect of this indemnification provision, the Issuer, and, in each case, the State's directors, officers, employees and controlling persons against any liability, damages, cost, loss or expense (including, without limitation, legal fees, costs and expenses) (a **Loss**) which any of them may incur, or which may be made against any of them, as a result of or in relation to any failure by the Subscriber to observe any of the restrictions or requirements set out in Clause 7.1 and 7.2 above, provided that the Subscriber shall not be liable for any Loss arising from the sale of any Securities to any person believed in good faith by the Subscriber, on reasonable grounds and after making due investigations, to be a person to whom the Securities could legally and in accordance with this Agreement be sold or to whom any publicity material could lawfully be given subject to the restrictions and requirements set out in Clause 7.1 and 7.2 above.

7.4 The Subscriber undertakes, as long as both the State and the Subscriber are Holders of the Securities, to follow any instruction of the State in respect of any actions to be taken or rights to be exercised by the Subscriber in its capacity as Holder of Securities in respect of the Issuer, the Calculation Agent and the Registrar.

8. REGISTER AND REGISTRAR

8.1 The Issuer covenants with the Subscriber and the State that it shall at all times maintain or cause to be maintained at the office of the Registrar located in The Netherlands the Register which shall, without limitation, (a) immediately record the identity of the Holders and the issuance of the Securities, their respective addresses, any redemption or conversion of the Securities and any other relevant information in respect thereof that any Holder may from time to time reasonably require and all information necessary for the Securities to be sufficiently identifiable (including, without limitation, the Issue Price, the Issue Date, and the number of each Security) and (b) immediately register transfers of the Securities or any security rights encumbering the Securities at any time. The Register may be closed by the Issuer for such periods as are specified in the Securities Terms and Conditions.

8.2 The entries in the Register shall be conclusive evidence of title to the Securities in the absence of manifest error, and the Issuer and the Registrar shall be entitled to treat the Holder whose identity is recorded in the Register as the holder of the related Security, notwithstanding notice to the contrary.

8.3 The Issuer shall procure that the Register shall be available for inspection by any Holder, or any third party on behalf of any Holder, at any time during the normal business hours of the Registrar upon prior notice to the Issuer.

8.4 The Registrar shall provide copies of the Register in respect of any Security held by it (x) within one Business Day, if the Holder requests electronic copies, (y) within five Business Days if the Holder requests original copies by post and the Issuer and/or Registrar shall certify that such documents so provided are true, accurate and fully and duly completed. Upon registration of the Securities in the Register after the Closing Date, the Registrar shall provide a copy of the Register to the Dutch State Treasury Agency (*Agentschap van het Ministerie van Financiën*).

8.5 Any failure to record or any error in recording any of these matters shall not adversely affect the right of the Holders to receive payment (in whatever form under and in accordance with the Securities Terms and Conditions) in respect of any Security and, in respect of a Holder which is not either the Subscriber or the State, to the extent that there is sufficient evidence of such Holder's entitlement thereto otherwise available.

8.6 The Issuer hereby appoints AEGON N.V. as Registrar to act in such capacity as its agent in relation to the registration, transfer and encumbrance of Securities.

8.7 The Registrar accepts its appointment as agent of the Issuer pursuant to Clause 8.6 in relation to the registration, transfer and encumbrance of the Securities and agrees to maintain the Register in accordance with the this Agreement and to comply with the provisions of the Securities Terms and Conditions and this Agreement.

8.8 The Registrar may, in connection with its services hereunder rely upon the terms of any notice, communication or other document provided to it by the Issuer or the Holders and reasonably believed by it to be genuine, true and correct.

8.9 The Registrar shall comply with the terms and conditions set out in this Agreement and in the Securities Terms and Conditions with respect to the registration, transfer and encumbrance of the Securities and such other duties as are necessarily incidental thereto. The Registrar shall not be under any fiduciary duty towards any person other than the Issuer, and, except in the case of the Registrar's gross negligence (*grove nalatigheid*) or wilful misconduct (*opzet*), shall not be responsible for or liable in respect of any act or omission of any other person or be under any obligation towards any person other than the Issuer. For as long as the Registrar acts as registrar pursuant to this Agreement, any obligations of the Registrar under or pursuant to this Agreement are guaranteed by the Issuer.

8.10 Subject to the satisfaction of conditions of transfer or encumbrance, the Registrar shall promptly record each agreement to transfer, encumber and any requested change of ownership in the Register in accordance with the Securities Terms and Conditions upon receiving a duly executed Deed of Assignment and Notification, substantially in the form as set out in Schedule 2, Annex III hereto or executed Notification of Pledge, substantially in the form as set out in Schedule 2, Annex IV hereto.

8.11 The Issuer shall give to the Registrar such further information as may reasonably be required by it for the proper carrying out of its duties under this Agreement.

8.12 The Registrar may resign its appointment as Registrar in respect of the Securities upon not less than thirty (30) days' notice in writing to the Issuer, provided always that so long as any of the Securities are outstanding, no such resignation shall take effect until a replacement registrar in respect of the Securities shall have been appointed. For as long as (i) the State or the Subscriber is a Holder of Securities or (ii) any amounts payable by the Subscriber to the State under the Loan are outstanding, any replacement registrar shall only be appointed in accordance with this Clause 8.12, subject to prior consultation with the State.

8.13 The Holders representing not less than 75% of the nominal value of the Securities outstanding may by giving not less than thirty (30) days' notice dismiss the Registrar if the Registrar fails, or threatens to fail, to comply with its obligations hereunder in its capacity of registrar of the Securities and such failure is not remedied by the Registrar within thirty (30) days after the earlier of (i) written notice of failure is given by such Holders to the Registrar and (ii) the Issuer becoming aware of such failure; provided always that so long as any of the Securities are outstanding, no such dismissal shall take effect until a replacement registrar in respect of the Securities shall have been appointed. Until a replacement registrar is appointed due to failure of the Registrar as provided in this Clause 8.13, the Registrar shall comply with any instructions given by the Holders with respect to the fulfilment of the Registrar's obligations under this Agreement.

8.14 If the Registrar gives notice of its resignation in accordance with Clause 8.12 or the Registrar is dismissed in accordance with Clause 8:13 and by the tenth day before the expiry of such notice given in accordance with Clause 8.12 or upon the effective date of dismissal in accordance with Clause 8:13, a successor has not been duly appointed by the Issuer, the Holders may appoint as successor registrar any, in the opinion of the Holders, reputable and experienced financial institution and give notice of such appointment to the Issuer, whereupon the Issuer and such successor registrar shall

acquire and become subject to the same rights and obligations between themselves as if they had entered into an agreement on the terms specified in this Agreement.

8.15 Upon any resignation or revocation taking effect under Clause 8.12 or 8.13, the Registrar shall:

(i) subject to paragraphs (ii) and (iii) below, be released and discharged from its obligations under this Agreement, other than its liability due pursuant to its gross negligence (*grove nalatigheid*) or wilful misconduct (*opzet*) as provided in Clause 8.9;

(ii) deliver the Register to the Issuer or to the successor registrar, as the Registrar may be instructed by the Issuer and after approval by the Holders; and

(iii) upon reasonable notice, provide reasonable assistance to its successor for the discharge of its duties and responsibilities hereunder.

9. CALCULATION AGENT

9.1 The Issuer hereby appoints AEGON N.V. as Calculation Agent to act in such capacity as its agent in relation to the calculation of amounts in relation to the Securities.

9.2 The Calculation Agent accepts its appointment as agent of the Issuer pursuant to Clause 9.1 and shall in relation to the Securities perform all the functions and duties imposed on the Calculation Agent by the Securities Terms and Conditions.

9.3 In acting hereunder and in connection with the Securities, the Calculation Agent shall not act as agent of the Issuer and shall not thereby assume any obligations towards or relationship of agency or trust for or with any of the owners or holders of the Securities.

9.4 The Calculation Agent shall be protected and shall incur no liability for or in respect of any action taken, omitted or suffered in reliance upon any instruction, request or order from the Issuer or any notice, resolution, direction, consent, certificate, affidavit, statement, cable, telex or other paper or document which it reasonably believes to be genuine and to have been delivered, signed or sent by the proper party or parties or upon written instructions from the Issuer, except in the case of the Calculation Agent's gross negligence (*grove nalatigheid*) or wilful misconduct (*opzet*).

9.5 The Calculation Agent may resign its appointment as Calculation Agent in respect of the Securities upon not less than thirty (30) days' notice in writing to the Issuer, provided always that so long as any of the Securities are outstanding, no such resignation shall take effect until a replacement calculation agent in respect of the Securities shall have been appointed. For as long as (i) the State or the Subscriber is a Holder of Securities or (ii) any amounts payable by the Subscriber to the State under the Loan are outstanding, any replacement calculation agent shall only be appointed in accordance with this Clause 9.5, subject to prior consultation with the State.

9.6 The Holders representing not less than 75% of the nominal value of the Securities outstanding may, by giving not less than thirty (30) days' notice, dismiss the Calculation Agent if the Calculation Agent fails, or threatens to fail, to comply with its obligations hereunder in its capacity of calculation agent in respect of the Securities and such failure is not remedied by the Calculation Agent within thirty (30) days after the earlier of (i) written notice of failure is given by such Holders to the Calculation Agent and (ii) the Issuer becoming aware of such failure; provided always that so long as any of the Securities are outstanding, no such dismissal shall take effect until a replacement calculation agent in respect of the Securities shall have been appointed. Until a replacement calculation agent is appointed due to failure of the Calculation Agent as provided in this Clause 9.6, the Calculation Agent shall comply with any instructions given by the Holders with respect to the fulfilment of the Calculation Agent's obligations under this Agreement.

9.7 If the Calculation Agent gives notice of its resignation in accordance with Clause 9.5 or the Calculation Agent is dismissed in accordance with Clause 9.6 and by the tenth day before the expiry of such notice given in accordance with Clause 9.5 or upon the effective date of dismissal in accordance with Clause 9.6, a successor has not been duly appointed by the Issuer, the Holders may appoint as successor calculation agent any, in the Holders' opinion, reputable and experienced financial institution and give notice of such appointment to the Issuer, whereupon the Issuer and such successor calculation agent shall acquire and become subject to the same rights and obligations between themselves as if they had entered into an agreement on the terms specified in this Agreement.

9.8 Upon any resignation or dismissal taking effect under Clause 9.5 or 9.6, the Calculation Agent shall:

(i) Subject to paragraph (ii) below, be released and discharged from its obligations under this Agreement, other than its liability due pursuant to its gross negligence (*grove nalatigheid*) or wilful misconduct (*opzet*) under Clause 9.4;

(ii) upon reasonable notice, provide reasonable assistance to its successor for the discharge of its duties and responsibilities hereunder.

10. CONSULTATION WITH DNB

Where in the Transaction Documents the Issuer is required to consult with DNB, such consultation will be governed by a further agreement to be entered into by the Issuer and DNB (after having been discussed with the State) within two weeks after the Issue Date. Such agreement will specify that the intended decision for which the consultation is sought will not proceed until both the Issuer and DNB, acting reasonably, conclude that the consultation has successfully been finalized and the State has been so informed.

11. NOTICES

Any notice or notification in any form to be given by the Parties to this Agreement must be delivered in accordance with clause 19 (Notices) of the Senior Loan Agreement.

12. GOVERNING LAW AND JURISDICTION

12.1 This Agreement, and any non-contractual obligations arising out of or in connection with it, is governed by, and shall be construed in accordance with, Dutch law.

12.2 Each of the parties hereto agrees that the courts of Amsterdam, The Netherlands are to have jurisdiction to settle any disputes which may arise out of or in connection with this Agreement and accordingly submit to the jurisdiction of such courts (with the exception of cassation (*cassatie*)).

13. MISCELLANEOUS

13.1 The heading to each clause is included for convenience only and shall not affect the construction of this Agreement.

13.2 This Agreement may be executed in any number of counterparts, all of which, taken together, shall constitute one and the same agreement and any party may enter into this Agreement by executing a counterpart.

IN WITNESS WHEREOF the parties have caused this Agreement to be executed the day and year first before written

SCHEDULE 1

SECURITIES TERMS AND CONDITIONS

*The following, subject to alteration as approved by the Holders from time to time, are the terms and conditions of the Securities which will be endorsed on the Securities Deed (the **Conditions**):*
The issue of the Securities was authorised pursuant to resolutions of the Executive Board of the Issuer passed on 1 December 2008.

1. FORM, DENOMINATION AND TITLE

(a) Form, Denomination and Maturity

The Securities are in registered form (*vorderingen op naam*) and shall be in denominations of EUR 4.00 each. The Securities will be issued pursuant to a deed of issue and placement (*akte van uitgifte en plaatsing*) to be dated 1 December 2008 (the **Securities Deed**) in the aggregate principal amount of EUR 3,000,000,000.

The Securities are perpetual securities in respect of which there is no fixed redemption date. The Securities may only be redeemed, repurchased or converted in accordance with these Conditions.

(b) Register

The Registrar will maintain a register (the **Register**) in respect of the Securities in accordance with the provisions of the Subscription Agreement. In these Conditions, the **Holder** of a Security means the person in whose name such Security is for the time being registered in the Register (or, in the case of a joint holding, the first named therein). No certificates will be issued in respect of the Securities.

(c) Title and Transfer

Title to the Securities may be acquired:

(i) upon issue of the Securities by the Issuer in accordance with these Conditions;

(ii) upon transfer of the Securities by a Holder pursuant to (x) due execution of a written instrument (*akte van cessie*) substantially in the form attached to the Securities Deed and (y) delivery thereof to the Registrar (which delivery will constitute notification (*mededeling*) thereof to the Issuer for the purposes of section 3:94 of the Dutch Civil Code).

The Issuer shall, forthwith but no later than within 5 Business Days of request thereto by a Holder, cause the Registrar to provide a certified copy of the Register evidencing such Holder's interest to such Holder (without disclosing the identity or interests of other Holders).

No transfer will be effective during the period of 5 calendar days immediately prior to the date elected for Conversion to occur pursuant to Condition 6.2.

For so long as there are any amounts outstanding under the Senior Loan Agreement, (A) the Securities are transferable only with the prior written consent of the Lender and the Issuer (which consent may not be unreasonably withheld by the Issuer), provided however that no consent is required in the case of (i) a transfer of any Securities by the Association to the Lender, and (ii) enforcement by the Lender of any security right it holds over the Securities, (B) any Securities which are held by a Holder other than the Lender, may only be encumbered with any security rights with the prior written consent of the Lender. In the case the Lender is a Holder, no consent for the transfer of Securities by it is required.

2. STATUS

(a) Status and Subordination of the Securities

The Securities constitute direct, unsecured, subordinated obligations of the Issuer and rank *pari passu* without any preference among themselves. The Securities will rank *pari passu* with the Common Shares of the Issuer (except that the Securities do not carry voting rights) and will be subordinated to the Senior Claims (as defined below).

