AEGON NV
Form 20-F
March 30, 2007
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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

x **ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**
For the fiscal year ended December 31, 2006

OR

¨ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**
For the transition period from______to______

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)

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: 1,622,927,058 common shares

Indicate by check mark if the Registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act

x 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 x

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.

x 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

x Large accelerated filer ¨ Accelerated filer ¨ Non-accelerated filer

Indicate by check mark which financial statement item the registrant has elected to follow.

¨ Item 17 x Item 18

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act.):

¨ Yes No x

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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.

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FORWARD LOOKING STATEMENTS

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

- Changes in general economic conditions, particularly in the United States, the Netherlands and the United Kingdom;
- Changes in the performance of financial markets, including emerging markets, such as with regard to:
  - The frequency and severity of defaults by issuers in our fixed income investment portfolios; and
  - The effects of corporate bankruptcies and/or accounting restatements on the financial markets and the resulting decline in the value of equity and debt securities we hold;
- The frequency and severity of insured loss events;
- Changes affecting mortality, morbidity and other factors that may impact the profitability of our insurance products;
- Changes affecting interest rate levels and continuing low or rapidly changing interest rate levels;
- Changes affecting currency exchange rates, in particular the EUR/USD and EUR/GBP exchange rates;
- Increasing levels of competition in the United States, the Netherlands, the United Kingdom and emerging markets;
- Changes in laws and regulations, particularly those affecting our operations, the products we sell, and the attractiveness of certain products to our consumers;
- Regulatory changes relating to the insurance industry in the jurisdictions in which we operate;
- Acts of God, acts of terrorism, acts of war and pandemics;
- Changes in the policies of central banks and/or governments;

Litigation or regulatory action that could require us to pay significant damages or change the way we do business;

Customer responsiveness to both new products and distribution channels;

Competitive, legal, regulatory, or tax changes that affect the distribution cost of or demand for our products;

Our failure to achieve anticipated levels of earnings or operational efficiencies as well as other cost saving initiatives; and

The impact our adoption of the International Financial Reporting Standards may have on our reported financial results and financial condition.

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PART I

ITEM 1. IDENTITY OF DIRECTORS, SENIOR MANAGEMENT AND ADVISORS

Not applicable

ITEM 2. OFFER STATISTICS AN D EXPECTED TIMETABLE

Not applicable

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ITE M 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 (IFRS), which differ in certain significant respects from accounting principles generally accepted in the United States (US GAAP). A description of the important differences between IFRS and US GAAP along with a reconciliation of shareholders equity and net income based on IFRS to US GAAP is found in Note 18.55 of the notes to our consolidated financial statements in Item 18 of this Annual Report on Form 20-F.

It is important to read this summary in conjunction with the consolidated financial statements and related notes in Item 18.

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, 2006.

Consolidated income statement information

In million EUR (except per share amount)	Years ended December 31, 2006	2005	2004
Amounts based upon IFRS [1]			
Premium income	24,570	18,882	18,329
Investment income	10,376	9,937	9,337
Total revenues [2]	36,615	30,336	29,300
Income before tax	3,390	3,615	2,795
Net income	2,789	2,732	2,256
Net income per common share [3]			
Basic	1.63	1.63	1.38
Diluted	1.62	1.63	1.38

	2006	2005	2004	2003	2002
Amounts based upon US GAAP [1]					
Premium income	12,292	10,330	10,120	10,141	10,191
Investment income [4]	14,035	19,455	13,120	6,448	8,640
Total revenues [2]	28,025	31,478	25,012	20,123	19,247
Income (loss) from continuing operations before tax	2,340	2,744	2,360	2,286	(841)
Net income (loss)	2,046	2,084	1,430	1,531	(2,328)
Net income per common share [3]					
Basic	1.25	1.29	0.89	0.97	(1.62)
Diluted	1.24	1.29	0.89	0.97	(1.62)

For Notes 1 4 see page 6.

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Consolidated balance sheet information

In million EUR (except per share amount)	as at December 31, 2006	2005	2004		
Amounts based upon IFRS [1]					
Total assets	314,813	311,215	268,692		
Insurance and investment contracts	261,337	263,536	223,492		
Trust pass-through securities and (subordinated) borrowings [5]	4,395	5,014	5,295		
Shareholders equity	19,137	19,276	14,875		
	2006	**2005**	**2004**	**2003**	**2002**
Amounts based upon US GAAP [1]					
Total assets	321,014	317,957	263,751	267,540	268,316
Insurance and investment contracts	267,569	263,832	216,810	212,395	217,022
Perpetuals and (subordinated) borrowings [5]	8,171	8,381	7,742	7,144	7,220
Trust pass-through securities (TRUPS)				408	491
Shareholders equity	20,994	22,913	18,316	17,836	17,554

1 Our consolidated financial statements are prepared in accordance with IFRS, which differs in certain significant respects from US GAAP. See Note 18.55 to our consolidated financial statements in Item 18 of this Annual Report for information concerning the differences between IFRS and US GAAP.

2 Excluded from the income statements prepared in accordance with IFRS are receipts related to investment-type annuity products and investment contracts. In addition, universal life-type deposits are excluded from premium revenue in the income statements prepared in accordance with US GAAP.

3 Per share data has been calculated based on the weighted average number of common shares outstanding after giving effect to all stock dividends and stock splits through December 31, 2006. Diluted per share data gives effect to all dilutive securities.

4 In accordance with Statement of Position 03-1, Accounting and Reporting by Insurance Enterprises for Certain Non-traditional Long-Duration Contracts and for Separate Accounts , as from January 1, 2004 investment income includes investment income for account of policyholders when the investments are not legally separated.

5 Excludes bank overdrafts.

In thousand	2006	2005	2004	2003	2002
Number of common shares					
Balance at January 1	1,598,977	1,552,685	1,514,378	1,444,579	1,422,253
Stock dividends	23,950	46,292	38,307	69,799	22,326
Balance at end of period	1,622,927	1,598,977	1,552,685	1,514,378	1,444,579

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Dividends

AEGON has declared interim and final dividends for the years 2002 through 2006 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.

	EUR per common share [1, 4]			USD per common share [1, 4]		
Year	**Interim**	**Final**	**Total**	**Interim**	**Final**	**Total**
2002	0.36	0.35[2]	0.71[2]	0.35	0.32[2]	0.67[2]
2003	0.20	0.20	0.40	0.22	0.24	0.46
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[3]	0.55[3]	0.31	NA	NA

1 Paid, at each shareholder s option, in cash or in stock, except 2002 final dividend.

2 The final dividend for 2002 was paid entirely in common shares at the rate of one new common share for every 25 common shares held on the record date.

3 Proposed.

4 Dividend per share is adjusted for the 2002 stock dividend.

On August 10, 2006, AEGON declared an interim dividend for 2006 of EUR 0.24 per common share. AEGON repurchased 11.6 million shares to neutralize the dilutive effect of the interim dividend. AEGON has proposed to its annual General Meeting of Shareholders, scheduled to occur on April 25, 2007, that the full year 2006 dividend be set at EUR 0.55 per common share, resulting in a final dividend for 2006 of EUR 0.31 per common share. AEGON will purchase an equivalent amount of shares on the open market to neutralize the effect of stock dividend.