For the purposes of this paragraph:

subordinated to the Senior Claims means and has the effect that any claims or rights that a Holder has under the Securities against the Issuer (the **Junior Claims**) are subordinated in right of payment (including any prepayment, repayment, distribution, set-off or recovery, whether in cash or in kind) in respect of all claims that any creditor of the Issuer has at any time against the Issuer (the **Senior Claims**). If (in the event of a winding-up, dissolution, or otherwise) the amount of payments to be made under the Junior Claims is to be calculated: (i) ***first*** it shall be calculated the amount to be paid on the Senior Claims and the Junior Claims based on their statutory ranking; (ii) ***second*** the amount to be paid towards the Junior Claims based on their statutory ranking shall be paid instead towards the Senior Claims until such Senior Claims are paid in full, and the remaining amount, if any, shall be shared among the Holders and the holders of Common Shares as set out in the following paragraph.

rank *pari passu* with the Common Shares means and has the effect that any proceeds remaining after payment of the Senior Claims and payments on the AEGON Preference Shares (the **Excess Proceeds**) shall be applied towards payment of amounts due under the Common Shares and the Junior Claims on a pro rata basis (the **Attributed Amount**). The Holders shall not have any rights to and, shall, to the extent necessary (upon acquiring any Securities) waive their rights to, receive payment of the Excess Proceeds which they may be entitled to receive on the basis of the statutory ranking of Junior Claims vis-à-vis the Common Shares in excess of the Attributed Amount in respect of the Securities.

(b) Set-off; Suspension

Subject to applicable law, no Holder (other than the Lender) may exercise or claim any right of set-off in respect of any amount owed to it by the Issuer arising under or in connection with the Securities and each Holder (other than the Lender) shall, by virtue of being the holder of any Security, be deemed to have waived all such rights of set-off. The Issuer shall not be entitled to suspend (*opschorten*) the performance of any of its obligations towards the Association and the Lender in respect of the Securities.

3. COUPON PAYMENTS

(a) Coupon Payment Dates

The Securities bear interest at the Coupon Rate during the term thereof starting as of (and including) the Issue Date. Such interest will be payable annually in arrear on each Coupon Payment Date on a non-cumulative basis.

Interest on the Securities shall only become due and payable if and to the extent dividend in respect of the Common Shares is declared over the Issuer's Financial Year ending in such Coupon Period (for the avoidance of doubt, with the Issuer's Financial Year 2008 ending in the First Coupon Period, and each consecutive Issuer's Financial Year ending in the relevant Coupon Period to be construed accordingly) and such interest will only be paid to the Holders after the Issuer having verified with DNB that the Issuer will, after such payment of dividend on the Common Shares and of the relevant Coupon Amount, remain adequately capitalised in accordance with the then current Capital Adequacy Regulations.

The term **verified** in the previous sentence means that if the Issuer intends to declare a (final or interim) dividend, the Issuer will consult with DNB as to whether after such dividend is declared and paid (and corresponding interest is paid in respect of the Securities hereunder), the Issuer will remain adequately capitalised as aforesaid, and no dividend will be declared or paid unless and until such verification has taken place. In the case any interim dividend is declared on the Common Shares, an advance Coupon Payment per Security shall be payable on the Interim Coupon Payment Date (the **Advance Coupon Payment**) in an amount equal to the value of such interim dividend paid per Common Share. Any Advance Coupon Payment paid on an Interim Coupon Payment Date, shall be deducted from the Coupon Payment payable on the Coupon Payment Date immediately following such Interim Coupon Payment Date.

(b) Coupon Rate - Cash

If dividend on the Common Shares is paid in cash, the Issuer will discharge its payment obligation in respect of interest on the Securities on the relevant Coupon Payment Date by cash payments to the Holders. In such case, the Coupon Rate per annum payable from time to time in respect of the Securities will be determined on the basis of the following provisions:

(i) The Coupon Rate for the Coupon Period starting on the Issue Date shall be 8.50 per cent. per annum (the **First Coupon Period**); and

(ii) In respect of each consecutive Coupon Period after the First Coupon Period, the Coupon Rate in respect of each Security shall be the higher of (i) EUR 0.34 or 8.50 per cent. per annum and (ii) in relation to the relevant Coupon Period:

(a) ending on the Coupon Payment Date in 2010, a percentage of the nominal value of the Securities equal to the value of 110 per cent. of the dividend paid per Common Share for the Issuer's Financial Year ending on 31 December 2009;

(b) ending on the Coupon Payment Date in 2011, a percentage of the nominal value of the Securities equal to the value of 120 per cent. of the dividend paid per Common Share for the Issuer's Financial Year ending on 31 December 2010; and

(c) ending on the Coupon Payment Date in 2012, a percentage of the nominal value of the Securities equal to the value of 125 per cent. of the dividend paid per Common Share for the Issuer's Financial Year ending on 31 December 2011, and in respect of each Coupon Period thereafter, a percentage of the nominal value of the Securities equal to the value of 125 per cent. of the dividend paid per Common Share in the Issuer's Financial Year ending in such Coupon Period.

(c) Coupon Rate - Stock Dividend

If dividend on the Common Shares is paid in Stock Dividend, the Issuer will discharge its payment obligation in respect of interest on the Securities on the relevant Coupon Payment Date by issuing corresponding Stock Dividends to the Holders in lieu of interest. In such case, the Coupon Amount from time to time in respect of the Securities will be determined on the basis of the following provisions:

(i) In respect of the First Coupon Period, the value of Stock Dividend per Security to be issued to the Holders shall constitute the same value as Stock Dividend received per Common Share by the holders thereof expressed in a percentage of the nominal value per Security, provided however that if the value of the Stock Dividend would be less than 8.50 per cent. per annum of the Issue Price per Security, an additional amount in cash will be paid in respect of each Security which would correspond to such shortfall up to 8.50 per cent.

(ii) Thereafter the Stock Dividend for Holders shall be in relation to the relevant Coupon Period be:

(a) ending on the Coupon Payment Date in 2010, a percentage of the nominal value of the Securities equal to the value of 110 per cent. of the Stock Dividend paid per Common Share for the Issuer's Financial Year ending on 31 December 2009;

(b) ending on the Coupon Payment Date in 2011, a percentage of the nominal value of the Securities equal to the value of 120 per cent. of the Stock Dividend paid per Common Share for the Issuer's Financial Year of the Issuer ending on 31 December 2010; and

(c) ending on the Coupon Payment Date in 2012, a percentage of the nominal value of the Securities equal to the value of 125 per cent. of the Stock Dividend paid per Common Share per Common Share for the Issuer's Financial Year ending on 31 December 2011, and in respect of each Coupon Period thereafter, a percentage of the nominal value of the Securities equal to the value of 125 per cent. of the Stock Dividend paid per Common Share paid in the Issuer's Financial Year ending in such Coupon Period.

If the value of the Stock Dividend per Security divided by the nominal value of the Security would be less than 8.50 per cent., an additional amount per Security will be paid in cash in order to make up such shortfall up to 8.50 per cent.

(iii) Subject to Condition 3(e), the value of all Stock Dividend shall be calculated by the Calculation Agent, based upon the average share price, being the sum of the daily low value and high value divided by two, of the Common Shares on the Relevant Stock Exchange calculated over the same period as the one following the publicly announced election period for cash or stock option for any dividend on Common Shares, which is five trading days on the Relevant Stock Exchange.

Any remaining fractions of Stock Dividends shall be paid to the Holders in cash.

(d) Coupon Rate - Optional dividend

If dividend on the Common Shares is at the option of the holders of such Common Shares payable either in cash or Stock Dividends, each Holder will be deemed to have elected Coupon Amounts to be paid in cash, and this Condition 3 shall be applied accordingly.

(e) Determination and Publication of Coupon Rate and Coupon Amounts

The Calculation Agent will, upon the determination of each Coupon Rate pursuant to Condition 3(a) or 3(b) and 3(c), calculate the Coupon Amount and notify, or cause the calculation, the Coupon Rate and each Coupon Amount payable in respect of a Coupon Period, to be notified to the Holders not later than five Business Days prior to the payment of any such Coupon Amount.

The amount of interest payable for any period will be computed on the basis of a 360-day year of twelve 30-day months.

(f) Determination or Calculation by Holders

If the Calculation Agent does not at any time for any reason (i) determine the Coupon Rate or (ii) calculate, or cause the calculation of, a Coupon Amount, in all cases in accordance with the provisions of this Condition 3, the Holders or an agent on their behalf shall do so and such determination or calculation shall be deemed to have been made by the Calculation Agent. In doing so, the Holders or such agent shall apply the foregoing provisions of this Condition 3(f). All determinations or calculations made or obtained for the purposes of the provisions of this Condition 3(f) by or on behalf of the Holders, shall (in the absence of wilful default, fraud or manifest error) be binding on the Issuer and the Calculation Agent and (in the absence of wilful default or fraud) no Holder shall be held liable in connection with the exercise or non-exercise by it of its powers, duties and discretions pursuant to this Condition 3(f). All determinations and calculations so made by or on behalf of the Holders shall forthwith be notified by or on behalf of the Holders in writing to the Issuer and the Calculation Agent. If the Issuer believes that any determination or calculation so made contains a manifest error, it shall forthwith convene a meeting with the Holders (and, if applicable, their agent) in order to arrive at a mutually agreed correction, such meeting to be held no later than on the Business Day immediately following the date of receipt of such notification. If no correction can be agreed within a period of two Business Days after the date of receipt of such notification, such correction shall be made as soon as practicable thereafter by an independent leading Dutch bank acceptable to both the Issuer and the simple majority of the Holders. The fees of such Dutch bank shall be borne by the Issuer.

(g) Market Disruption

In case dividend on Common Shares is to be paid in the form of Stock Dividend and a Market Disruption Event exists at the time upon which pursuant to the provisions of this Condition 3 the number is to be calculated of the Common Shares to be issued on the Coupon Payment Date in the Coupon Period in respect of which payment of dividend in the form of Stock Dividend has been declared as envisaged in Condition 3(c), then the Issuer or the Calculation Agent may give a notice to the Holders promptly after the Market Disruption Event has arisen or occurred, whereupon the relevant payment of interest on the Securities in the form of Stock Dividend shall be deferred until such time as the Market Disruption Event no longer exists.

Any such deferred payment on the Securities or part thereof will be satisfied as soon as practicable following such time as the Market Disruption Event no longer exists but in any event on the same date as payment of Stock Dividend on the Common Shares which was deferred in respect of the same period is paid. Interest shall not accrue on such deferred payment or part thereof.

(h) Interest payment adjustment following conversion or repurchase

If Securities are repurchased or converted in accordance with these Conditions on a date which is not a Coupon Payment Date and it appears subsequently that any interest payment made on the Conversion Date or the Repurchase Date is a lower amount than the interest payment that would have been due on the Coupon Payment Date immediately following such conversion or repurchase (the Relevant Coupon Payment Date) had the Securities not so been repurchased or converted, as the case may be, the Issuer shall on the date which would have been the Relevant Coupon Payment

Date pay an amount to the relevant (ex) Holders equal to the difference between any interest amount paid upon repurchase or conversion and the interest amount that would have been paid on the Relevant Coupon Payment Date based on the Coupon Rate that would have applied if no repurchase or conversion would have taken place, plus interest compensation at a rate per annum equal to EURIBOR as at the relevant Repurchase Date or Conversion Date, calculated over the period from and including such Repurchase Date or Conversion Date and ending on and excluding the date of payment. If dividend is paid in Stock Dividend rather than in cash, the adjustment shall be determined on the basis of the value of that Stock Dividend as calculated (subject to Condition 3(f)) by the Calculation Agent in the manner set out in the final paragraph of Condition 3(c)(iii).

(i) Default interest

If the Issuer fails to pay any amount due under the Securities on its due date, interest shall accrue on the overdue amount from the due date up to the date of actual payment (both before and after judgment) at the prevailing Coupon Rate increased with 1 per cent. per annum.

(j) Adjustment in nominal value of Common Shares

If after the Issue Date the nominal value of the Common Shares is adjusted, the Coupon Amount, for the avoidance of doubt including any Advance Coupon Payment and whether paid in cash or Stock Dividend, per Security calculated in accordance with this Condition 3 shall be adjusted in order for the effective Coupon Rate per annum paid per Security to remain unaffected by the adjustment to the nominal value per Common Share.

4. REPURCHASES

(a) No fixed redemption date

The Issuer has (subject to the provisions of Condition 2 and without prejudice to the provisions of Condition 9) only the right, but not the obligation, to repurchase the Securities in accordance with the following provisions of this Condition 4.

(b) Repurchases at the option of the Issuer

(i) Subject to prior consultation with DNB, the Issuer may elect to repurchase all, or some only, of the Securities (a **Repurchase**) on a date (the **Repurchase Date**) not earlier than 30 days after the Issuer has given written notice thereto to the Holders in accordance with Condition 11, which notice shall be irrevocable, at a purchase price equal to (i) EUR 6.00 per Security ***plus*** (ii) any Coupon Amounts payable in respect of the then current Coupon Period and accrued until the Repurchase Date, to be calculated and paid in accordance with the provisions of Condition 3(h).

(ii) Notwithstanding the provisions of Condition 4(b)(i), the Issuer may, by observing the notice period and the notice formalities as referred to in Condition 4(b)(i) and subject to the Repurchase taking place within the period from the Issue Date until but excluding the date of the first anniversary of such Issue Date, elect to repurchase up to EUR 1,000,000,000 of principal amount of Securities at a purchase price equal to (i) EUR 4.00 per Security ***plus*** (i) the higher of (a) the interest of 8.50 per cent. per annum payable in respect of the then current Coupon Period as accrued up to but excluding the

Repurchase Date (for the purposes of this Repurchase, the **First Year Repurchase Date**) or (b) the interest payable in respect of the then current Coupon Period up to but excluding the Repurchase Date and calculated in accordance with Condition 3(b)(ii) ***plus*** (ii) a repurchase fee of up to EUR 130,000,000 calculated in accordance with the formula set out in Condition 4(b)(iii) below (the **First Year Repurchase Compensation**), and subject to any additional payments to which the Holders are entitled in accordance with Condition 3(h).

(iii) The First Year Repurchase Compensation shall be calculated by the Calculation Agent in accordance with the following formula:

(EUR 130,000,000 * (number of Securities repurchased/250,000,000) * ((Days from Issue)/365) * (Prevailing Price – EUR 4.00)).

Where:

Days from Issue means (First Year Repurchase Date – Issue Date); and

Prevailing Price means:

If the Market Price is higher than or equal to EUR 5.00, EUR 5.00;

If the Market Price is lower than or equal to EUR 4.00, EUR 4.00;

If Market Price is higher than EUR 4.00, but lower than EUR 5.00, the Market Price;

Where:

Market Price means the Volume Weighted Average Price of the Common Shares during the five (5) Business Days prior to the First Year Repurchase Date as determined based on the Bloomberg Page <AGN NA Equity VWAP>.

(iv) If after the Issue Date the nominal value of the Common Shares is adjusted, the formula with regard to the calculation of the First Year Repurchase Compensation set out in Condition 4(b)(iii) shall be adjusted in order for any dilutive effect such changes in the nominal value of the Common Shares may have with regard to the First Year Repurchase Compensation to be corrected.

(c) Repurchase at the option of the Holders

If the Issuer has exercised its Conversion Right pursuant to Condition 6 (but for the avoidance of doubt not in any other circumstances), then, within 5 Business Days after having received a Conversion Notice, a Holder has the right to require the Issuer to redeem in full on the proposed Conversion Date the Securities held by that Holder and which are subject to a Conversion Notice at their principal amount outstanding. An amount of interest to the extent accrued from and including the immediately preceding Coupon Payment Date until but excluding the Conversion Date will be due and payable in accordance with Condition 3(h).

(d) Cancellation

Any Securities held by the Issuer) may be cancelled by reduction in the principal amount of the applicable Securities Deed and such cancelled Securities may not be reissued or resold. Securities repurchased by the Issuer may be held, reissued, resold or, at the option of the Issuer, be cancelled by decreasing the number of Securities represented by the Securities Deed by an equal number. The obligations of the Issuer in respect of any such Securities shall be discharged.

5. PAYMENTS

Payments of principal and Coupon Amounts and all other payments on or in respect of the Securities will be in euro and will be calculated, or caused to be calculated, by the Calculation Agent and shall be paid in a manner as directed by the Holders.

6. CONVERSION RIGHTS

6.1 General

6.1.1 Subject to Condition 6.1.2 and 6.1.3, not earlier than as of the third anniversary of the Issue Date the Issuer has the right (the Conversion Right) to convert all or some of the Securities into Common Shares, each credited as fully paid (a Conversion). The conversion shall take place by converting each Security into one Common Share, subject to adjustment as provided in Condition 6.4 below (the Conversion Price). For the avoidance of doubt, the Conversion Right may be exercised by the Issuer more than once.

6.1.2 If the Issuer establishes that as a result of a Conversion and clause 6.3 (Conversion) of the Senior Loan Agreement, the Lender will hold more than 29.9 per cent of the voting rights on shares in AEGON held by it, the Association and the Lender will consult with each other prior to such intended Conversion with a view to their taking such action as will prevent that the Lender is required to make a mandatory public offer for AEGON.

6.1.3 Each Conversion Right shall only be exercised after consultation with DNB.

6.2 Procedure for exercise Conversion Right

The Issuer may exercise the Conversion Right on a date (a **Conversion Date**) being not later than 5 calendar days after notice thereto has been given (a **Conversion Notice**) to the Holders and the Lender in accordance with Condition 11, subject to the Holders not electing to exercise their rights under Condition 4(c) in respect of Securities held by them which are subject to a Conversion Notice. Once received by the Holders a Conversion Notice is irrevocable.

6.3 Delivery of Common Shares

6.3.1 *Conversion Formula*

The Issuer shall on each Conversion Date cause to be delivered to each Holder, by crediting the account with the financial institution specified by such Holder pursuant to the following sentence, the number of Common Shares equal to the number of Securities then held by such Holder. Forthwith upon request of the Issuer, each Holder shall provide sufficient details about the account and the financial institution concerned to permit the Issuer to make or to cause to be made such delivery of the relevant Common Shares by credit to such account.

Any Common Shares tendered for delivery in this manner will be fully paid and non-assessable on the Conversion Date.

6.3.2 *Settlement Disruption Event*

If on the Conversion Date the book-entry transfer of the Common Shares cannot be settled by the relevant central securities depository due to an event outside the control of the Issuer (a Settlement Disruption Event), then solely for the purposes of this Condition 6.3 the Conversion Date shall be postponed until the first succeeding calendar day on which delivery of the Common Shares can take place trough a national or international settlement system or in any other commercially reasonable manner, in each case, in the best interest of the Holders and without adversely affecting their rights under these Conditions.

6.3.3 *No payment or adjustment for Accrued Dividends*

Common Shares delivered to Holders on exercise of Conversion Rights will rank pari passu in all respects with the fully paid Common Shares in issue on the relevant Conversion Date, except that Holders will not be entitled to receive any dividend or other distribution declared payable to holders of record of Common Shares as of a date prior to the date such Holders became holders of record of the Common Shares pursuant to Condition 6.3.4 below.

6.3.4 *Ranking*

A Holder shall be deemed to be a holder of record of the Common Shares on the Conversion Date and shall be entitled to all dividends, distributions and other entitlements determined by reference to a record date on or after the Conversion Date.

6.4 Adjustment of the Conversion Price

6.4.1 *Non-Merger Events*

The Conversion Price will be adjusted as follows under the following circumstances:

(i) Stock split or consolidation

If there shall have occurred a subdivision or consolidation of the Common Shares (except for a Merger Event (as defined below) into a greater or lesser number of Common Shares, the Conversion Price will be adjusted as of the date on which such event occurred by multiplying the Conversion Price then in effect by Formula 1 in Condition 6.4.2 below.

(ii) Granting of rights or warrants for Common Shares

If the Issuer grants or causes to be granted a right, warrant or other security to existing holders of Common Shares as a class by way of rights giving them the right to purchase or subscribe for additional Common Shares, the Conversion Price will be adjusted as of the ex-dividend date of such grant by multiplying the Conversion Price then in effect by Formula 2 in Condition 6.4.2 below.

(iii) Sale of Common Shares at a substantial discount

If the Issuer sells Common Shares or causes Common Shares to be sold for a sale price that is less than 95 per cent. of the market price of the Common Shares immediately preceding the announcement of the sale of the Common Shares, the Conversion Price will be adjusted immediately following such pricing by multiplying the Conversion Price then in effect by Formula 3 in Condition 6.4.2 below.

(iv) Distribution of an equity-linked security

If the Issuer makes or causes to be made a free distribution or dividend of securities that are convertible, exchangeable or otherwise exercisable into the Common Shares to existing holders of the Common Shares, the Conversion Price will be adjusted as of the ex-dividend date of such free distribution or dividend by multiplying the Conversion Price in effect by Formula 2 in Condition 6.4.2 below.

(v) Granting rights or warrants for an equity-linked security

If the Issuer grants or causes to be granted a right, warrant or other security to existing holders of Common Shares as a class by way of rights giving them the right to purchase or subscribe for securities that are convertible, exchangeable or otherwise exercisable into Common Shares, the Conversion Price will be adjusted as of the ex-date of such grant by multiplying the Conversion Price then in effect by Formula 2 in Condition 6.4.2 below.

(vi) Issuance of equity-linked securities, rights and options at a substantial discount

If the Issuer issues and sells, or causes to be issued and sold, securities that are convertible, exchangeable or otherwise exercisable into, or grants rights or options to purchase or subscribe, Common Shares and the sale price per equity-linked security together with any other consideration received or receivable by the Issuer, in respect of such equity-linked security or rights or options together with the consideration receivable on conversion or exchange or other exercise of such securities or on exercise of such rights or options received or receivable by the Issuer, per Conversion Security, is less than 95 per cent. of the market price of the Common Shares immediately preceding the announcement of the issue of such newly issued securities, rights or options, the Conversion Price will be adjusted immediately following the pricing of such securities, rights or options by multiplying the Conversion Price then in effect by Formula 3 in Condition 6.4.2 below.

(vii) Free distribution or dividend of or granting rights or warranties for other property

If the Issuer makes or causes to be made a free distribution or dividend, of, or grants a right, warrant or other security giving the right o purchase at less than a fair market value, any other property (not covered by another section of this Condition 6.4.1) to existing holders of Common Shares, the Conversion Price will be adjusted as of the ex-date of such free distribution, dividend or grant by multiplying the Conversion price then in effect by Formula 2 of Condition 6.4.2 below.

(viii) Share buy backs above market

If the Issuer or any of its subsidiaries commences a tender or exchange offer for the Common Shares and the Fair Market Value of the cash and other consideration offered per Common Share (as determined in good faith by the Issuer exceeds 105 per cent. of the value of "P" in Formula 4 in Condition 6.4.2 below, the Conversion Price will be adjusted retroactively with effect from the opening of business on the Conversion Business Day immediately following the Expiration Time (as defined below) by multiplying the Conversion Priced then in effect by the fraction (which shall not be greater than one) expressed by Formula 4 in Condition 6.4.2 below.

6.4.2 *Adjustment Formulae*

The formulae to be applied in Condition 6.4.1 to adjust the Conversion Price are:

Formula 1:

$$X/Y$$

where:

X = the number of Common Shares outstanding immediately prior to the occurrence of the relevant event; and

Y = the number of Common Shares outstanding immediately after the occurrence of the relevant event.

Formula 2:

$$(P-d)/P$$

where:

P = the arithmetic mean of the daily Closing Prices of the Common Shares during the 8 Business Day period ending on the Business Day immediately preceding the first day on which the Common Shares are traded on the Relevant Stock Exchange ex the relevant distribution, dividend, rights, warrants or other securities; and

d = the Fair Market Value of the distribution, dividend, rights, warrants or securities or other property the subject of the relevant grant, as the case may be.

Formula 3:

$$\frac{X + (Z \times c/P)}{X + Z}$$

where

X = the number of Common Shares outstanding immediately prior to the occurrence of such event.

Z = the number of (i) Common Shares to be sold or (ii) Common Shares into which such other securities to be sold or issued are convertible, exchangeable or otherwise exercisable.

c = (i) the sale price per security of the Common Shares to be sold or (ii) the sale price of the securities to be sold or issued that are convertible, exchangeable or otherwise exercisable into the Common Shares, together with any other consideration received or receivable in respect of such securities.

P= (i) the Fair Market Value per security of the Common Shares to be sold or (ii) the Fair Market Value of the securities to be sold or issued that are convertible, exchangeable or otherwise exercisable into the Common Shares, together with any other consideration received or receivable in respect of such securities.

Formula 4:

$$(N1xP)/(A+(N2xP))$$

Where:

N1 = the number of Common Shares outstanding at the last time (the Expiration Time) tenders or exchanges may be made pursuant to such tender or exchange offer (as amended), inclusive of all Common Shares validly tendered or exchanged and not withdrawn as of the Expiration Time (the Purchased Shares).

N2 = the number of Common Shares outstanding at the Expiration Time, exclusive of Purchased Shares.

P = the market price of a Common Share at the close of business the Business Day prior to the announcement of the tender or exchange offer.

A = the Fair Market Value of the aggregate consideration payable to holders of Common Shares based on the acceptance (up to any maximum specified in the terms of the tender or exchange offer) of the Purchased Shares.

6.4.3 Merger Events

If, in respect of a Merger Event (as defined below) the consideration for the Common Shares consists (or, at the option of the holder of the Common Shares, may consist) of New Securities, Other Consideration or Combined Consideration (all as defined below) then on or after the Merger Date, each Security shall be convertible into the number of New Securities, the amount of Other Consideration or the amount of Combined Consideration, as the case may be, to which a holder of the number of Common Shares which would have been required to be delivered had such Securities been converted immediately prior to the Merger Event would be entitled upon consummation of the Merger Event. Where pursuant to the foregoing the Securities will be convertible into property including or comprising New Securities, the initial Conversion Price in respect of such New

Securities shall be calculated by dividing the principal amount of each Security by the number of such New Securities (determined as provided above).

Combined Consideration means New Securities in combination with Other Consideration.

Merger Date means, in respect of any Merger Event, the date on which all holders of the Common Shares (other than, in the case of a takeover offer, any Common Shares owned or controlled by the offeror) have agreed or irrevocably become obligated to transfer their Common Shares.

Merger Event means any consolidation, amalgamation or merger of the Issuer with or into another entity (other than a consolidation, amalgamation or merger where the Issuer is the continuing entity).

New Securities means equity securities (whether of the Issuer or a third party) which are publicly traded on a recognised exchange.

Other Consideration means cash, securities other than New Securities of other property (whether of the Issuer or a third party.

6.4.4 Other adjustments

If one or more events or circumstances not referred to above in this Condition 6.4 occur which have or are expected to have an adverse effect on the economic interests of the Holders, including but not limited to a distribution of securities of an issuer other than the Issuer (spin-off securities) or subdivision of Common Shares into classes) the Issuer shall either at its own instigation or at the request of a Holder, request two investment banks of international repute selected by the Issuer to determine as soon as practicable, *inter alia* taking into account the then current market practice of convertible securities and precedents, what adjustment (if any) to the Conversion Price is fair and reasonable to take account of such events or circumstances and the date on which such adjustment should take effect. Upon such determination, such adjustment (if any) shall be made and shall take effect in accordance with such determination.

6.4.5 Calculations, procedures

Except as otherwise provided, the Issuer will make all adjustments to the Conversion Price pursuant to Conditions 6.4.1 and 6.4.3, a calculation and determination made by the Issuer is binding for the Holders, unless a Holder has demonstrated the incorrectness of or has made a reasonable objection to such calculation or determination within 5 local Business Days after such Holder has received notice of the calculation or determination. If in such case no agreement can be reached by the parties, they shall select an independent investment bank of international repute for the purpose of making the calculation or determination, which calculation or determination will be binding on the Issuer and the relevant Holder(s) and shall supersede and replace the calculation or determination made by the Issuer.

All references in the foregoing provisions to the number of Common Shares outstanding shall exclude Common Shares held by or on behalf of the Issuer.

The Conversion Price resulting from any adjustment will be rounded to the nearest ten-thousandth, with five hundred thousandths being rounded upward.

6.4.6 De minimis Exception

No adjustment to the Conversion Price will be made if the adjustment would result in a change in the Conversion Price of less than 1 per cent., provided that any adjustment that would otherwise be required to be made and any amount by which the Conversion Price has been rounded down pursuant to Condition 6.4.5 will be carried forward and taken into account in any subsequent adjustment.

6.4.7 Notices of adjustments

The Issuer shall give notice to the Holders in accordance with Condition 11 of any change (or, at the Issuer's discretion) prospective change) to the Conversion Price as soon as reasonably practicable following such change or, if the notice is given in respect of a prospective change, at such time as the Issuer shall determine.

6.4.8 Miscellaneous

(a) Documentary taxes or duties

Each Holder of Securities in respect of which the Issuer has exercised its Conversion Right will be responsible for paying any and all stamp, transfer, registration or other taxes or duties of a documentary nature (if any) arising on the exercise of the Conversion Right and on the transfer, delivery or other disposition of Common Shares by the Issuer.

(b) Termination of Conversion Period

If any Securities have been called for repurchase by the Issuer pursuant to Condition 4(b)(i), the Conversion Period in respect of such Securities will terminate on the date on which the Issuer has notified the Holders of its intention to exercise its repurchase right.

7. TAXATION

(a) No payments by the Issuer under or in relation to the Securities (including but not limited to) of principal or Coupon Amounts in respect of the Securities or any other payments in relation to a Repurchase or delivery of Common Shares upon a Conversion will be made subject to withholding of or deduction for, or on any account of, any present or future taxes, duties, assessments or governmental charges of whatsoever nature imposed or levied by or on behalf of the Netherlands or any political subdivision thereof or by any authority therein or thereof having power to tax, unless the withholding or deduction of such taxes, duties, assessments or governmental charges is required by law. In no event shall the Issuer be obliged to pay any additional amounts to gross up any amounts so withheld or deducted.