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 4.0% for 2006. Applying this rate to the weighted average paid-in capital of our preferred shares during 2006, the annual dividend on our preferred shares payable for 2006 is EUR 85 million. The rate for annual dividends on preferred shares in 2007, as determined on January 2, 2007, is 5.25% and the annual dividend on preferred shares for 2007, based on the paid-in capital on the preferred shares on January 2, 2007, will be EUR 112 million.

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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 1, 2007 the USD exchange rate [1] was EUR 1 = USD 1.3173.

The high and low exchange rates [1] for the US dollar per euro for each of the last six months through February 2007 are set forth below:

	Sept. 2006	Oct. 2006	Nov. 2006	Dec. 2006	Jan. 2007	Feb. 2007
High (USD per EUR)	1.2833	1.2773	1.3261	1.3327	1.3286	1.3246
Low (USD per EUR)	1.2648	1.2502	1.2705	1.3073	1.2904	1.2933

The average exchange rates[1] for the US dollar per euro for the five years ended December 31, 2006, 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
2002	0.9495
2003	1.1411
2004	1.2478
2005	1.2400
2006	1.2661

1 The US dollar exchange rates are the noon buying rates in New York City for cable transfers in euro 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

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3D Risk factors

i Risks relating to our business

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 increase 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 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, potentially resulting 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 prompt us to accelerate amortization of policy acquisition costs, which reduces net income.

During periods of sustained low 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 from year to year. During such a period, investment earnings may be lower because the interest earnings on new fixed income investments will likely have declined with the market interest rates. In addition, mortgages and redeemable bonds in the investment portfolio are more likely to be repaid as borrowers seek to borrow at lower interest rates and we may be required to reinvest the proceeds in securities bearing lower interest rates. Also, in a period of low interest rates, we may not be able to reduce crediting rates on policies and still preserve margins as a result of minimum guaranteed crediting rates provided on policies. Accordingly, during periods of sustained low interest rates, net income may decline as a result of a decrease in the spread between either the interest rates credited to policyholders or the rates assumed in reserves and returns on the investment portfolio.

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 the company s 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. Therefore, rising interest rates are not considered a long-term risk to the company.

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 2004, 2005 and 2006 was EUR 5.9 billion, EUR 6.6 billion and EUR 7.0 billion, respectively. The value of the related general account fixed income investment portfolio at the end of the years 2004, 2005 and 2006 was EUR 120 billion, EUR 136 billion and EUR 126 billion, respectively.

See Item 11, Quantitative and Qualitative Disclosure about Market Risk , of this Annual Report for detailed sensitivity analyses.

Credit risk

Defaults in our bonds, 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, we typically bear the risk for investment performance (return of principal and interest). We are exposed to credit risk on our general account fixed income portfolio (bonds, mortgages and private placements), derivatives and reinsurance contracts. Some issuers have defaulted on their financial obligations for various reasons, including bankruptcy, lack of liquidity, downturns in the economy or downturns in real estate values, operational failure and fraud. In the past, poor economic and investment climates in our major markets resulted in significant investment impairments on our investment assets due to defaults and overall declines in the securities markets. Although credit default rates were benign in 2006, a reversion to excessive defaults, or other reductions in the value of these securities and loans, may have a material adverse effect on our 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 equity markets have adversely affected our profitability, capital position and sales of equity related products in the past and may do so again in the future. Exposure to equity markets exists in both assets and liabilities. Asset exposure stems from direct equity investment where we bear all or most of the volatility in returns and investment performance risk. General economic conditions, as well as significant events like terrorist actions, have led to and may again result in significant decreases in the value of our equity investments. In 2004, 2005 and 2006, declines in the value of equity securities held in the general account resulted in the recognition of impairment losses of EUR 30 million, EUR 20 million and EUR 36 million, respectively.

Some products sold by AEGON contain minimum return or accumulation guarantees. We are at risk if equity market returns do not meet or exceed these guarantee levels and may need to set up additional reserves to fund these future guaranteed benefits. If equity markets decline, fee income will fall on these products as a result of reduced fund balances. We are also at risk if returns are not sufficient to allow amortization of deferred policyholder acquisition costs. It is possible under certain circumstances that we would need to accelerate amortization of DPAC and to establish additional provisions for minimum guaranteed benefits, which would reduce net income and shareholders equity. Volatility or poor market conditions may also significantly reduce the popularity of some of our savings and investment products, which could lead to lower sales and net income.

Underwriting risk

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

Our earnings depend upon the extent to which actual claims experience is consistent with the assumptions used in setting the prices for products and establishing the technical provisions 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 trend, we may be required to increase our liabilities, which may also reduce income. In addition, certain acquisition costs related to the sale of new policies and the purchase of policies already in force have been recorded as assets on the balance sheet and are being amortized into income over time. If the assumptions relating to the future profitability of these policies (such as future claims, investment income and expenses) are not realized, the amortization of these costs may be accelerated and may require write-offs due to unrecoverability. This may have a material adverse effect on our business, results of operations and financial condition.

Currency exchange rate risk

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

As an international group, we are subject to currency risk. Currency risk also exists for any policy denominated in currencies other than the policy s local currency. In the Netherlands, AEGON invests the majority of its equity holdings in an internationally diversified portfolio, rather than solely in Dutch equities. Equity held in subsidiaries is 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 into euros. AEGON holds the remainder of its capital base (capital securities, subordinated and senior debt) in various currencies in amounts that are targeted to correspond to the book value of its country units. This balancing mitigates currency translation impacts to equity and leverage ratios.

Currency risk in the investment portfolios is managed using asset liability matching principles. 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 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 US dollar and euro and between UK pound and euro. We may experience significant changes in net income and shareholders equity because of these fluctuations.

For the Americas segment, which primarily conducts its business in US dollars, total revenues and net income in 2006 amounted to EUR 16.4 billion and EUR 1,553 million, respectively. For the United Kingdom segment, which primarily conducts its business in UK pounds, total revenues and net income in 2006 amounted to EUR 11.9 billion and EUR 232 million, respectively. On a consolidated basis, these two segments represented 77% of the total revenues and 64% of the net income for the year 2006. Additionally, we borrow in various currencies to hedge the currency exposure arising from our operations. On December 31, 2006 we have borrowed amounts in proportion to the currency mix of capital in units, which was denominated approximately 57% in US dollars, 25% in Euro, 14% in UK pounds and 4% 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 to 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. If we require significant amounts of cash on short notice in excess of normal cash requirements and existing credit facilities, we may have difficulty selling these investments at attractive prices or in a timely manner, or both.

Illiquid assets amounted to EUR 35 billion or 25% of general account investments at the end of 2006 (EUR 39 billion, or 26% in 2005; EUR 34 billion, or 27% in 2004).

Risk related to general economic conditions

General economic conditions may affect our results of operations and financial conditions.

Our result 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.

Other risks

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 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. 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 cause us to accelerate amortization of policy acquisition costs, reducing net income.