(b) The Issuer agrees and each Holder by acquiring a Security shall be deemed to agree that the Securities will function at all times as equity within the meaning of article 10 paragraph 1 sub d Dutch Corporate Tax Act 1969 (*Wet op de vennootschapsbelasting 1969*) (or any statutory replacement of such article) and that accordingly any amounts due by the Issuer in relation to the Securities shall not be tax deductible by the Issuer.

8. PRESCRIPTION

Claims for payment in relation to Securities will become void unless exercised within a period of 5 years from the Relevant Date.

9. REPLACEMENT OF THE SECURITIES

Should any Securities Deed be lost, stolen, mutilated, defaced or destroyed, it may be replaced at the specified office of the Registrar upon payment by the claimant of the expenses incurred in connection therewith and on such terms as to evidence and indemnity and/or as the Issuer may reasonably require. Any mutilated or defaced Securities Deed must be surrendered before any replacement Securities Deed will be issued.

10. AMENDMENT OF THE TERMS AND CONDITIONS; EXERCISE OF RIGHTS UNDER SECURITIES

(a) Any modification to these Terms and Conditions shall be agreed in writing between the Issuer and the Holders subject to prior approval of the Lender. No Holder (except in the case that such Holder is a Lender) may exercise any rights under, and in respect of, any Security without the prior consent of the Lender so long as there are any amounts outstanding under the Senior Loan Agreement or the Lender is a Holder of Securities.

(b) By accepting these Terms and Conditions, the Holders consent in advance to (i) the amendment of these Terms and Conditions, including but not limited to in respect of meetings of Holders, modification, waiver, substitution and the appointment of a trustee in respect of the Securities, provided that this paragraph shall only apply in the event that neither the Association nor the Lender are holder (legally or beneficially) of the Securities, and (ii) the restrictions in respect of the exercise of their rights as provided in paragraph (a).

11. NOTICES

Any notice or other communication required to be issued or delivered by the Issuer to the Holders or vice versa shall be issued or delivered in accordance with clause 19 of the Senior Loan Agreement.

12. CALCULATION AGENT AND REGISTRAR

The Issuer will procure that there shall at all times be a Calculation Agent and a Registrar so long as any Security is outstanding. If either the Calculation Agent or the Registrar is unable or unwilling to act as such or if it fails to make a determination or calculation or otherwise fails to perform its duties under these Terms and Conditions, as appropriate, the Holders representing not less than 75% of the nominal value of the Securities outstanding shall appoint, on terms acceptable to the such Holders, an independent investment bank acceptable to such Holders to act as such in its place. Neither the termination of the appointment of a Calculation Agent or the Registrar nor the resignation of either will be effective without a successor having been appointed.

All calculations and determinations made by the Calculation Agent or the Registrar in relation to the Securities shall (save in the case of manifest error, wilful misconduct or fraud and) subject to the provisions of the Subscription Agreement and these Conditions, be final and binding on the Issuer and the Holders.

None of the Issuer, the Registrar or the Calculation Agent shall have any responsibility to any person for any errors or omissions in any determination or calculation carried out by the Registrar or the Calculation Agent save only if and to the extent of any gross negligence (*grove nalatigheid*)

or wilful misconduct (*opzet*) on the part of the Registrar or the Calculation Agent, as the case may be.

13. FULFILMENT OF OBLIGATIONS DIRECTLY TO THE LENDER

If any obligation under these Conditions is to be fulfilled by the Issuer to any Holder and such Holder is obliged to fulfil the same corresponding obligation to the Lender under the terms of the Senior Loan Agreement, then the Issuer shall fulfil that obligation directly to and in favour of the Lender, and such fulfilment, if and to the extent made, shall (i) discharge the Issuer from that obligation towards that Holder under these Conditions, and (ii) discharge that Holder from the same corresponding obligation towards the Lender under the Senior Loan Agreement.

For the avoidance of doubt, for so long as there are any obligations outstanding under the Transaction Documents (as defined in the Senior Loan Agreement), the Holders shall not have the right to require the Issuer to discharge any of its obligations directly towards the Holders under these Conditions in any manner other than as stated above directly to and in favour of the Lender. In respect of the obligations of the Issuer as set forth in this Condition 13 (including the obligations of the Issuer to pay all amounts and perform all obligations of the Issuer vis-a-vis the Holders directly to the Lender), the Lender shall have a direct right against the Issuer with respect to such obligations and shall have the right to enforce performance of these obligations directly to it to the fullest extent. This proviso will however not be construed so as to constitute a guarantee by or several or joint liability of Issuer in respect of the obligations of any Holder in favour of the State.

14. NON-PAYMENT WHEN DUE; LIMITATION OF REMEDIES

Notwithstanding any of the provisions below in this Condition 14, the right to institute bankruptcy proceedings is limited to circumstances where payment has become due. Pursuant to Condition 3, no interest will be due by the Issuer if the Issuer has not paid any dividend on ordinary shares in its capital over the financial year preceding the relevant Coupon Payment Date, either on an interim or a final dividend basis. Pursuant to Condition 3, no principal, interest or any other payment will be due by the Issuer unless the Issuer has verified with DNB that the Issuer will remain adequately capitalised and after payment.

(a) If the Issuer shall not make a payment in respect of the Securities for a period of 14 days or more after the date on which such payment is due, the Issuer shall be deemed to be in default under the Securities, and any Holder may, notwithstanding the provisions of paragraph (b) of this Condition 14, institute proceedings in the Netherlands (but not elsewhere) for the bankruptcy (*faillissement*) of the Issuer and/or prove (*indienen ter verificatie*) in such bankruptcy;

(b) Subject as provided in this Condition 14, the Holder may at its discretion and without further notice institute such proceedings against the Issuer as it may think fit to enforce any term or condition binding on the Issuer under the Securities (other than for the payment of any principal or satisfaction of interest or any other payments in respect of the Securities) provided that the Issuer shall not by virtue of the institution of any such proceedings be obliged to pay any sum or sums, in cash or otherwise, sooner than the same would otherwise have been payable by it;

(c) No remedy against the Issuer shall be available to any Holder (i) for the recovery of amounts owing in respect of the Securities, other than the institution of proceedings in the Netherlands (but not elsewhere) for the bankruptcy (*faillissement*) of the Issuer and/or proving (*indienen ter verificatie*) in

such bankruptcy (*faillissement*) and (ii) for the breach of any other term under the Securities other than as provided in paragraph (b) above.

(d) Any rights of the Holders to dissolve (*ontbinden*) or annul (*vernietigen*) these Conditions are excluded.

15. CONSULTATION WITH DNB

Where in these Conditions the Issuer is required to consult with DNB, such consultation will be governed by a further agreement to be entered into by the Issuer and DNB (after having been discussed with the Lender) within two weeks after the Issue Date. Such agreement will specify that the intended decision for which the consultation is sought will not proceed until both the Issuer and DNB, acting reasonably, conclude that the consultation has successfully been finalized and the Lender has been so informed.

16. GOVERNING LAW AND JURISDICTION

(a) The Securities, and any non-contractual obligations arising out of or in connection with them, are governed by, and shall be construed in accordance with, Dutch law.

(b) The Issuer agrees and each Holder by acquiring a Security shall be deemed to agree that the courts of Amsterdam, The Netherlands are to have jurisdiction to settle any disputes which may arise out of or in connection with the Securities, and submit to the jurisdiction of such courts (with the exception of cassation (*cassatie*)).

17. DEFINITIONS

In these Terms and Conditions the following terms will have the following meanings (unless the context otherwise dictates), and capitalised terms used herein but not defined herein shall have the meanings ascribed thereto in clause 1 of the Senior Loan Agreement:

Association means Vereniging AEGON;

AEGON Preference Shares means the A and B preference shares issued by AEGON to the Association pursuant to the terms and conditions set out in the articles of association of AEGON;

Borrower means the Association as borrower under the Senior Loan Agreement;

Business Day means a day (other than a Saturday or Sunday) on which banks are open for general business in Amsterdam and (in relation to any date for payment or purchase of euro) any TARGET Day;

Calculation Agent means AEGON N.V., as calculation agent in relation to the Securities, or its successor or successors for the time being;

Capital Adequacy Regulations means at any time the regulations or decrees imposing obligations on the Issuer with respect to the maintenance of minimum levels of solvency margins and/or capital adequacy ratios and/or comparable margins or ratios if and to the extent such regulations or decrees are applicable to the Issuer;

Closing Price means, (i) with respect to the Common Shares, for a Conversion Business Day, the market price per such Common Share quoted at the close of business on the Relevant Stock

Exchange on such day or (ii) with respect to any right, warrant or other security, for any Business Day, the market price per right, warrant or other security quoted at the close of business on the principal exchange on which such right, warrant or other security is traded on such day;

Common Shares means the ordinary shares (gewone aandelen) of the Issuer;

Conversion has the meaning ascribed thereto in Condition 6.2;

Conversion Business Day means any calendar day other than a Saturday or Sunday that is (or, but for the occurrence of a Market Disruption Event, would have been) a trading day on the Relevant Stock Exchange other than a calendar day on which trading is scheduled to close prior to the regular weekday closing time;

Coupon Amount means in respect of a Coupon Payment, the amount of interest payable on a Security for the relevant Coupon Period in accordance with Condition 3;

Coupon Payment means, in respect of a Coupon Payment Date, the aggregate Coupon Amounts for the Coupon Period ending on such Coupon Payment Date;

Coupon Payment Date means in each year, the date on which the annual dividend is paid to the holders of Common Shares, starting in 2009;

Coupon Period means the period commencing on (and including) the Issue Date and ending on (but excluding) the first Coupon Payment Date and each successive period commencing on (and including) a Coupon Payment Date and ending on (but excluding) the next succeeding Coupon Payment Date;

Coupon Rate has the meaning ascribed to that term in Condition 3(b);

DNB means De Nederlandsche Bank N.V.;

EURIBOR means for an amount during a specific period of time, the rate quoted to the facility agent to the Bank Lenders under the Bank Finance Documents (as such terms are defined in the Senior Loan Agreement) by leading banks in the European interbank market as of 11.00 a.m. (Amsterdam time) on the date 2 Business Days prior to the first day of that period for the offering of deposits to other such leading banks in euro in that amount for that period;

Fair Market Value means (a) with respect to a cash dividend or other cash amount, the amount of such cash and (b) with respect to any property on any date, the fair market value of that property determined by an independent investment bank of international repute selected by the Issuer;

Holder means the registered holder of any Security;

Interest shall, where appropriate, include Coupon Amounts;

Interim Coupon Payment Date means each date on which an interim dividend is paid to the holders of Common Shares;

Issue Date means 1 December 2008, being the date of initial issue of the Securities;

Issuer means AEGON N.V.;

Issuer's Financial Year means the annual accounting period of the Issuer ending on or about 31 December in each year;

Lender means the State of the Netherlands as lender under the Senior Loan Agreement (but, for the avoidance of doubt, the term Lender shall not included any permitted transferee or assignee of the Lender under any of the Transaction Documents);

Loan has the meaning ascribed to it in the Senior Loan Agreement;

Market Disruption Event means the occurrence or existence of any suspension of or limitation imposed on trading (by reason of movements in price exceeding limits permitted by Euronext Amsterdam N.V.) or on settlement procedures for transactions in the Common Shares on Euronext Amsterdam N.V. if, in any such case, that suspension or limitation is, in the reasonable determination of the Issuer material in the context of the issue of the Common Shares;

Relevant Date means (i) in respect of any payment other than a Winding-Up Claim, the date on which such payment first becomes due and payable but, if the full amount of the moneys payable on such date has not been received by the Holders on or prior to such date, the Relevant Date means the date on which such moneys shall have been so received and notice to that effect shall have been given to the Holders in accordance with Condition 12, and (ii) in respect of a Winding-Up Claim, the date which is one day prior to the commencement of the winding-up (faillissement of vereffening na ontbinding);

Relevant Stock Exchange means Euronext Amsterdam N.V. (or any other stock exchange or securities market on which the Common Shares may then be listed or quoted or dealt in);

Repurchase has the meaning ascribed thereto in Condition 4;

Securities means the 750,000,000 Non-Voting Convertible Capital Securities in aggregate principal amount of EUR 3,000,000,000 and each of them, a Security;

Senior Loan Agreement means the senior loan agreement entered into between the State of the Netherlands, as Lender, Vereniging AEGON as Borrower and the Issuer on 1 December 2008;

Stock Dividends means dividends paid out in kind by way of issuing by the Issuer to the Holders of additional Common Shares;

Subscription Agreement means the subscription agreement entered into between the Issuer, Vereniging AEGON and the State of the Netherlands on 1 December 2008;

TARGET means the Trans-European Automated Real-time Gross Settlement Express Transfer payment system which utilises a single shared platform and which was launched on 19 November 2007; and

TARGET Day means any day on which TARGET is open for the settlement of payments in euro.

SCHEDULE 2

FORM OF DEED OF ISSUE AND PLACEMENT OF NON-VOTING CONVERTIBLE CAPITAL SECURITIES

AEGON N.V.
(the **Issuer**)
(*incorporated with limited liability under the laws of the Netherlands and having its corporate seat in The Hague*)

750,000,000 Non-Voting Convertible Capital Securities of the Issuer in aggregate principal amount of EUR 3,000,000,000

1. INTRODUCTION

This deed (the **Deed**) constitutes a deed of issue and delivery (*akte van uitgifte en plaatsing*) in respect of a duly authorised issue of 750,000,000 Non-Voting Convertible Capital Securities of the Issuer in aggregate principal amount of EUR 3,000,000,000 (the **Securities**) in the denomination of EUR 4.00 each and having the provisions specified in the Conditions, a copy of which is annexed hereto as Annex I. The Securities are issued through the execution of this Deed.

2. INTERPRETATION

2.1 References to Conditions

Any reference herein to the **Conditions** is to the Securities Terms and Conditions.

2.2 Definitions

In this Deed, unless otherwise defined herein or the context requires otherwise, words and expressions have the meanings and constructions ascribed to them in the Conditions.

3. ISSUE (*UITGIFTE*)

The Issuer, for value received, hereby issues (*geeft uit*) to Vereniging AEGON, the Securities, which issue Vereniging AEGON hereby accepts. No certificates or other evidence will be delivered in respect of such issue.

4. PROMISE TO PAY

4.1 The Issuer promises to pay to Vereniging AEGON and/or such other person or persons (or their legal successors or assigns) listed in Annex II hereto such amounts as may from time to time become due and payable subject to and in accordance with the Conditions.

4.2 Each Security shall constitute a registered claim (*vordering op naam*) of the relevant Holder against the Issuer. By counter-execution of this Deed, Vereniging AEGON has accepted the Securities.

4.3 Each Security shall only be transferable by the relevant Holder in accordance with the Conditions and by a duly executed assignment deed substantially in the form of Annex III hereto and notification thereof to the Issuer.

4.4 Each Security may be pledged (*verpand*) by the relevant Holder in accordance with the Conditions and upon such pledge the Registrar shall be notified thereof by a duly executed notification letter substantially in the form of Annex IV hereto.

5. PAYMENTS

5.1 Upon any payment of principal being made in respect of the Securities, the principal amount of the Securities shall be reduced by the principal amount so paid.

5.2 Payments due in respect of Securities shall be made to the relevant person entitled thereto (or to any person pursuant to a written instruction thereto by a Holder to the Issuer) pursuant to the Conditions and each payment so made will discharge the Issuer's obligations in respect thereof. Any failure to make the entries in respect of such payments in the Register shall not affect such discharge.

6. GOVERNING LAW

6.1 This Deed, and any non-contractual obligations arising out of or in connection with it, is governed by, and shall be construed in accordance with, Dutch law.

6.2 Each of the parties hereto agrees that the courts of Amsterdam, The Netherlands are to have jurisdiction to settle any disputes which may arise out of or in connection with this Deed and accordingly submit to the jurisdiction of such courts (with the exception of cassation (*cassatie*)).

ISSUED on 1 December 2008

AEGON N.V.
as **Issuer**

_____ By: ..... Its:	

AEGON N.V.
as **Registrar**

_____ By: ..... Its:	

VERENIGING AEGON

_____ By: ..... Its:

Annex I

Securities Terms and Conditions

[*hard copy attached*]

Annex II

Details of the holder(s) of Securities

Name	
Address	
Address for notices	
Number of Securities	
Bank account details	

Name	
Address	
Address for notices	
Number of Securities	
Bank account details	

Annex III

Form Of Deed of Assignment and Notification

BY REGISTERED MAIL WITH NOTIFICATION OF RECEIPT

To:

(1) **AEGON N.V.**, as **Issuer**
AEGONplein 50
2591 TV The Hague
The Netherlands

(2) **AEGON N.V.** as **Registrar**
AEGONplein 50
2591 TV The Hague
The Netherlands

FOR VALUE RECEIVED [*name transferor*], being the holder of [*number*] Securities (as defined below) issued pursuant to the attached Deed, hereby:

(a) assigns (*cedeert*) in accordance with article 3:94(1) of the Dutch Civil Code to:

Name:

Address:.……

[*amount*] in principal amount of the Securities, issued by AEGON N.V. (the **Issuer**) under a Deed of Issue and Placement of Non-Voting Convertible Capital Securities dated 1 December 2008 (the **Deed of Issue and Placement**);

(b) notifies the Issuer and the Registrar of such assignment; and

(c) irrevocably and unconditionally requests and authorises the Registrar in its capacity as registrar in relation to the Securities to:

(i) to the extent necessary forward a copy of this notification to any third party for the purpose of perfecting the assignment as contemplated by this deed or if this has been agreed between the transferor and the Registrar; and

(ii) make appropriate corresponding entries in the Register.

Defined terms not otherwise defined herein shall have the same meaning as given thereto in the terms and conditions applicable to the Securities.

This Deed, and any non-contractual obligations arising out of or in connection with it, is governed by, and shall be construed in accordance with, Dutch law.

Each of the parties hereto agrees that the courts of Amsterdam, The Netherlands are to have jurisdiction to settle any disputes which may arise out of or in connection with this Deed and accordingly submit to the jurisdiction of such courts (with the exception of cassation (*cassatie*)).

Name: [name transferor]	Name: [name transferee]
Date:	Date: .....
By:	By: .....

By countersigning this Deed of Assignment and Notification each of the Issuer and the Registrar acknowledges the assignment of rights as contemplated herein.

Name: Issuer	Name: Registrar
Date:	Date: .....
By:	By: .....

Attachment: Deed of Issue and Placement

Annex IV

Form Of Notification of Pledge

BY REGISTERED MAIL WITH NOTIFICATION OF RECEIPT

To:

AEGON N.V., as **Registrar**
AEGONplein 50
2591 TV The Hague
The Netherlands

FOR VALUE RECEIVED [*name pledgor*], being the holder of [*number*] Securities (as defined below) issued pursuant to the attached Deed, hereby:

(d) notifies the Registrar of the pledge (*verpanding*) of [*amount*] in principal amount of the Securities with number [*include relevant numbers*], issued by AEGON N.V. (the **Issuer**) under a Deed of Issue and Placement of Non-Voting Convertible Capital Securities dated 1 December 2008, which Securities have been encumbered with a first ranking right of pledge for the benefit of the State of the Netherlands pursuant to a deed of pledge dated 1 December 2008; and

(e) irrevocably and unconditionally requests and authorises the Registrar in its capacity as registrar in relation to the Securities to make appropriate corresponding entries in the Register.

Defined terms not otherwise defined herein shall have the same meaning as given thereto in the terms and conditions applicable to the Securities.

This letter, and any non-contractual obligations arising out of or in connection with it, is governed by, and shall be construed in accordance with, Dutch law.

Each of the parties hereto agrees that the courts of Amsterdam, The Netherlands are to have jurisdiction to settle any disputes which may arise out of or in connection with this letter and accordingly submit to the jurisdiction of such courts (with the exception of cassation (*cassatie*)).

Name: [*name pledgor*]
Date: .....
By: .....

By countersigning this letter the Registrar acknowledges the pledge (*verpanding*) of rights as notified herein.

Name: Registrar
Date: .....
By: .....

Attachment: Deed of Issue and Placement

SIGNATORIES

AEGON N.V.

Signed by: /s/Mr. J.G.A. Struycken

VERENIGING AEGON

Signed by: /s/ Dr. W.M. van den Goorbergh

THE STATE OF THE NETHERLANDS

Signed by: /s/ State of the the Netherlands

Exhibit 4.12

Agreement on Governance and Certain Other Matters between Vereniging AEGON, The State of the Netherlands and AEGON N.V. dated December 1, 2008.

AGREEMENT
ON GOVERNANCE
AND CERTAIN OTHER MATTERS

1 DECEMBER 2008

AEGON N.V.

and

VERENIGING AEGON

and

THE STATE OF THE NETHERLANDS

This **AGREEMENT** is made as of 1 December 2008

BETWEEN:

(1) **AEGON N.V.**, a public company with limited liability (*naamloze vennootschap*) incorporated under the laws of the Netherlands with offices at AEGONplein 50, 2591 TV The Hague, The Netherlands (the **Issuer**);

(2) **VERENIGING AEGON**, an association *(vereniging)* incorporated by notarial deed and duly established in accordance with the laws of The Netherlands, with offices at AEGONplein 50, 2591 TV The Hague, The Netherlands (the **Association**); and

(3) **THE STATE OF THE NETHERLANDS**, acting through the Ministry of Finance, Korte Voorhout 7, 2511 CW The Hague, The Netherlands (the **Investor**).

WHEREAS:

(A) The Issuer, the Association and the Investor have entered into a term sheet dated 28 October 2008 (the **Term Sheet**), pursuant to which the Issuer will issue securities (the **Securities**) which will be subscribed for by the Association pursuant to a subscription agreement on or about the date hereof (the **Subscription Agreement**) and in order to finance such subscription, the Association shall enter into a senior loan agreement (the **Senior Loan Agreement**) on or about the date hereof with the Investor.

(B) Pursuant to the Term Sheet and as an integral and inseparable part of the Transaction Documents, the Issuer and the Association are required to agree to certain governance and other provisions for the benefit of the Investor. In this Agreement, the Issuer, the Association and the Investor wish to lay down such provisions formally.

(C) The expression **Agreement** shall herein mean this agreement of governance and other matters, including its Schedules.

(D) Capitalised terms used in this Agreement, unless otherwise defined herein, shall have the meaning ascribed to such terms in the Transaction Documents (as defined in the Subscription Agreement).

IT IS AGREED as follows:

1. GENERAL UNDERTAKINGS

The Issuer, and where provided the Association, undertake(s) in favour of the Investor:

(i) to fulfil all regulatory requirements applicable to it in relation to the transactions set out in the Transaction Documents;

(ii) on and from the Utilisation Date, to attend, at least every 6 months, a meeting between the Investor, the Association and the Issuer where the transactions contemplated by the Transaction Documents shall be discussed and reviewed;

(iii) at least 5 Business Days before the first meeting pursuant to paragraph (ii) hereof, to provide to the Association and the Investor a memorandum relating to a possible revision of the transactions contemplated by the Transaction Documents during the period of 5 years from the date of the Senior Loan Agreement;

(iv) that the Issuer has the intention that under normal circumstances its dividend policy will be continued;

(v) that, if necessary, the Association shall exercise its full (at the date of this Agreement: 33%) voting rights at any shareholders meeting of the Issuer to effect the arrangements set forth in the Transaction Documents; and

(vi) that each individual Supervisory Board member has agreed to the entering into by the Issuer of this Agreement and has accepted the governance arrangements set out in this Agreement pursuant to the Supervisory Board resolution dated 24 October 2008 and as evidenced by the document attached as **Schedule 1**.

2. USE OF PROCEEDS OF THE ISSUANCE OF THE SECURITIES

The Issuer undertakes towards the Lender that:

(i) it will only use the proceeds of the issue of the Securities for its general corporate purposes in the ordinary course of its business, excluding the prepayment of any non-senior indebtedness of the Issuer; and

(ii) any investment (directly or indirectly) with the proceeds of the issue of the Securities in excess of EUR 300,000,000 in any of its subsidiaries located outside the European Union, shall only be made by it with the prior approval of De Nederlandsche Bank N.V. (**DNB**).

3. CORPORATE GOVERNANCE AND REMUNERATION

Recommended Supervisory Board members

3.1 Subject to applicable law and to corporate governance practices, generally accepted under stock listing regimes applicable to the Issuer, the Investor may, as long as:

(a) less than EUR 2,250,000,000 of the Loan has been redeemed; and

(b) the number of members of the Issuer's supervisory board (the **Supervisory Board**) appointed on the recommendation of the Investor is less than two (2);

recommend to the Supervisory board such a number of candidates for appointment to the Supervisory Board, that upon appointment of all recommended candidates by the Issuer's General Meeting (the **General Meeting**), the Supervisory Board will have among its members two (2) members appointed on the recommendation (the **Recommendation**) of the Investor.

The Investor may, instead of recommending one or more new Supervisory Board members, indicate a Supervisory Board member already in office who will be deemed to have been appointed on the Recommendation of the Investor.

3.2 A Recommendation shall be made in writing to the following address of the Issuer:

AEGON N.V.

Attn. The General Counsel, Mr. E. E. Lagendijk

Postbus 85

2501 CB DEN HAAG

3.3 When making a Recommendation, the Investor will provide the Issuer with such information regarding the recommended candidate or candidates as required under Section 2:142, paragraph 3 of the Dutch Civil Code, under the Dutch Corporate Governance Code or any other information which is necessary to establish whether any of the situations referred to in article 3.4 applies.

The Investor shall give the Issuer the opportunity to interview the recommended candidate or candidates before being nominated for appointment to the General Meeting.

3.4 The Supervisory Board will nominate, by way of a binding nomination, a candidate or the candidates recommended by the Investor, for appointment at its next General Meeting, unless:

(a) it may reasonably be expected that the relevant candidate is not fit and proper (*"ongeschikt"* within the meaning of Section 2:158, paragraph 6 of the Dutch Civil Code) to discharge his duties as a supervisory board member;

(b) the composition of the Supervisory Board would, if the relevant candidate were appointed, not be appropriate (*"niet naar behoren samengesteld"*) within the meaning of Section 2:158, paragraph 6 of the Dutch Civil Code, and/or not be in accordance with the Supervisory Board profile;

(c) the appointment of the relevant candidate would be incompatible with any provision of the Issuer's articles of association and/or its Supervisory Board Rules;

(d) the appointment of the relevant candidate would be incompatible with any principle or best-practice provision of the Dutch Corporate Governance Code as applied by the Issuer or any other generally accepted corporate governance practice or requirement which is applicable to the Issuer as an internationally listed company;

(e) the relevant candidate has a structural conflict of interest with all or any of the interests mentioned in article 3.9, and/or

(f) DNB did not issue a statement of "no objection" against the appointment the relevant candidate.

The Issuer shall forthwith inform the Investor in writing, if one or more of the above-mentioned situations occur. The Issuer and the Investor shall then consult with each other in order to reach agreement on the Recommendation or on a new Recommendation.

3.5 If a Recommendation and/or the statement of "no objection", referred to in article 3.4 under f. is received by the Issuer later than 50 days before the day of a General Meeting, the Supervisory Board will nominate the relevant candidate to the then next General Meeting.

3.6 The Investor Nominees shall stay in office for the term for which they were appointed, even if more than EUR 2,250,000,000 of the Loan would have been redeemed. In such a situation however, it shall be to the sole discretion of the Issuer whether to nominate all or any of the Investor Nominees for re-appointment or not.

3.7 The Supervisory Board will not propose to the General Meeting to suspend or dismiss all or any of the Supervisory Board members appointed on the recommendation of the Investor (the **Investor Nominees**), unless all or any of the circumstances in article 3.4 under a.-f. would occur. The Issuer shall forthwith inform the Investor in writing if the Issuer is of the opinion that there is a valid ground for a proposal to suspend or dismiss all or any of the Investor Nominees before making such a proposal or disclosing such an intended proposal.

3.8 The foregoing shall in no way prejudice the authority of the General Meeting to agree with or to reject a nominated candidate or to suspend or dismiss one or all of the Investor Nominees on its own initiative. Neither shall such rejection, suspension or dismissal by the General Meeting (whether on its own initiative or not) or the retirement of an Investor Nominee on its own initiative, prejudice the right of the Investor to recommend a new candidate for appointment in a subsequent General Meeting in accordance with article 3.1.

Status Investor Nominees

3.9 The Investor acknowledges and agrees that all Supervisory Board members, including the Investor Nominees, shall be guided by the interests of the Issuer, its enterprise and all its stakeholders and at all times shall act without mandate from and independent from any interest and shall not make his or their actions dependent on any instruction of any third party.

3.10 The Issuer shall, subject to applicable law and to corporate governance practices, generally accepted under stock listing regimes applicable to the Issuer, cause the Investor Nominees to be appointed to the permanent committees of the Supervisory Board, in such a way that each of these committees shall have one of the Investor Nominees among its members.

3.11 As of 1 December 2008 and as long as:

(i) there is at least one Investor Nominee among the members of the Supervisory Board; and

(ii) less than EUR 2,250,000,000 of the Loan has been redeemed,

a Supervisory Board resolution mentioned in **Schedule 2** hereto shall not be adopted if any of the Investor's Nominees voted "against". The Issuer shall as of the day of its annual General Meeting to be held in 2009, amend its Supervisory Board Rules and/or its articles of association, if required, in accordance with the provisions set out in the previous sentence.