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

The current 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	Stable	Stable	Stable
Moody s rating	Aa3	Not rated	A1
Moody s outlook	Stable	Not rated	Stable
Fitch rating	AA+	Not rated	Not rated
Fitch outlook	Stable	Not rated	Not rated

Negative changes in credit ratings may also increase our cost of funding. During 2006, Standard and Poor s maintained the credit ratings of AEGON N.V. at A+ with a stable outlook. Moody s Investor Service maintained the senior debt rating of AEGON N.V. at A2, with a stable outlook. On January 30, 2006, Fitch Ratings assigned AA- (double A minus) ratings to AEGON NV s senior debt and A+ ratings to subordinated debt and perpetual securities.

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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 US Sarbanes Oxley Act of 2002 (the SOX Act) and rules subsequently implemented by the SEC and the New York Stock Exchange, require changes to some of our reporting and corporate governance practices, including the requirement that we issue a report on our internal controls over financial reporting, beginning for the year ending December 31, 2006 onwards. If we are unable to maintain or achieve compliance with the SOX Act, it may have a material adverse impact on our business.

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

AEGON faces significant risks of litigation and regulatory investigations and actions in connection with activities as an insurer, securities issuer, employer, investment advisor, investor and taxpayer. In recent years, the insurance industry has increasingly been the subject of litigation, investigation and regulatory activity by various governmental and enforcement authorities concerning common industry practices such as the disclosure of contingent commissions and the accounting treatment of finite reinsurance or other non-traditional insurance products. 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 material adverse effect on our business, results of operations and financial condition.

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

AEGON is exposed to currency fluctuations, changes in the fair value of its investments, the impact of interest rate, equity markets and credit spread changes and changes in mortality and longevity. AEGON uses 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. AEGON 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 could have a material 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 NV, 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 IFRS as 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 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, if any, are payable on accumulated tax-deferred earnings when earnings are actually paid. The US Congress has, from time to time, considered possible legislation that would eliminate the deferral of taxation on the accretion of value within certain annuities and life insurance products. In addition, the United States 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. 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 material adverse effect on AEGON s business, results of operations and financial condition.

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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 and 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, and 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.

AEGON USA ranked ninth in individual term life sales, fourth in individual universal life sales (source: Internal Research for the nine months ended September 30, 2006) and ninth in variable life sales (source: Tillinghast-Towers Perrin Variable Life survey for nine months ended September 30, 2006). AEGON USA ranked fifth in sales of fixed annuities sold through banks, fifteenth in variable annuities sold through banks and ninth overall in annuity sales through banks (source: Kenneth Kehrer report for the nine months ended September 30, 2006) and first in Synthetic Guaranteed Investment Contracts (source: reports from LIMRA International and Stable Value Investment Association, Stable Value and Funding Agreement Products, 2006 Third Quarter Sales, Landmark Strategies 2005 Stable Value Wrap Issuance Survey, IMD Market Research). 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 Canada, AEGON ranks fourth in overall individual life insurance sales (new business premiums), fourth in the universal life market, (source: LIMRA study Fourth Quarter 2006, issued February 2007) and fifth in the segregated funding insurance market based on net assets (source: Investor Economics Insight December 2006). AEGON s primary competitors in Canada are: Manulife, Sun Life, Industrial-Alliance, London Life, RBC Life, Canada Life, American International Group (AIG), Empire Life, Standard Life and Desjardins Finance.

In the Netherlands, AEGON is the third largest life insurer, second largest pension insurer and fifth largest individual life insurer based on gross life premium income (source: Regulatory Returns 2005). AEGON also owns the largest insurance broker in the Netherlands (source: Press release 2006). AEGON s major competitors in the Netherlands include Delta Lloyd, Eureko, Fortis, and ING. In the United Kingdom, AEGON 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 adviser market is fragmented, with a large number of relatively small firms. In Hungary, AEGON s major competitors include Allianz, Generali-Providencia, ING and OTP-Garancia. AEGON Spain s main competitors are Santander Seguros, Mapfre, Vidacaixa, Ibercaja, Adeslas, Sanitas and Asisa. In Taiwan, AEGON agency channel s major competitors are AIG, ING and Prudential UK. In the bank and broker channels, the major competitors are Allianz, Cardiff, Hon Tai Life and Fubon Life.

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

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

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

As a global financial services enterprise with a decentralized management structure, AEGON relies, to a considerable extent, on the quality of local management in the various countries in which AEGON operates. The success of AEGON s operations is dependent, among other things, on AEGON s ability to attract and retain highly qualified professional personnel. Competition for key personnel in most countries in which AEGON operates is intense. AEGON s ability to attract and retain key personnel, and 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; this competition may offer compensation packages that include considerable equity-based incentives through stock option or similar programs.

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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, AEGON s 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 AEGON, its 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.

AEGON s 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, 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, AEGON s 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 2004, 2005 and 2006. 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, AEGON reinsures a portion of its life insurance exposure with unaffiliated insurance companies under traditional indemnity reinsurance arrangements. Approximately 33% of AEGON s total direct and assumed (for which AEGON acts 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, American Long Term Care Reinsurance Group, ING Group, RGA Reinsurance Company, and US Branch Sunlife Assurance Company of Canada. AEGON Canada s major reinsurers are Munich Re and Swiss Re. The major reinsurers of AEGON UK include GE Frankona, Munich Re, RGA, Swiss Re and XL Re. The major reinsurers 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, Revios, Munich Re, Nacional, Nouvelle, 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.

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 the incurrence of 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.

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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. 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. We generally 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 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 material adverse effect on our results of operation, 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 material adverse effect on our results of operation 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. Notwithstanding these control measures, however, operational risk is part of the business environment in which we operate and a function of our size as well as our geographic diversity and the scope of the businesses we operate, and we may incur losses from time to time due to these types of risks.

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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;

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 14.25 and EUR 9.63 respectively in 2005 and EUR 15.56 and EUR 12.17 respectively in 2006. The high and low sales prices of our common shares on the NYSE were USD 16.78 and USD 12.19 respectively in 2005 and USD 18.97 and USD 15.24 respectively in 2006. 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, 2006, 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.

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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. 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 2005 23,850,000 class B preferred shares were issued under these option rights. In 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.

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 22.61% 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 32.29%. 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 euro and our common shares listed on the 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 the 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.

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ITEM 4. INF ORMATION 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, 2006 (source: Bloomberg). AEGON is headquartered in the Netherlands and employs, through its subsidiaries, about 29,000 people worldwide. AEGON s common shares are listed on stock exchanges in Amsterdam (Euronext), New York (NYSE), London and Tokyo. The secondary listing of AEGON N.V. common shares on the Frankfurt Stock Exchange and on the SWX Swiss Exchange in Zurich, Switzerland has been discontinued. The last day of trading for AEGON N.V. common shares on both exchanges was Monday, March 12, 2007 and the delisting was effective immediately after that date.

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 20 other 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 include Hungary, Spain, Taiwan, China, Poland 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

P.O. Box 85

2501 CB The Hague

The Netherlands

Telephone number: +31.70.344.3210

Internet site: www.aegon.com

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ii Strategic framework

Commitment to core business

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

Serving local needs with global capabilities

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

Emphasis on profitability

AEGON pursues a strategy of long-term profitability and sustainable growth. AEGON aims to achieve a long-term average net income growth rate of 10% per annum. In the medium term, AEGON aims to double its value of new business during the period 2005-2010. AEGON sets its return objectives relative to the risks of its markets and well in excess of the cost of capital. Disciplined expense management, together with the divestiture of non-core and structurally underperforming activities, are key to achieving these objectives.

Market position

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

International expansion

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

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iii Recent developments and capital expenditures and divestments

On September 21, 2006, AEGON-CNOOC Life Insurance Company Ltd., AEGON N.V. s 50/50 joint venture with the Chinese National Offshore Oil Corporation (CNOOC), opened its Shandong branch in Jinan. The AEGON-CNOOC Shandong branch will provide an extensive range of life insurance products and services to local customers living in this highly developed coastal province. The opening of the branch in Shandong s capital, Jinan, follows the 2005 launch of AEGON-CNOOC s Beijing and Jiangsu branch offices.

In September 2006 AEGON acquired the remaining 55% of the Unirobe shares. The distribution activities of the Dutch operations are placed under the Unirobe Meeùs Group. 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. The acquisition resulted in the recognition of EUR 49 million of goodwill, of which EUR 18 million had previously been included in the measurement of the interest held in Unirobe as an associate.

On October 18, 2006, AEGON announced that it completed its acquisition of a 49% interest in Seguros Argos S.A. de C.V., a Mexican life insurance company specializing in the sale of life insurance to individuals through their employers (worksite marketing). Ranked by market share for individual life insurance, Seguros Argos is Mexico s eighth largest insurance company as of December 31, 2006 (source: AMIS - The Mexican Association of Insurance Institutions). AEGON and Seguros Argos also formed Afore Argos, a start-up pension fund management joint venture. AEGON owns 49% of Afore Argos, which received final approval from CONSAR, the Mexican regulatory body that oversees the pension industry.

On November 9, 2006, AEGON announced that it entered into an agreement with Ergo Hestia to purchase 100% of the shares of the pension fund management company PTE Ergo Hestia S.A. The acquisition is subject to approval by the Polish Financial Supervision Commission and anti-trust authorities. The acquisition is expected to be completed in 2007. As of October 31, 2006, PTE Ergo Hestia S.A. managed PLN 2.5 billion (EUR 658 million) in assets and had 372,796 members. Following the acquisition, the company will be renamed PTE AEGON Poland. AEGON and Ergo Hestia also entered into a cooperation agreement by which AEGON will use its tied agency network to distribute the non-life products of STU Ergo Hestia S.A. and Ergo Hestia will sell mandatory pensions on behalf of PTE AEGON Poland.

On November 23, 2006, Transamerica Corporation, a US subsidiary of AEGON N.V., announced the successful completion of the cash tender offer for outstanding legacy debt securities issued by two affiliated trusts, Transamerica Capital II and Transamerica Capital III. Debt securities with a total liquidation amount of USD 281 million were purchased in the tender offer. The aggregate payment for the purchased securities of USD 345 million, will be refinanced through funds provided by AEGON N.V., Transamerica Corporation s parent company. The transaction enabled AEGON N.V. to take advantage of the current favorable interest rate environment to refinance the debt at a lower rate and reduce future annual interest expenses.

On December 28, 2006, AEGON and Ranbaxy Promoter Group signed definitive agreements jointly to enter the life insurance and asset management business in India. The ventures will be implemented by AEGON and Religare, the financial services division of Ranbaxy Promoter Group. Ranbaxy Promoter Group will hold a 44 percent stake in the life venture, AEGON a 26 percent stake and Bennett Coleman, a private investor, will hold the balance. The asset management venture has been structured on an equal ownership basis between Ranbaxy Promoter Group and AEGON.

On January 19, 2007 AEGON announced the signing of a memorandum of understanding with Banca Transilvania to jointly develop and operate a mandatory pension company in Romania. The 50/50 joint venture company will be established in the summer of 2007 in anticipation of introduction of a mandatory pension system in Romania, expected by early 2008. In addition AEGON will establish a life insurance company in Romania that will enter into a distribution agreement with Banca Transilvania to sell co-branded products through the bank s branch network.

On January 25, 2007 AEGON N.V. and Sony Life Insurance Co., Ltd. announced their intention to establish a life insurance company in Japan. The 50/50 joint venture will develop annuity products, initially focusing on variable annuity products that will be distributed though Sony Life s Lifeplanner® channel as well as through banks an other financial institutions. The partnership between AEGON and Sony Life is expected to be operational in early 2008, subject to final agreement and regulatory licensing and approval.

On November 1, 2006, AEGON entered into an agreement to acquire 100% of the outstanding common shares of Clark Inc. (Clark), a public company specializing in the sale of corporate-owned life insurance, bank-owned life Insurance and other benefit programs. On March 13, 2007, AEGON announced the completion of the tender offer process and finalization of the acquisition of Clark. The estimated aggregate purchase price is approximately EUR 263 million, consisting of EUR 208 million cash consideration, EUR 34 million of Clark debt assumed by AEGON, the EUR 21 million cost basis of Clark common stock already owned by AEGON and transaction costs. As part of the transaction, a Clark management group has acquired from AEGON some of Clark s other business segments, not considered core to AEGON for EUR 41 million.

On March 15, 2007 AEGON announced an agreement to acquire OPTAS N.V., a Dutch life insurance company specializing in employee benefit products and services within the Dutch group pension market. The net consideration for AEGON of this transaction is approximately EUR 100 million. 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 2005, OPTAS had 60,000 policyholders and reported total gross written premiums of EUR 92 million, with total assets of EUR 4.3 billion. AEGON will acquire OPTAS N.V. for a gross amount of approximately EUR 1.3 billion. Taking

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into account the excess capital of OPTAS, the net consideration is estimated to be approximately EUR 100 million. 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. The combination of OPTAS and AEGON s existing pension activities will lead to a more efficient platform to serve the group pension market. The transaction will have a slightly positive effect on AEGON N.V. s earnings per share. This acquisition agreement is subject to the consultation of the Works Councils of both OPTAS and AEGON The Netherlands, in addition to the approvals of the relevant regulatory authorities.

4B Business overview

i Product line overview

Please refer to Note 18.4 of the notes to our consolidated financial statements in Item 18 of this Annual Report on Form 20-F for descriptions of our major products.

ii Supervision

Individual companies in the AEGON Group are each subject to solvency supervision in their respective home countries. Based on European Commission 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 requirements of European directives. Available liability capital includes shareholders equity, capital securities, and subordinated loans.

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The Americas

i General history

AEGON s operations in the Americas comprise AEGON USA Inc., AEGON Canada Inc., and Mexican activities, which are collectively referred to as AEGON Americas. The companies operating in the United States are collectively referred to as AEGON USA. Reference to AEGON USA in this report refers individually or collectively to the corresponding operating companies. The companies operating in Canada are collectively referred to as AEGON Canada.

Mexican activities include the 49% interest in Seguros Argos S.A. de C.V., a Mexican life insurance company specializing in the sale of life insurance to individuals through their employers (worksite marketing), and the 49% of Afore Argos, a start-up pension fund management joint venture. Ranked by market share for individual life insurance, Seguros Argos is Mexico s eighth largest insurance company as of December 31, 2006 (source: AMIS - The Mexican Association of Insurance Institutions).