3.12 The Issuer shall, without prejudice to the provision of article 3.9. and as long as less than EUR 2,250,000,000 of the Loan has been redeemed, allow each of the Investor Nominees to share information that they receive in their capacity as a Supervisory Board member or Supervisory Board committee member with the Investor, subject to:

(a) the provisions of an "Agreement regarding position of the State Nominee in Supervisory Board AEGON" in line with the models annexed hereto as **Schedule 3** and **Schedule 4**; and

(b) the confidentiality provisions of articles 3.15 up to and including 3.19.

The sharing of information with the Investor pursuant to the above shall constitute the Investor's entire claim to information on the Issuer which is not publicly available.

Remuneration policy of the Issuer

3.13 The Issuer shall develop a sustainable remuneration policy for the Executive Board and Senior Management that is aligned to new international standards and submit this to its General Meeting for adoption. This remuneration policy shall include incentive schemes which are linked to long-term value creation, thereby taking account of risk and restricting the potential for "rewards for failure".

3.14 The Issuer confirms that it shall amend the employment agreements with the present members of its Executive Board in such a way that:

(a) no member of the Issuer's Executive Board shall be entitled to any performance-related remuneration on the year 2008, whether in cash, shares, depositary receipts or in options on shares or depositary receipts;

(b) no member of the Issuer's Executive Board shall upon termination of his employment agreement, whether at the initiative of the Issuer or at the initiative of the Executive Board member, be entitled to a severance payment in excess of one year's fixed salary. For the avoidance of doubt, "severance payment" shall not include any pension, early retirement, accident or disability scheme of the Issuer.

The Issuer shall not engage into new employment agreements with new or existing Executive Board members which are not in line with the foregoing, as long as the Loan has not been redeemed.

Confidentiality

3.15 The Investor hereby agrees to use the information received by it pursuant to article 3.12 of this Schedule 3 or under the applicable Agreement regarding position of State Nominee in Supervisory Board AEGON, whether or not from the Observer or any other director or officer of the Issuer (the **Information**), solely for the purpose of monitoring its investment in the Issuer and not in any way which is detrimental to the interests of the Issuer, its respective subsidiaries or any of its affiliated companies, and to keep and procure that its officers, employees and advisors who have access to the Information, will keep the Information strictly confidential and will not disclose it to any other person; provided, however, that:

(i) any of the Information may be disclosed by Investor to its officers referred to in article 7.2 of **Schedule 3** or article 14.2 of **Schedule 4** (the **Officers**) (it being understood that the Officers shall be informed by the Investor of the confidential nature of such Information and shall agree to use, and maintain the confidentiality of, such Information as provided in this article and that the Investor will ensure that the Officers will comply with the obligations of the Investor and shall be responsible for any breach of confidentiality by any of the Officers);

(ii) any disclosure of such information may be made to which the Issuer consented in writing.

The Investor shall under no circumstance use and will cause the persons referred to above not to use any Information or the Notes (1) for the purpose of engaging in any transaction with respect to any listed security issued by or with the co-operation of the Issuer or (2) in furtherance of the business of anyone other than the Issuer, whether or not in competition with the Issuer.

3.16 For the purpose of this Agreement the term Information does include any documents or notes (collectively: the **Notes**) which reflect or are derived form Information defined in articles 3.15 and 3.16 but does not include information which:

(a) is already in the possession of the Investor prior to its being provided hereunder and which was not acquired directly or indirectly from the Issuer, provided that such Information is not known by the Investor to be subject to another confidentiality agreement with, or other obligation of secrecy to, the Issuer, its subsidiaries or any of its affiliated companies; and provided further that such information may not reasonably be considered by the Investor as confidential information;

(b) becomes generally available to the public other than as a result of a disclosure in breach of this Agreement by the Investor or the Officers; or

(c) becomes available to the Investor on a non-confidential basis from a source other than the Issuer and or the Officers, provided that such a source is not known by the Investor to be bound by a confidentiality agreement with or other obligation of secrecy to the Issuer, its subsidiaries or any of its affiliated companies, and provided further that such information may not reasonably be considered by the Investor as confidential information.

3.17 Subject to the provisions of article 7.5 of **Schedule 3** and of article 14.5 of **Schedule 4**, the Investor shall, upon the Issuer's request, promptly deliver to the Issuer all written Information provided to the Investor under 3.12 and will not retain any copies, extracts or other reproductions, in whole or in part, of such written Information. All documents, memoranda, notes (including the Notes) and other writings whatsoever (other than writing which the Investor is required by law to retain) prepared by the Investor or the Officers to the extent containing or reflecting or derived from any Information shall, upon the request of the Issuer, be destroyed and such destruction shall be certified in writing to the Issuer by an authorised officer supervising such destruction. The foregoing shall not apply as long as the Investor has a reasonable interest in retaining the documents referred to above.

3.18 If the Investor and/or any of its agencies and/or any of the Officers is requested or required (by oral questions, interrogatories, requests for information or documents, subpoena, or similar process) to disclose any Information, it is agreed that the Investor will provide the Issuer with immediate notice of such requests or requirements so that the Issuer may seek to take appropriate steps to prevent or limit such disclosure and/or waive the Investor's compliance with the provisions of this Agreement. If, following the failure of steps taken to prevent or limit disclosure or the receipt of a waiver hereunder, the Investor or its subsidiaries are, in the opinion of the Investor's legal advisers, compelled to disclose Information under pain or liability for contempt of court or other censure or penalty, the Investor or its agencies, as the case may be, may disclose such information for such purposes without liability hereunder; provided, however that the Investor gives the Issuer written notice of the Information to be disclosed as far in advance of its disclosure as is practicable and, upon request and at the Issuer's expense uses its best efforts to obtain assurances or undertakings that confidential treatment will be accorded to such information.

3.19 The provisions of these articles 3.15 up to and including 13.20 shall continue in effect notwithstanding all or part of the Loan having been redeemed.

Interaction with the Investor's 2008 Credit Guarantee Scheme

3.20 With the performance of the provisions of this Agreement, the Issuer shall be deemed to fully meet the requirements of Section 3 and Section 4 under (c) and (d) of schedule 8 to the "2008 Credit Guarantee Scheme of the State of the Netherlands" dated 21 October 2008.

Interpretation

3.21 All references in this article 3 to any document other than this article 3 and the Schedules, shall deemed to be references to such document as it reads as at 1 December 2008 with all annexes and all amendments and additions that shall be made from time to time. In deviation of the foregoing, amendments and additions to the Issuer's articles of association, Supervisory Board Rules and Supervisory Board profile shall be disregarded unless such an amendment or addition results from a change of law or from any practice regarding corporate governance or otherwise, recommended by the Investor.

Transitional provisions

3.22 The Investor hereby confirms that Mrs. K.M.H. Peijs and Mr. A.W.H. Docters van Leeuwen have been recommended for appointment to the Supervisory Board.

3.23 The Investor and the Issuer have agreed that Mrs. K.M.H. Peijs, already a Supervisory Board member, shall stay in office for her present term of appointment and that, provided that all conditions of article 3.4 shall be met, Mr. A.W.H. Docters van Leeuwen shall be nominated for appointment to the next General Meeting.

3.24 The Investor and the Issuer have agreed that Mr. A.W.H. Docters van Leeuwen, until his appointment as a Supervisory Board member, shall act as an observer for the Investor under a separate agreement between the Issuer, Mr. A.W.H. Docters van Leeuwen and the Investor.

4. NEGATIVE PLEDGE

Prior to the Loan having been redeemed, the Issuer shall not create or permit to subsist any Security over any shares in AEGON Levensverzekering N.V. and AEGON Schadeverzekering N.V. or any other Dutch subsidiaries of the Issuer.

5. TAXATION

The parties agree that the Securities will function at all times as equity within the meaning of article 10 paragraph 1 sub d Dutch Corporate Tax Act 1969 (*Wet op de vennootschapsbelasting 1969*) (or any statutory replacement of such article) and that accordingly any amounts due by the Issuer in relation to the Securities shall not be tax deductible by the Issuer.

6. SALE OF COMMON SHARES AFTER CONVERSION

The Issuer and the Investor agree that after exercise by the Issuer of its Conversion Rights in respect of the Securities, any sale of Common Shares by the Investor shall only occur after consultation of the Issuer.

7. NO DISSOLUTION, NO NULLIFICATION

To the extent permitted by law, the parties hereby waive their rights pursuant to Articles 6:265 up to and including 6:272 of the Dutch Civil Code to dissolve (*ontbinden*), or demand in legal proceedings the dissolution (*ontbinding*) of, this Agreement. Furthermore, to the extent permitted by law, the parties hereby waive their rights under Article 6:228 of the Dutch Civil Code to nullify, or demand in legal proceedings the nullification of, this Agreement on the ground of error (*dwaling*).

8. EXPENSES

All legal and other expenses (including for the avoidance of doubt the costs of the Investor's financial advisors) incurred by the Investor and DNB in connection with the negotiation, preparation, printing and execution, enforcement and any amendment of this Agreement will be for the Issuer's account.

9. OTHER

9.1 If the Investor assigns or transfers all of its rights under the Senior Loan Agreement to any third party, then this Agreement shall automatically terminate upon the transfer date.

9.2 The Investor may transfer (its rights under) the Transaction Documents, in whole or in part, to any third party with the prior written consent of the Issuer, which consent shall only be withheld if such transfer jeopardises the permanent capital treatment. In case the Investor wishes to transfer (its rights under) the Senior Loan Agreement to a third party the Investor shall, prior to the transfer being agreed upon with that third party, hold consultations with the Association and the Issuer as to the consequences thereof during a period of 2 weeks. In case of any such transfer in part, the arrangements set out in article 3 shall not apply to such third party. In case of any such transfer in whole, this Agreement shall automatically terminate upon the transfer date.

9.3 In case the Issuer, or the Association, is in breach of any of its obligations pursuant to this Agreement and such breach has not been remedied within a period of 7 Business Days after the receipt by the Issuer and the Association of a notice by the Investor to such effect, the Investor shall, without prejudice to any other remedies available to the Investor by law, have the right to require the transfer of the Securities or Common Shares after Conversion, as the case may be, by the Association to the Investor and no approval from or consultation of the Issuer or the Association shall be required for the transfer, in whole or in part, to any third party of the Securities or Common Shares after Conversion, as the case may be.

9.4 If the Issuer repurchases the Securities in full or the Loan is otherwise repaid in full to the Investor, then this Agreement shall automatically terminate upon the date of such Repurchase.

9.5 If this Agreement is terminated or terminates automatically, the parties shall, if so requested by the Issuer, take all such action as is necessary to terminate the appointments of the Supervisory Board Nominees as per the effective date of termination of this Agreement.

9.6 No party shall have the right to suspend (*opschorten*) any of its obligations pursuant to this Agreement.

9.7 The Issuer and the Association shall not have the right to set-off (*verrekenen*) any claim against the Investor with any obligation of the Investor.

10. GOVERNING LAW AND JURISDICTION

10.1 This Agreement, and any non-contractual obligations arising out of or in connection with it, is governed by, and shall be construed in accordance with, Dutch law.

10.2 Each of the parties hereto agrees that the courts of Amsterdam, The Netherlands are to have jurisdiction to settle any disputes which may arise out of or in connection with this Agreement and accordingly submit to the jurisdiction of such courts (with the exception of cassation (*cassatie*)).

11. CONFIDENTIALITY

The Transaction Documents and all information exchanged hereunder shall remain strictly confidential between the parties and must not except, as otherwise agreed between the parties, be disclosed by any of the parties to any person other than (i) its legal and financial advisers for the purposes of the proposed transaction, (ii) DNB and its legal and financial advisers for the purposes of the proposed transaction and (iii) disclosure pursuant to the Issuer's statutory and regulatory requirements. The confidentiality provisions of this article 11 and those contained in articles 3.15 up to and including 3.19 shall survive termination of this Agreement.

The Issuer shall not, in its advertising or other promotional activities in any media, mention the role of the Investor or DNB at the Issuer, or the Issuer's balance sheet strengthening, pursuant to the transactions contemplated in this Term Sheet, without the prior approval of the Investor and DNB. The Issuer agrees to publish the marketing statement as set out in **Schedule 5** on its website immediately after the Closing.

SCHEDULE 1 - AEGON

SUPERVISORY BOARD RESOLUTION

SCHEDULE 2

SUPERVISORY BOARD DECISIONS SUBJECT TO CONSENT BY SUPERVISORY BOARD NOMINEE

List of the Issuer's Supervisory Board decisions that require the consent of the two Supervisory Board Nominees:

(a) the issuance and acquisition of shares of the Issuer and debentures chargeable to the Issuer and of debentures chargeable to a limited partnership or general partnership in which the Issuer is a fully liable partner;

(b) cooperation in the issuance of depositary receipts for listed securities issued by the Issuer;

(c) the application for quotation or cancellation of quotation of the securities under (a) and (b) above on the official list of any stock exchange;

(d) entering into or terminating a long term cooperation between the Issuer or a subsidiary and another legal entity or company or as a fully liable partner in a limited partnership or general partnership, if such cooperation or termination is of fundamental importance for the Issuer;

(e) participation by the Issuer or a subsidiary in the capital of another company if the value of such participation is at least one quarter of the amount of the issued capital plus reserves of the Issuer according to its balance sheet and explanatory notes, as well as significantly increasing or reducing such participation;

(f) investments in an amount equal to at least one quarter of the issued capital plus reserves of the Issuer according to its balance sheet and explanatory notes;

(g) a proposal for an amendment of the Articles of Incorporation of the Issuer;

(h) a proposal for the dissolution (*ontbinding*) of the Issuer;

(i) a petition in bankruptcy (*faillissement*) relating to the Issuer and a petition for a moratorium on the payment of indebtedness (*surseance van betaling*) of the Issuer;

(j) a proposal for a legal merger (*juridische fusie*) or demerger (*splitsing*) of the Issuer; and

(k) a proposal for change of the remuneration policy of the Issuer.

All of the above except insofar as related to the implementation of the provisions of the Transaction Documents.