Total employment of AEGON USA on December 31, 2006 was 13,544, which includes 2,483 agents. Total employment of AEGON Canada on December 31, 2006 was 692.

AEGON USA s principal offices are located in Baltimore, Maryland; Cedar Rapids, Iowa; Charlotte, North Carolina; Frazer, Pennsylvania; Little Rock, Arkansas, Los Angeles, California; Louisville, Kentucky; Kansas City, Missouri; Plano, Texas; Purchase, New York; and St Petersburg, Florida.

AEGON Canada s principal office is located in Toronto, Canada.

AEGON USA

AEGON USA Inc., a principal holding company of AEGON USA, was formed in 1989 when AEGON consolidated its holding companies in the United States under one financial services holding company. Business operations are conducted through life insurance subsidiaries of AEGON USA Inc., and Commonwealth General, with licenses in every state of the United States, the District of Columbia, Puerto Rico, the Virgin Islands, and Guam.

AEGON s primary insurance subsidiaries in the United States, all of which are wholly owned, are:

- Life Investors Insurance Company of America
- Monumental Life Insurance Company
- Peoples Benefit Life Insurance Company
- Stonebridge Casualty Insurance Company
- Stonebridge Life Insurance Company
- Transamerica Financial Life Insurance Company
- Transamerica Life Insurance Company

Transamerica Occidental Life Insurance Company

Veterans Life Insurance Company

Western Reserve Life Assurance Co. of Ohio

The operations in the United States (carried out by the collective group of operating companies in the United States) primarily sell life insurance products. AEGON s operations in the United States also sell accident and health insurance, but made the strategic decision to move away from primary health coverage a number of years ago to concentrate health operations in the supplemental coverage sector. Traditional life is AEGON USA s largest business segment.

AEGON s subsidiary companies in the United States contain five operating groups acting through one or more of the AEGON USA life insurance companies: Agency, Direct Marketing Services, Financial Markets, Institutional Products and Services, and Pension. The group structure enables 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 expertise 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. The divisions referenced below are part of those subsidiary companies.

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AEGON Canada

AEGON Canada operates multiple insurance, financial services, investment portfolio management, and fund management businesses; it also provides wealth management solutions through its subsidiary companies.

AEGON Canada s operations are divided into six business segments:

- Life insurance
- Segregated funds
- Retail mutual funds
- Mutual fund dealership services
- Retail financial planning services
- Investment portfolio management and counseling services

The primary operating companies of AEGON Canada are:

- Transamerica Life Canada
- Money Concepts (Canada) Limited
- AEGON Dealer Services Inc.
- AEGON Capital Management Inc.
- AEGON Fund Management Inc.

ii Products and distribution

AEGON USA

Agency Group

The Agency Group divisions offer a wide range of insurance products through agents dedicated to selling AEGON products as well as independent agents, registered representatives, financial advisors, and specialized marketing organizations. The Agency Group targets distinct market segments ranging from lower-income clients to the advanced market with higher net-worth customers whom it serves by providing various tax and estate planning products. The Agency Group consists of the following:

- InterSecurities, Inc.
- Life Investors Agency Group/Independent Marketing Organizations
- Long-term Care Division
- Monumental Division
- Transamerica Insurance & Investment Group
- Transamerica Worksite Marketing
- World Financial Group

InterSecurities, Inc. (ISI) is a fully licensed, independent broker-dealer and registered investment advisor. ISI s registered representatives are focused on helping clients meet their investment objectives through an array of financial products that includes mutual funds, fixed and variable life insurance, annuities, and securities. ISI is positioning itself for growth with the active recruitment of experienced financial professionals who appreciate the value of insurance products in an overall financial plan.

The Life Investors Agency Group/Independent Marketing Organizations target the middle to upper-income markets, selling primarily interest-sensitive and ordinary life insurance. Life Investors offers support to agencies and provides agents with quality products, technology tools, and a high-level of home office training and support. During the past few years, the Independent Marketing Organizations group (IMO) has seen growth in both recruiting and sales. This unit focuses on developing relationships with independent marketing organizations and managing general agents throughout the United States.

The Long-term Care Division (LTC) administers an existing block of insurance products designed to meet clients long-term healthcare needs during retirement. LTC insurance products provide coverage primarily for care services provided at home, in an assisted living facility, or in a nursing home. Sales of long-term care insurance in this Division were temporarily discontinued in 2005. The LTC Division is currently re-evaluating the LTC marketplace and intends to begin selling new LTC products in 2007.

Monumental Division targets the lower and middle-income markets, selling individual traditional life and supplemental health insurance through three distinct distribution systems: Career Agency, IMO, and Pre-Need. In the Career Agency channel, 2,483 agents in 22 states provide face-to-face sales and services to policyholders, and reflect the diversity found in the communities they serve. In the IMO channel, approximately 500 general agents market to military families on or near military installations in the United States and abroad. The typical agent is a former military officer. In 2006, the division expanded its IMO focus to provide final expense coverage for middle-income customers in the rapidly growing senior market, with simplified products and face values up to USD 25,000. The Pre-Need unit sells life insurance products to pre-fund funerals through funeral directors and their agents.

Transamerica Insurance & Investment Group (TIIG), the marketing unit for Transamerica Occidental Life Insurance Company (TOLIC) and its affiliates, distributes term, fixed, and variable universal life insurance and fixed annuity products. In the United States, TIIG focuses on the upper-middle and affluent markets, in addition to a number of niche markets that include small to mid-sized businesses and various ethnic groups. In May 2006, TOLIC announced the establishment of a Bermuda company, Transamerica Life (Bermuda) Limited, a subsidiary of TOLIC with branch offices in Hong Kong and Singapore.

TIIG s primary distribution channel is a network of independent general agencies and agents. Sales of TIIG s variable products are supported by its broker-dealer affiliate, Transamerica Financial Advisors, Inc. TIIG also has a National Accounts channel through which it provides life insurance products to customers via the broker-dealer community. In 2006, TIIG celebrated the 100th anniversary of the founding of the original Transamerica life company, Occidental Life Insurance Company.

Transamerica Worksite Marketing (TWM) offers a wide range of voluntary payroll deduction life and supplemental health insurance products for groups ranging in size from as few as five employees to more than 100,000 employees. Products marketed to employees at their workplace are designed to supplement benefit plans that they may already have, both through their employers and on their own.

World Financial Group (WFG) targets the middle-income market, selling variable universal life insurance, variable annuities, mutual funds, equity indexed universal life insurance, universal life insurance, and term life insurance. WFG offers its associates the opportunity to build financial services and insurance businesses on their own terms. Associates can offer securities-related products and services by becoming registered representatives of WFG s affiliated broker-dealer, World Group Securities, Inc.

AEGON Direct Marketing Services Group

AEGON Direct Marketing Services (ADMS) is focused on customers who may not be reached by AEGON USA s other distribution channels. ADMS aims to attract clients that might prefer to buy insurance products directly and not through an agent or intermediary. For this purpose, ADMS has developed a highly targeted approach using sophisticated database technology to increase its ability to develop niche markets and design products positioned to meet specific customer needs. Customers can purchase an extensive portfolio of products through direct mail, point-of-service, internet, and telemarketing. Products are also marketed using the endorsement of sponsoring organizations such as financial institutions, auto dealers, and various membership associations.

Additionally, ADMS has applied its direct marketing expertise internationally and is now doing business in Europe, Asia, Australia, and Latin America. ADMS has developed strategic relationships with major business partners in these regions and uses their endorsement to market products via telemarketing and direct mail.

Financial Markets Group

AEGON USA s Financial Markets Group (FMG) consists primarily of Transamerica Capital Inc., and Extraordinary Markets.

Transamerica Capital Inc. (TCI) works in partnership with many of the largest banks, national and regional broker-dealers, and financial planners in the United States to market fixed and variable annuities, mutual funds, 401(k) plans, and life insurance products. The bank distribution channel is particularly important to FMG. Working closely with its partners, FMG develops products and provides support to help banks expand their relationship with their customers. TCI s broker distribution channel focuses on less-highly customized products, in an administrative and service environment designed to assist the representative. The financial planner channel is a growing area for TCI. TCI strives to assist financial professionals to build client portfolios with a diverse range of products and the convenience of working with one organization.

Extraordinary Markets offers fixed and variable life insurance products through independent brokers to the bank- and corporate-owned life insurance market. Extraordinary Markets specialized team of product development, financial, actuarial and investment professionals has helped some of the world s leading financial institutions and corporations fund employee and executive benefit and compensation programs through innovative insurance and investment solutions. The market is approached opportunistically and thus sales results can vary significantly from year to year.

Institutional Products and Services Group

The Institutional Products and Services Group includes AEGON Institutional Markets and Transamerica Reinsurance Group.

AEGON Institutional Markets Division (IMD) is well positioned and long established in the competitive and relatively mature institutional market. IMD entered the market with a distinctive floating-rate guaranteed investment contract (GIC) in 1982. Since then, it has significantly expanded its platform to include traditional fixed-rate GICs, funding agreements, notes and fee-based products such as synthetic GICs in which IMD holds a leading market position (source: reports from LIMRA International and Stable Value Investment Association, Stable Value and Funding Agreement Products, 2006 Third Quarter Sales, Landmark Strategies 2005 Stable Value Wrap Issuance Survey, IMD Market Research). IMD has been able to enhance its leadership position through product customization, strong service capabilities, and profitable underwriting. IMD s skills in product development, distribution, investment, and risk management have resulted in a diversified customer and market base and multi-channel distribution. Building on these skills, IMD is also responsible for AEGON Structured Products that is generally involved in various capital market transactions such as writing credit default swaps, undertaking synthetic collateralized debt obligations, and providing guarantees of affordable housing tax credits and hedge fund principal protection. IMD also administers AEGON USA s block of structured settlement annuity business. New sales for this product were discontinued in 2003.

For more than 30 years, Transamerica Reinsurance has worked closely with life insurance and financial services companies to provide mortality risk and capital management solutions for individual life insurance and annuity products. These direct relationships result in a more complete understanding of the risks being assumed and provide valuable insights into the needs of clients and trends within the marketplace.

In the United States, Transamerica Reinsurance provides traditional life reinsurance solutions for Term, Universal Life, Variable Universal Life and Whole Life Products. Reinsurance products include coinsurance, yearly renewable term (YRT) and modified coinsurance agreements. In recent years, most clients seeking reinsurance of term life insurance contracts are opting for coinsurance reinsurance agreements to achieve both mortality risk transfer and reserve financing. Additionally, clients looking for ways to stay competitive in the individual life insurance market can work jointly with Transamerica Reinsurance experts to develop, underwrite, and administer these products. Transamerica Reinsurance offers a continuum of back office services for life insurance: from product development to private label creation.

In the annuity reinsurance market, Transamerica Reinsurance offers traditional coinsurance and modified coinsurance programs as well as reinsurance of general account guarantees on variable annuity products.

Transamerica Reinsurance has an established presence in the Asian and Latin American life reinsurance markets with offices in Taiwan, South Korea, Hong Kong, Japan, Mexico, Chile, and Brazil. Transamerica Reinsurance brings value internationally through customized solutions including coinsurance financing, product development and related quota share programs, as well as traditional life reinsurance.

Transamerica Reinsurance writes business through various AEGON companies in the United States, as well as through offshore affiliates in Bermuda and Ireland: Transamerica International Re Bermuda Limited and Transamerica International Reinsurance Ireland Limited.

Pension Group

The Pension Group includes Diversified Investment Advisors, Transamerica Retirement Services, Transamerica Retirement Management, and Transamerica Investment Management, LLC.

Diversified Investment Advisors (Diversified) is a registered investment advisory firm dedicated to retirement plan management. Diversified provides a customized approach to retirement plans, which includes comprehensive investment, administrative, and technical services for 401(k), 403(b), defined benefit, profit sharing, money purchase, NQDC, and 457(b) plan types. Diversified provides retirement products and services for the mid to large-sized pension market, which generally includes companies with between 250 and 100,000 employees and with between USD 5 million and USD 1 billion in pension assets. These products and services are sold through a variety of intermediaries, including benefit consulting firms, broker-dealers, and brokers.

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Transamerica Retirement Services (TRS) serves the markets of defined contribution retirement plans and group fixed annuity contracts to qualified retirement plan sponsors terminating their defined benefit pension plans. In the defined contribution retirement plan market, TRS provides customized retirement plan solutions for more than 14,500 small and mid-sized businesses, including multiple employer plans. TRS offers a full line of 401(k), profit sharing, age-weighted, and new comparability retirement plans. TRS distributes these products and services through intermediaries, including life agents, brokers, registered representatives, and financial planners, as well as through a series of strategic alliance relationships, including wirehouses, regional broker-dealers, and banks. TRS distinguishes itself from its competitors by focusing on innovative plan design and Employee Retirement Income Security Act (ERISA) expertise and by offering a broad range of investment choices and employee educational services.

TRS is also a leading provider in the market for terminal funding, a single premium non-participating group annuity product for terminating defined benefit plans. This market is primarily driven by certain market forces such as merger and acquisitions, business closures, and the need for plan-related cost savings. The financial strength and stability of AEGON USA s insurance subsidiaries are key competitive factors as this market requires the effective management of long-term pension liabilities. The terminal-funding product is distributed primarily through large benefit consulting firms or selected specialty brokers.

Transamerica Retirement Management (TRM) was created in 2006 and is expected to be fully operational in the second quarter of 2007. This new division provides the baby-boomer generation with access to simple yet comprehensive life planning products, services and retirement solutions. Through its Transition and Retirement Advice Call Center, licensed transition experts are on call to help clients assess, define and reach their goals in retirement. The TRM website also has comprehensive assessment tools, education resources, and timely information geared toward a full and satisfying client experience.

Among TRM s offerings is a proprietary Retirement Management Account, which is a comprehensive lineup of competitive financial and insurance products in a single location, allowing easy management of clients income needs and asset growth opportunities. Clients can also address retirement health insurance needs, such as medigap and long term care.