SCHEDULE 3

Model Agreement regarding position of the State Nominee in Supervisory Board AEGON (Nominee is already a Supervisory Board member)

AGREEMENT regarding POSITION OF THE STATE NOMINEE in Supervisory Board AEGON

9. Mrs K.M.H. Peijs (hereinafter referred to as: the "State Nominee")

10. AEGON N.V., a public company incorporated and existing under Dutch law, with statutory seat in the Hague and principal office at 2591 TV, AEGONplein 50, The Hague ("AEGON");

11. The State of the Netherlands, with principal office at 2511 CW The Hague, Korte Voorhout 7, (the "State");

WHEREAS:

(A) pursuant to a term sheet on the issuance of Non-voting Convertible Capital Securities dated 28 October 2008 ("Term Sheet") between the State, AEGON and Vereniging AEGON, the State was granted the right to recommend to the AEGON Supervisory Board (the "Supervisory Board') two candidates to be appointed to the Supervisory Board;

(B) pursuant to the Term Sheet, as of 1 December 2008, the following Supervisory Board resolutions shall require the approval of the Supervisory Board members recommended by the State:

(a) the issuance and acquisition of shares of AEGON and debentures chargeable to AEGON and of debentures chargeable to a limited partnership or general partnership in which AEGON is a fully liable partner;

(b) cooperation in the issuance of depositary receipts for listed securities issued by AEGON;

(c) the application for quotation or cancellation of quotation of the securities under (a) and (b) above on the official list of any stock exchange;

(d) entering into or terminating a long term cooperation between AEGON or a subsidiary and another legal entity or company or as a fully liable partner in a limited partnership or general partnership, if such cooperation or termination is of fundamental importance for AEGON;

(e) participation by AEGON or a subsidiary in the capital of another company if the value of such participation is at least one quarter of the amount of the issued capital plus reserves of AEGON according to its balance sheet and explanatory notes, as well as significantly increasing or reducing such participation;

(f) investments in an amount equal to at least one quarter of the issued capital plus reserves of AEGON according to its balance sheet and explanatory notes;

(g) a proposal for an amendment of the Articles of Incorporation of AEGON;

(h) a proposal for the dissolution (*ontbinding*) of AEGON;

(i) a petition in bankruptcy (*faillissement*) relating to AEGON and a petition for a moratorium on the payment of indebtedness (*surseance van betaling*) of AEGON;

(j) a proposal for a legal merger (*juridische fusie*) or demerger (*splitsing*) of AEGON; and

(k) a proposal for change of the remuneration policy of AEGON.

All of the above except insofar as related to the implementation of the provisions of the Transaction Documents.

(C) the State Nominee is already a member of the Supervisory Board of AEGON and should be considered as recommended by the State and the State Nominee accepts her position as Supervisory Board member recommended by the State as further described in this agreement;

(D) it is desirable to lay down the terms on which the State Nominee will act as a state nominee Supervisory Board member of AEGON;

(E) parties acknowledge that AEGON must be able to operate its business without direct political interference;

(F) that being said, parties also acknowledge that the exceptional circumstances justify a right of the State Nominee to consult and inform the State in order to give the State insight in issues its State Nominees deem important to it; and

(G) subject to the conditions of this agreement, the State Nominee may share with the State certain information regarding AEGON, inter alia, to enable the State (i) to monitor the remuneration policy of AEGON and (ii) to monitor substantial investments and/or acquisitions of AEGON in order to safeguard its investment.

HAVE AGREED AS FOLLOWS:

CHAPTER I

7. Sharing of information with the State

7.1 In deviation of article 9 of the Supervisory Board Rules, the State Nominee shall be permitted to share information that he may receive as a member of the Supervisory Board of AEGON ("Information") with the State, subject to the conditions of this article 1.

7.2 The State Nominee may share Information with the following officers of the State:

(a) the Minister-President;

(b) the Minister of Finance and the Finance Secretary of State;

(c) the Secretary-General and the Deputy-Secretary General of the Ministry of Finance;

(d) the Treasurer-General of the Ministry of Finance;

(e) the Director of the Financial Markets Department of the Ministry of Finance;

(f) the Director of the Financing Department of the Ministry of Finance;

(g) the Head of the Participations Department of the Ministry of Finance; and/or

(h) any other person to whom the Minister-President or the Minister of Finance have given a written mandate.

Information may not be shared with other officers of the State without prior approval of the Chairman of the Supervisory Board. Officers of the State who have received Information from the State Nominee may not further distribute such Information to others than the officers of the State referred to above.

7.3 Any document provided to the State Nominee for a meeting of the Supervisory Board or a Committee may, without prejudice to article 1.5., only be shared with the officers of the State in a meeting with these officers, and only once the Supervisory Board or Committee meeting has been held. However, prior to such a Supervisory Board or Committee meeting the State Nominee may:

(i) engage into a general discussion with the officers of the State on items on the agenda for that Supervisory Board or Committee meeting;

(j) share in a meeting with the officers of the State documents regarding a subject for which the State Nominee has an approval right as mentioned in the second recital of this agreement.

7.4 The State Nominee shall timely involve the Chairman of the Supervisory Board and/or the Chairman of the Executive Board in any discussions with the officers of the State mentioned in article 1.2. The Chairman of the Supervisory Board and/or the Chairman of the Executive Board will get ample opportunity to discuss with the State Nominee and the State any matter for which the State Nominee will have an approval right as mentioned in the second recital of this agreement, prior to the relevant Supervisory Board meeting on that topic is being held.

7.5 Any and all documents or other information in writing or in electronic form provided under article 1.3 and copies made thereof shall be returned by the State at the end of the meeting in which these were provided to the State, unless the Chairman of the Supervisory Board or the Chairman of the Executive Board at the request of the State explicitly decides that the State may keep the documents for a limited period of time. Documents or other information in writing or in electronic form may only be provided if the State Nominee has taken relevant measures to ensure that the information will not become public further to imperative public disclosure rules (i.e. *Wet Openbaarheid Bestuur*).

7.6 The State Nominee may inform the State of the items discussed and the general course of discussions within the Supervisory Board or within a Committee. The State Nominee shall disclose opinions expressed within the Supervisory Board or within a Committee on a no name basis or with the consent of the Supervisory Board on a name basis.

7.7 The State Nominee and the State realize that the Information is confidential and shall treat it accordingly.

7.8 Both the State and the State Nominee agree that the sharing of information may be restricted under Dutch and foreign insider trading rules, privacy laws and bank secrecy laws and shall observe such restrictions.

CHAPTER II

8. General

8.1 In the performance of this agreement the State Nominee shall be guided by the interests of AEGON, its enterprise and all its stakeholders. The State Nominee shall at all time act without mandate from and independent from any interest and shall not make his actions dependent on any instruction of the State or any third party.

8.2 Notwithstanding the rights, powers and authority of the State Nominee in his capacity as member of the Supervisory Board, the rights, powers and authority of the State Nominee described in this agreement shall

constitute all rights, powers and authority towards AEGON or any of its corporate bodies, board members and officers that shall vest in the State Nominee in his capacity as such, excluding all and any other right, unless explicitly agreed otherwise by separate agreement in writing.

8.3 The State Nominee shall perform his duties as Supervisory Board member in accordance with the applicable laws and regulations, the Articles of Association of AEGON, the Rules of the Supervisory Board and any other rules and standards that may be applicable from time to time.

8.4 All references in this agreement to "Supervisory Board Rules" shall be deemed to be references to the Rules of the Supervisory Board as it reads as of the inception date of this present agreement with all annexes, amendments and additions that shall be made from time to time.

8.5 This agreement shall be governed by and be construed according to the laws of the Netherlands.

8.6 Any dispute arising from or in connection with this agreement shall in first instance be adjudicated in accordance with the *Arbitrage Reglement* of the Nederlands Arbitrage Instituut.

9. Inception date and termination

9.1 This agreement shall become effective as of 1 December 2008.

9.2 This agreement shall terminate *ipso iure*, without any further action being required:

(a) if the transaction contemplated in the Term Sheet dated 28 October 2008 is not closed by 1 December 2008; or

(b) if the State Nominee for any reason ceases to be a member of the Supervisory Board, in which case the State shall have the right to recommend a new state nominee for appointment.

(c) if more than EUR 2,250,000,000 of the Loan has been redeemed.

9.3 AEGON may terminate this agreement unilaterally if the Supervisory Board determines that there is a material breach of this agreement, a structural incompatibility of interests or any other reason on the part of the State Nominee as a result of which the continuation of this agreement cannot reasonably be expected. AEGON shall forthwith inform the State Nominee and the State in writing in case AEGON believes that there is a valid ground for termination prior to actually terminating the agreement.

9.4 If this agreement is terminated in accordance with clause 3.3 above, the State shall have the right to appoint a new state nominee who will enter into an agreement substantially in the same form as this agreement.

9.5 If the State determines that there is a material breach of this agreement on the part of AEGON, the State shall have the right to seek remedies, including but not limited to claim specific performance of this agreement.

9.6 Termination of this agreement does, following appointment, not result in the resignation of the State Nominee as a member of the Supervisory Board.

Thus agreed and signed in …… on ……. 2008

Mrs K.M.H. Peijs AEGON N.V.

The State of the Netherlands

Each individual member of the Supervisory Board has in his or her capacity of Supervisory Board member consented to this agreement, in proof of which this agreement was co-signed in their name by the Chairman of the Supervisory Board.

Chairman of the Supervisory Board

SCHEDULE 4

Model Agreement regarding position of the State Nominee in Supervisory Board AEGON (Nominee is not yet appointed as a Supervisory Board member)

AGREEMENT regarding POSITION OF THE STATE NOMINEE IN SUPERVISORY BOARD AEGON

12. Mr. A.W.H. Docters van Leeuwen (hereinafter referred to as: the "State Nominee");

13. AEGON N.V., a public company incorporated and existing under Dutch law, with statutory seat in the Hague and principal office at 2591 TV, AEGONplein 50, The Hague ("AEGON");

14. The State of the Netherlands, with principal office at 2511 CW The Hague, Korte Voorhout 7, (the "State");

WHEREAS:

(A) pursuant to a term sheet on the issuance of Non-voting Convertible Capital Securities dated 28 October 2008 ("Term Sheet") between the State, AEGON and Vereniging AEGON, the State was granted the right to recommend to the AEGON Supervisory Board (the "Supervisory Board') two candidates to be appointed to the Supervisory Board;

(B) pursuant to the Term Sheet, as of 1 December 2008, the following Supervisory Board resolutions shall require the approval of the Supervisory Board members recommended by the State:

(a) the issuance and acquisition of shares of AEGON and debentures chargeable to AEGON and of debentures chargeable to a limited partnership or general partnership in which AEGON is a fully liable partner;

(b) cooperation in the issuance of depositary receipts for listed securities issued by AEGON;

(c) the application for quotation or cancellation of quotation of the securities under (a) and (b) above on the official list of any stock exchange;

(d) entering into or terminating a long term cooperation between AEGON or a subsidiary and another legal entity or company or as a fully liable partner in a limited partnership or general partnership, if such cooperation or termination is of fundamental importance for AEGON;

(e) participation by AEGON or a subsidiary in the capital of another company if the value of such participation is at least one quarter of the amount of the issued capital plus reserves of AEGON according to its balance sheet and explanatory notes, as well as significantly increasing or reducing such participation;

(f) investments in an amount equal to at least one quarter of the issued capital plus reserves of AEGON according to its balance sheet and explanatory notes;

(g) a proposal for an amendment of the Articles of Incorporation of AEGON;

(h) a proposal for the dissolution (*ontbinding*) of AEGON;

(i) a petition in bankruptcy (*faillissement*) relating to AEGON and a petition for a moratorium on the payment of indebtedness (*surseance van betaling*) of AEGON;

(j) a proposal for a legal merger (*juridische fusie*) or demerger (*splitsing*) of AEGON; and

(k) a proposal for change of the remuneration policy of AEGON.

All of the above except insofar as related to the implementation of the provisions of the Transaction Documents.

(C) the State through its Minister of Finance, amongst others recommended the State Nominee to be appointed by the next AEGON General Meeting, as a member of the Supervisory Board;

(D) it was agreed among the State, AEGON and the State Nominee that, on the understanding hat the State Nominee will be appointed as a Supervisory Board member, he will – precedent to his appointment – commence his duties as an observer for the State as of 1 December 2008;

(E) it is desirable to lay down the terms on which the State Nominee will act as a state nominee for the State;

(F) parties acknowledge that AEGON must be able to operate its business without direct political interference;

(G) that being said, parties also acknowledge that the exceptional circumstances justify a right of the State Nominee to consult and inform the State in order to give the State insight in issues its State Nominees deem important to it; and

(H) subject to the conditions of this agreement, the State Nominee may share with the State certain information regarding AEGON, inter alia, to enable the State (i) to monitor the remuneration policy of AEGON and (ii) to monitor substantial investments and/or acquisitions of AEGON in order to safeguard its investment.

HAVE AGREED AS FOLLOWS:

CHAPTER I

10. Supervisory Board and Committee Meetings

10.1 Prior to the appointment of the State Nominee as Supervisory Board member, he will already have the rights set out in this Chapter I.

10.2 AEGON shall invite the State Nominee for all meetings of the Supervisory Board and of such permanent Supervisory Board Committees as will be mutually agreed between the State Nominee and the Chairman of the Supervisory Board (the "Committees"). AEGON shall grant the State Nominee access to such meetings, subject to the conditions of this agreement.

10.3 The State Nominee may propose to the Chairman of the Supervisory Board to add items to the agenda of a Supervisory Board Meeting. Similarly, the State nominee may propose to the Chairman of a Committee to add items to the agenda of a meeting of the relevant Committee, provided that the subject belongs to the authority of that Committee. It shall be to the sole discretion of the Chairman of the Supervisory Board or of the relevant Committee to agree with such a proposal or not.

10.4 AEGON shall allow the State Nominee to participate in the discussions within Supervisory Board and Committee meetings, to ask questions with respect to the matters under discussion and to state his views thereon, subject to the requirements of an orderly conduct of the meeting in question.

10.5 The State Nominee shall not be entitled to vote on any proposal submitted to the Supervisory Board or to any of the Committees.

11. Distribution of information; induction programme

11.1 AEGON will provide the State Nominee the agenda and related documents for meetings of the Supervisory Board members or Committees for which the Observer is invited.

11.2 The State Nominee shall be eligible for the induction programme referred to in article 5.5 of the Supervisory Board Rules.

12. Rules of conduct

12.1 In the performance of this agreement the State Nominee shall be subject to the following specific rules of conduct as amended from time to time:

(k) the AEGON Code of Conduct;

(l) the confidentiality clause laid down in article 9 of the Supervisory Board Rules, with proviso to the stipulations of article 5 of this agreement;

(m) the rules regarding the holding and trading of securities laid down in article 10.4 of the Supervisory Board Rules;

(n) the rules regarding conflicts of interest laid down in article 4.8 of the Supervisory Board Rules;

(o) the rules regarding outside positions laid down in article 25 of the Supervisory Board Rules.

12.2 The State Nominee shall endeavour to remain qualifying as "independent" as required under article 4.7 of the Supervisory Board Rules and shall as much as reasonably possible, avoid any situation which could compromise his independency.

13. Remuneration

13.1 AEGON will remunerate the State Nominee as if he were a Supervisory Board member in accordance with its remuneration policy for Supervisory Board members, as amended from time to time.

CHAPTER II

14. Sharing of information with the State

14.1 In deviation of article 9 of the Supervisory Board Rules, the State Nominee shall be permitted to share information that he may receive as an observer ("Information") and after appointment as a member of the Supervisory Board with the State, subject to the conditions of this article 5.

14.2 The State Nominee may share Information with the following officers of the State:

(p) the Minister-President;

(q) the Minister of Finance and the Finance Secretary of State;

(r) the Secretary-General and the Deputy-Secretary General of the Ministry of Finance;

(s) the Treasurer-General of the Ministry of Finance;

(t) the Director of the Financial Markets Department of the Ministry of Finance;

(u) the Director of the Financing Department of the Ministry of Finance;

(v) the Head of the Participations Department of the Ministry of Finance; and/or

(w) any other person to whom the Minister-President or the Minister of Finance have given a written mandate.