Transamerica Investment Management (TIM) is a registered investment advisor that provides investment management services to mutual funds, institutional accounts, pension funds, variable annuity, variable life insurance company separate accounts, high net-worth individuals, and retail accounts.

AEGON Canada

Transamerica Life Canada (TLC) offers term and tax-sheltered universal life insurance, segregated funds, guaranteed interest accounts, and annuities. Money Concepts (Canada) Limited (MCC) is an independent Canadian financial planning company with an association of franchised planning centers that offers a diverse spectrum of planning products and services to investors. With 53 franchises across Canada, MCC is the only franchised financial planning company in Canada. MCC franchises and representatives benefit from AEGON Dealer Services Inc. (ADSCI), which provides advisors and distributors with mutual fund and segregated fund dealership capability. These services are also provided to TLC s and AEGON Fund Management Inc. (AFM) s advisors across Canada. 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.

Investment products

AEGON Canada s current investment product offerings comprise the following: segregated funds, mutual funds, segregated funds offered through strategic alliances with investment management companies, guaranteed investment accounts, single premium annuities, and leverage-lending programs through strategic alliances with bank and trust companies. The imaxx range of mutual funds is offered by AFM. TLC offers all of AEGON Canada s other investment products.

Life insurance products

TLC s Life Products business unit provides life insurance products for individuals and companies across Canada. The portfolio includes universal life and traditional life insurance, predominantly term life and permanent life insurance, as well as accidental death and out-of-the-country medical insurance.

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AEGON Canada s principal means of distribution include various networks that are almost exclusively supported by independent advisors. The key channels of distribution are:

- Independently managed general agencies
- TLC-owned and operated Profit Center Agencies
- Bank-owned national broker-dealers
- World Financial Group
- Other national, regional and local niche broker-dealers

iii Asset liability management

AEGON USA s insurance subsidiaries 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 subsidiaries. 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.

iv Reinsurance ceded

AEGON USA reinsures portions of its life insurance exposure with unaffiliated insurance companies under traditional indemnity, quota share reinsurance contracts, and, in some instances, excess loss reinsurance. Such reinsurance arrangements are in accordance with standard reinsurance practices within the industry. AEGON USA enters into these arrangements to assist in diversifying its risks and to limit the maximum loss on risks that exceed policy retention limits. The maximum retention limit on any one life varies by product and risk classification, and is generally between USD 300,000 and USD 3,000,000. AEGON USA remains contingently 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 USA annually monitors the creditworthiness of its primary reinsurers. It has experienced no material reinsurance recoverability problems in recent years. Where deemed appropriate, additional protection is arranged through letters of credit or trust arrangements, and, for certain arrangements, funds are withheld for investment by the ceding company. AEGON USA s insurance subsidiaries also enter into reinsurance contracts with affiliated domestic and offshore companies. These have been eliminated in the consolidated statements, except for certain arrangements that involve producer profit-sharing arrangements.

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In the normal course of business, AEGON Canada limits the amount of loss on any one life and on certain levels of risk in various areas of exposure by reinsuring these risks with other insurers. The maximum life insurance exposure retained on any one individual is CAD 1.25 million.

Reinsurance ceded does not discharge AEGON Canada s liability as the primary insurer. Failure of reinsurers to honor their obligations could result in losses to AEGON Canada. Consequently, AEGON Canada evaluates the financial condition of its reinsurers and monitors their credit risk to minimize its exposure to losses from reinsurer insolvency. AEGON Canada only contracts business with reinsurers who are registered with the Office of the Superintendent of Financial Institutions Canada.

v 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 sales and marketing units of traditional life products focus on a variety of markets, including the middle, upper-middle and affluent markets. All the units face significant competition. Genworth, Pacific Life, Lincoln National, John Hancock, Sun Life, Metropolitan, Prudential, AIG, and ING are among the main competitors. The result is a highly competitive marketplace and increasing commoditization in some product categories. In this kind of environment, AEGON USA believes the best and most enduring competitive advantages are relationships and service. In the middle income and young family markets, AEGON USA has seen significant growth in demand for traditional life products, leading to an increase in the number of agents in this market. AEGON USA attempts to balance return and sales growth requirements when offering traditional life products to senior and more affluent markets. This is due to significant price competition for sales to these markets and for sales through brokerage distribution.

TOLIC 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, John Hancock, Pacific Life, Met Life, Nationwide, Lincoln National, and AXA/Equitable.

The top five competitors in the mutual fund market are generally larger equity-based mutual fund families: American Funds, Franklin Templeton; Oppenheimer; Goldman Sachs; and Columbia Management Group.

The current low interest rate environment coupled with a flattening of the yield curve makes it difficult for a fixed annuity to compete with a certificate of deposit (CD), since yields on short-term CDs are often higher than the yields AEGON USA can offer in its annuity products. AEGON USA has built long-term relationships with many institutions, and these relationships have enabled AEGON USA to offer other product lines such as 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, Genworth, Glenbrook, Jackson National, and Nationwide.

Variable annuity sales have declined due to the removal of the guaranteed minimum income benefit (GMIB) early in 2003. From late 2004 through May 2006, the introduction of new guaranteed lifetime withdrawal products, which utilize certain asset allocation portfolios to help manage risk, constituted the most recent effort to replace sales lost due to the discontinuance of the GMIB. While sales have not been quite as successful as they were in the GMIB product, this product design has been successful and is now the most common living benefit design. AEGON USA expects growth in this product line with the anticipated launch of new products in May 2007. Such products include a Guaranteed Minimum Withdrawal Benefit rider and a variable annuity with lower mortality, expense and administrative charges. AEGON USA s primary competitors in the variable annuity market are Hartford, AXA/Equitable, Met Life, John Hancock, Prudential/American Skandia, Lincoln National and Pacific Life.

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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, municipalities, U.S and international banks, and other capital market sectors.

AEGON USA believes it is a leading issuer of synthetic GICs (source: reports from LIMRA International and Stable Value Investment Association, Stable Value and Funding Agreement Products, 2006 Third Quarter Sales, Landmark Strategies 2005 Stable Value Wrap Issuance Survey, IMD Market Research). IMD pioneered the use of synthetic GICs in 1991 and competes against banks such as Bank of America, IXIS Financial Products Inc (IXIS), JP Morgan, Rabobank, State Street Bank, and Union Bank of Switzerland as well as insurance companies such as AIG and ING. IMD is also among the top ten traditional GIC providers. 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 Stable Value Investment Association, Stable Value and Funding Agreement Products, 2006 Third Quarter Sales, IMD Market Research).

Funding agreement backed, medium-term notes are marketed by AEGON in the United States and abroad. Monumental Life Insurance Company, the insurance company that issues these funding agreements, is among the top ten issuers in this fast-growing segment (source: Standard & Poor s Funding Agreement Backed-Note Issuance totals USD 23.7 billion for the first three quarters of 2006 , publication date October 19, 2006). AIG, Allstate, New York Life, John Hancock, Metropolitan Life, Principal Financial, and Pacific Life also have leading positions.