Information may not be shared with other officers of the State without prior approval of the Chairman of the Supervisory Board. Officers of the State who have received Information from the State Nominee may not further distribute such Information to others than the officers of the State referred to above.

14.3 Any document provided to the State Nominee for a meeting of the Supervisory Board or a Committee may, without prejudice to article 5.5., only be shared with the officers of the State in a meeting with these officers, and only once the Supervisory Board or Committee meeting has been held. However, prior to such a Supervisory Board or Committee meeting the State Nominee may:

(x) engage into a general discussion with the officers of the State on items on the agenda for that Supervisory Board or Committee meeting;

(y) share in a meeting with the officers of the State documents regarding a subject for which the State Nominee has an approval right as mentioned in the second recital of this agreement.

14.4 The State Nominee shall timely involve the Chairman of the Supervisory Board and/or the Chairman of the Executive Board in any discussions with the officers of the State mentioned in article 5.2. The Chairman of the Supervisory Board and/or the Chairman of the Executive Board will get ample opportunity to discuss with the State nominee and the State any matter for which the State Nominee will have an approval right as mentioned in the second recital of this agreement, prior to the relevant Supervisory Board meeting on that topic is being held.

14.5 Any and all documents or other information in writing or in electronic form provided under article 5.3 and copies made thereof shall be returned by the State at the end of the meeting in which these were provided to the State, unless the Chairman of the Supervisory Board of the Chairman of the Executive Board at the request of the State explicitly decides that the State may keep the documents for a limited period of time. Documents or other information in writing or in electronic form may only be provided if the State Nominee has taken relevant measures to ensure that the information will not become public further to imperative public disclosure rules (i.e. *Wet Openbaarheid Bestuur*).

14.6 The State Nominee may inform the State of the items discussed and the general course of discussions within the Supervisory Board or within a Committee. The State Nominee shall disclose opinions expressed within the Supervisory Board or within a Committee on a no name basis or with the consent of the Supervisory Board on a name basis.

14.7 The State Nominee and the State realize that the Information is confidential and shall treat it accordingly.

14.8 Both the State and the State Nominee agree that the sharing of information may be restricted under Dutch and foreign insider trading rules, privacy laws and bank secrecy laws and shall observe such restrictions.

CHAPTER III

15. General

15.1 In the performance of this agreement the State Nominee shall be guided by the interests of AEGON, its enterprise and all its stakeholders. The State Nominee shall at all time act without mandate from and independent from any interest and shall not make his actions dependent on any instruction of the State or any third party.

15.2 Notwithstanding the rights, powers and authority of the State Nominee in his capacity as member of the Supervisory Board after appointment, the rights, powers and authority of the State Nominee described in

this agreement shall constitute all rights, powers and authority towards AEGON or any of its corporate bodies, board members and officers that shall vest in the State Nominee in his capacity as such, excluding all and any other right, unless explicitly agreed otherwise by separate agreement in writing.

15.3 All references in this agreement to "Supervisory Board Rules" shall deemed to be references to the Rules of the Supervisory Board as it reads as of the inception date of this present agreement with all annexes, amendments and additions that shall be made from time to time.

15.4 This agreement shall be governed by and be construed according to the laws of the Netherlands.

15.5 Any dispute arising from or in connection with this agreement shall in first instance be adjudicated in accordance with the *Arbitrage Reglement* of the Nederlands Arbitrage Instituut.

16. Inception date and termination

16.1 This agreement shall become effective as of 1 December 2008.

16.2 Upon appointment as a member of the Supervisory Board the specific conditions related to the position of being a State Nominee as mentioned in Chapter I shall cease to exist and the State Nominee shall perform his duties as Supervisory Board member in accordance with the applicable laws and regulations, the Articles of Association of AEGON, the Rules of the Supervisory Board and any other rules and standards that may be applicable from time to time.

16.3 This agreement shall terminate *ipso iure,* without any further action being required:

(z) if the transaction contemplated in the term sheet dated 28 October 2008 is not closed by 1 December 2008;

(aa) if the State Nominee is not being appointed Supervisory Board member by the AEGON General Meeting to be held in 2009 on the date of that AEGON General Meeting, in which case the State shall have the right to recommend a new state nominee for appointment;

(bb) if being appointed – his membership of the Supervisory Board terminates for any reason, in which case the State shall have the right to recommend a new state nominee for appointment; or

(cc) if more than EUR 2,250,000,000 of the Loan has been redeemed.

16.4 AEGON may terminate this agreement unilaterally if the Supervisory Board determines that there is a material breach of this agreement, a structural incompatibility of interests or any other reason on the part of the State Nominee as a result of which the continuation of this agreement cannot reasonably be expected. AEGON shall forthwith inform the State Nominee and the State in writing in case AEGON believes that there is a valid ground for termination prior to actually terminating the agreement.

16.5 If this agreement is terminated in accordance with clause 7.4 above, the State shall have the right to appoint a new state nominee who will enter into an agreement substantially in the same form as this agreement.

16.6 If the State determines that there is a material breach of this agreement on the part of AEGON, the State shall have the right to seek remedies, including but not limited to claim specific performance of this agreement.

16.7 Termination of this agreement does, following appointment, not result in the resignation of the State Nominee as a member of the Supervisory Board.

16.8 The confidentiality obligations resulting from this agreement shall survive the termination of this agreement and remain in force and binding upon the State Nominee. The regulations regarding the holding and trading of securities referred to in article 26 of the Supervisory Board Rules shall survive the termination of this agreement and shall expire as laid down in those regulations themselves.

Thus agreed and signed in …… on ……. 2008

Mr A.W.H. Docters van Leeuwen AEGON N.V.

The State of the Netherlands

Each individual member of the Supervisory Board has in his or her capacity of Supervisory Board member consented to this agreement, in proof of which this agreement was co-signed in their name by the Chairman of the Supervisory Board.

Chairman of the Supervisory Board

SCHEDULE 5

MARKETING STATEMENT

VERKLARING MET BETREKKING TOT DE KAPITAALVERSCHAFFING DOOR DE STAAT DER NEDERLANDEN AAN AEGON N.V.

AEGON N.V. verklaart het volgende in verband met de kapitaalverschaffing door de Staat der Nederlanden.

AEGON N.V. wenst te voorkomen dat de kapitaalverschaffing door de Staat der Nederlanden aan AEGON N.V. aanleiding geeft tot onevenwichtige concurrentieverhoudingen of de schijn daarvan.

Om oneigenlijke concurrentie of de schijn daarvan te voorkomen verklaart AEGON N.V. dat zij in verband met de kapitaalverschaffing door de Staat der Nederlanden daaruit geen ongepast voordeel zal behalen.

Om dit te bereiken zijn de volgende uitgangspunten geformuleerd voor de bank-, verzekerings-, pensioen- en beleggingsactiviteiten die door AEGON N.V. en haar dochtermaatschappijen worden uitgeoefend:

- AEGON N.V. en haar dochtermaatschappijen zullen zich in de media en in contacten met derden niet laten voorstaan op de financiële betrokkenheid van de Staat der Nederlanden als kapitaalverschaffer, impliciet noch expliciet.

- Het beleid van AEGON N.V. en haar dochtermaatschappijen zal er niet op gericht zijn om op enige wijze de positie van de Staat der Nederlanden als kapitaalverschaffer te gebruiken voor het vergroten van haar marktaandeel in financiële producten.

- AEGON N.V. en haar dochtermaatschappijen zullen blijven trachten zich te onderscheiden van concurrerende instellingen door het niveau van de dienstverlening en de kwaliteit van de financiële producten die zij aan hun klanten aanbieden.

AEGON N.V. zal erop toezien dat deze uitgangspunten door AEGON N.V. en haar dochtermaatschappijen worden toegepast en dat niet gepoogd wordt in strijd met deze uitgangspunten concurrentievoordeel te behalen.

Het bovenstaande laat onverlet dat AEGON N.V. de concurrentie met haar ‘peer group’ zal kunnen blijven aangaan.

******

Signatories

AEGON N.V.

Signed by: /s/Mr. J.G.A. Struycken

VERENIGING AEGON

Signed by: /s/ Dr. W.M. van den Goorbergh

THE STATE OF THE NETHERLANDS

Signed by: /s/ State of the the Netherlands

Exhibit 7

RATIO OF EARNINGS TO FIXED CHARGES

		Years ended December 31,			
	2008	2007	2006	2005	2004
		(in million EUR, except ratios)			
Earnings:					
Income before taxes	(1,061)	3,077	3,971	2,796	2,441
Add: fixed charges	2,688	3,334	3,395	3,279	2,640
(A)	1,627	6,411	7,366	6,075	5,081
Fixed charges:					
Interest	526	474	362	373	398
Interest on fixed annuities, investment contracts and savings accounts	2,162	2,860	3,033	2,906	2,242
	2,688	3,334	3,395	3,279	2,640
Dividend on preferred shares	122	112	85	80	79
Coupons on perpetual capital securities	254	235	204	192	129
(B)	3,064	3,681	3,684	3,551	2,848
Ratio: (A)/(B)	0.5	1.7	2.0	1.7	1.8
Ratio excluding interest on fixed annuities, investment contracts and savings accounts:	(0.6)	4.3	6.7	4.9	4.7

Exhibit 12.1

CERTIFICATION
PURSUANT TO RULE 13A-14 OR 15D-14 OF THE SECURITIES EXCHANGE ACT OF 1934

I, Alexander R. Wynaendts, certify that

1) I have reviewed this annual report on Form 20-F of AEGON N.V.;

2) Based on my knowledge, this annual report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3) Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the company as of, and for, the periods presented in this report;

4) The company's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the company and have:

   a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the company, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
   b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
   c) Evaluated the effectiveness of the company's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
   d) Disclosed in this report any change in the company's internal control over financial reporting that occurred during the period covered by the annual report that has materially affected, or is reasonably likely to materially affect, the company's internal control over financial reporting;

5) The company's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the company's auditors and the audit committee of the company's board of directors (or persons performing the equivalent functions):

   a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the company's ability to record, process, summarize and report financial information; and

   b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the company's internal control over financial reporting.

Date: March 27, 2009

/s/ Alexander R. Wynaendts

_____

Alexander R. Wynaendts
Chief Executive Officer

Exhibit 12.2

CERTIFICATION
PURSUANT TO RULE 13A-14 OR 15D-14 OF THE SECURITIES EXCHANGE ACT OF 1934

I, Joseph B.M. Streppel, certify that

1) I have reviewed this annual report on Form 20-F of AEGON N.V.;

2) Based on my knowledge, this annual report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3) Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the company as of, and for, the periods presented in this report;

4) The company's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the company and have:

   a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the company, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
   b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
   c) Evaluated the effectiveness of the company's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
   d) Disclosed in this report any change in the company's internal control over financial reporting that occurred during the period covered by the annual report that has materially affected, or is reasonably likely to materially affect, the company's internal control over financial reporting;

5) The company's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the company's auditors and the audit committee of the company's board of directors (or persons performing the equivalent functions):

a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the company's ability to record, process, summarize and report financial information; and

b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the company's internal control over financial reporting.

Date: March 27, 2009

/s/ Joseph B.M. Streppel

_____

Joseph B.M. Streppel
Chief Financial Officer

Exhibit 13

CERTIFICATION

In connection with this Annual Report on Form 20-F of AEGON N.V. (the "Company") for the period ended December 31, 2008 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), we, Alexander R. Wynaendts, the Chief Executive Officer of the Company and Joseph B.M. Streppel, the Chief Financial Officer of the Company, each hereby certifies, pursuant to 18 U.S.C. section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that to the best of his knowledge:

(1) The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
(2) The information contained in the Report fairly represents, in all material respects, the financial condition and result of the operations of the Company.

Date: March 27, 2009

/s/ Alexander R. Wynaendts

_____
Alexander R. Wynaendts
Chief Executive Officer

/s/ Joseph B.M. Streppel

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Joseph B.M. Streppel
Chief Financial Officer

A signed original of this written statement required by Section 906 of the Sarbanes-Oxley Act of 2002 has been provided to AEGON and will be retained by AEGON and furnished to the Securities and Exchange Commission or its staff upon request.
The foregoing certification is being furnished solely pursuant to 18 U.S.C. section 1350 and is not being filed as part of the Report or as a separate disclosure document.

Exhibit 15

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We consent to the incorporation by reference in the following Registration Statements:

1) Registration Statement (Form F-3 No. 33-155858) pertaining to AEGON USA Producer Stock Option and Award Plan,
2) Registration Statement (Form F-3 No. 333-155857) pertaining to AEGON USA Producers' Stock Purchase Plan,
3) Registration Statement (Form F-3 No. 333-150786)
4) Registration Statement (Form S-8 No. 33-89814) pertaining to AEGON USA, Inc. Profit Sharing Plan,
5) Registration Statement (Form S-8 No. 333-113733) pertaining to AEGON USA Investment Management, Inc. 2001 Long-Term Incentive Plan,
6) Registration Statement (Form S-8 No. 333-123986) pertaining to AEGON USA Investment Management, LLC 202 Long-Term Incentive Plan,
7) Registration Statement (Form S-8 No. 333-129661) pertaining to AEGON USA, Inc. 2002 Long-Term Incentive Compensation Plan,
8) Registration Statement (Form S-8 No. 333-129662) pertaining to AEGON USA Companies Management Stock Option Plan – 2005,
9) Registration Statement (Form S-8 No. 333-132837) pertaining to AEGON USA, Investment Management, LLC 2003 Long-Term Incentive Plan,
10) Registration Statement (Form S-8 No. 333-132839) pertaining to AEGON USA Companies Employee Stock Option Plan – 2005,
11) Registration Statement (Form S-8 No. 333-132841) pertaining to AEGON USA Companies Employee Stock Option Plan – 2006,
12) Registration Statement (Form S-8 No. 333-138210) pertaining to AEGON USA Companies Management Stock Option Plan – 2006,
13) Registration Statement (Form S-8 No. 333-144174) pertaining to AEGON USA Companies Employee Stock Option Plan – 2007, and
14) Registration Statement (Form S-8 No. 333-144175) pertaining to AEGON USA Companies Management Stock Option Plan – 2007
15) Registration Statement (Form S-8 No. 333-151984) pertaining to AEGON USA Companies Employee Stock Option Plan – 2008,
16) Registration Statement (Form S-8 No. 333-151983) pertaining to AEGON USA Companies Management Stock Option Plan – 2008,
17) Registration Statement (Form S-8 No. 333-150774) pertaining to AEGON USA, Inc. Profit Sharing Plan, and
18) Registration Statement (Form S-8 No. 333-157843) pertaining to AEGON USA, LLC Profit Sharing Plan.

of our reports dated March 27, 2009 with respect to the consolidated financial statements and schedules of AEGON N.V. and the effectiveness of internal control over financial reporting of AEGON N.V. included in this Annual Report (Form 20-F) for the year ended December 31, 2008.

/s/ Ernst & Young Accountants LLP

The Hague, The Netherlands
March 27, 2009