AEGON USA holds a leadership position among issuers of floating rate funding agreements sold directly to money market funds (source: reports from LIMRA International and Stable Value Investment Association, Stable Value and Funding Agreement Products, 2006 Third Quarter Sales, company SEC filings, iMoneynet, IMD Market Research). Other leading competitors in this market are Genworth Financial, ING, Metropolitan Life, and New York Life.

IMD manages a book of USD 5.5 billion to USD 6.0 billion (book value) in funding agreements/investment contracts issued to municipalities. The leading competitors in the municipal GIC market are AIG, Bayerische Landesbank, FSA, General Electric, and MBIA.

AEGON USA s major life reinsurance competitors vary based upon solutions and geographical markets. The main competitors are Reinsurance Group of America, Swiss Re, Munich Re, and Scottish Re. In 2005, Transamerica Reinsurance was among the top global life reinsurers (S&P) and top life reinsurers in the United States (Munich American Re/SOA).

Within the United States, conditions continue to favor large, financially strong reinsurers such as Transamerica Reinsurance 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, Principal, Mass Mutual, New York Life, and AIG VALIC. 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, Fidelity, and ING.

Canadian life insurance marketplace

The top ten companies in Canada account for 89% of the life insurance sales (source: LIMRA study Fourth Quarter 2006, issued February 2007). AEGON s primary competitors in Canada are; Manulife, Sun Life, Industrial-Alliance, London Life, RBC Life, Canada Life, American International Group (AIG), Empire Life, Standard Life, and Desjardins Finance.

AEGON Canada ranks fourth in overall individual life insurance sales (new business premiums) with a market share of 9.4% as of December 31, 2006, up from 9.0% a year earlier. AEGON Canada ranks fourth in universal life sales representing 12.7% of the market and fourth in term life sales representing 9.3% of the market (source: LIMRA study Fourth Quarter 2006, issued February 2007).

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vi Regulation

AEGON USA

AEGON USA s insurance subsidiaries 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 continue to 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), also known as the Model Act . The 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 AEGON USA s insurance subsidiaries 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. Also pending before the Congress is legislation that would restrict the ability of insurers to underwrite based on specified risks, such as travel to certain countries. 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.

Both, the Federal Trade Commission (FTC) and the Federal Communications Commission (FCC) previously revised their telemarketing rules, according to the Telemarketing and Consumer Fraud and Abuse Prevention Act and the Telephone Consumer Protection Act. The FTC and FCC rules prohibit telephone solicitations to customers who have placed their telephone numbers on the National Do-not-call Registry. Some AEGON subsidiaries have seen a reduction in their telemarketing efforts because of the revised FTC and FCC rules.

Legislation has been introduced in the US Congress that would amend the McCarran-Ferguson Act to make the federal anti-trust laws applicable to the business of insurance. Applicability of the proposal is limited to the extent that insurance is not regulated by State law. If this legislation is enacted, the Federal Trade Commission and the US Department of Justice will have authority to enforce federal anti-trust laws against insurers. The insurance industry considers the involvement of the Federal Trade Commission and the Department of Justice in the business of insurance as burdensome and likely to be duplicative of state insurance regulation.

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. AEGON USA s mutual funds 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 subsidiaries 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 as private placements and are exempt from registration under both acts.

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Some of AEGON USA s subsidiaries are registered as broker-dealers under the Securities Exchange Act of 1934, referred to as the Securities Exchange Act and with the National Association of Securities Dealers, Inc. or NASD . A number of AEGON USA s subsidiaries are also registered as investment advisors under the Investment Advisers Act of 1940. AEGON USA s 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, market timing , late trading , and valuation issues involving mutual funds and life insurance separate accounts and their underlying funds. AEGON USA subsidiaries, 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 subsidiaries historical and current practices with respect to these and other matters. Some of those inquiries have led to formal investigations, which remain open or have resulted in fines, corrective actions or restitution. AEGON USA subsidiaries continue to cooperate with these regulatory agencies. 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 the first of the estimated 77 million baby boomers reached the age of sixty last year, 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 recent investigations by various state regulators.

In certain instances, AEGON subsidiaries modified business practices in response to inquiries or the findings thereof. Certain AEGON subsidiaries 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.

Some of AEGON USA s subsidiaries offer products and services to pension and welfare benefit plans that are subject to ERISA. ERISA is administered by the Department of Labor (DOL) and Internal Revenue Service (IRS). Accordingly, the DOL and IRS have jurisdiction over these AEGON USA businesses.

AEGON 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.

Although the insurance business is regulated on the state level, the US federal tax preferences of life insurance 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, are often debated in the US Congress. This risk is heightened this year as Congress has reinstituted the old 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.

Moreover, legislative proposals which impose restrictions on employment-based savings plans, such as pending legislative proposals imposing new 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.

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. The legislation makes permanent the EGTRRA (Economic Growth and Tax Relief Reconciliation Act of 2001) provisions (previously set to expire in 2008) which increase the contribution limits to 401(k) and other qualified employment-based retirement savings plans and IRAs, as well as the EGTRRA provisions which make permanent the exemption from income tax for distributions from 529 college savings plans. It also provides flexibility needed to encourage the development of combination insurance products, such as annuities and long-term care products. Finally, the pension reform legislation imposes new restrictions on the tax-deferred treatment of earnings on corporate-owned life insurance (COLI), while preserving the use of this product by companies.

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AEGON 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 companies also provide plans used to administer benefits distributed upon termination of defined benefit plans. However, the exact extent of either the decline of defined benefit pension plans or the increased savings that results from the pension reform legislation and the competition for business opportunities resulting from such legislation is still unknown.

Pending regulations under the pension reform legislation will, among other matters, specify appropriate default investments for contributions to qualified employment-based plans under the legislation s new automatic enrollment provisions. These provisions provide plan sponsors certain liability protection for investment of new contributions automatically made to the plan if a plan participant has not otherwise designated the plan funds in which such contributions are to be invested. Failure to include certain life insurance products as acceptable default investments will adversely impact the sale of those products to employment-based plans.

In addition, the US Congress is reviewing the fees charged to both sponsors of and participants in employment-based savings plans for plan services and investments, and will likely consider legislative proposals to increase the disclosure and transparency of such fees. Any proposals that seek to restrict such fees and services to employment-based plans, however, will adversely impact AEGON companies that provide administration and investment services and products to such 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 2007. 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 Associations, Mutual Fund Dealers Association, and Investment Funds Institute of Canada.

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The Netherlands

i General history

AEGON s operations in the Netherlands are collectively referred to as AEGON The Netherlands. AEGON The Netherlands is active in both the life and non-life insurance businesses, provides banking, financial, and asset management services, and is involved in distribution (intermediary) activities and pension administration.

The head office of AEGON The Netherlands is located in The Hague, with additional offices in Leeuwarden, Groningen, and Nieuwegein.

Total employment of AEGON The Netherlands on December 31, 2006 was 6,404, including 1,356 agents.

AEGON The Netherlands primary operational subsidiaries are:

- AEGON Levensverzekering N.V.
- AEGON Schadeverzekering N.V.
- AEGON NabestaandenZorg N.V.
- AEGON Spaarkas N.V.
- AEGON Bank N.V.
- Spaarbeleg Kas N.V.
- AXENT/AEGON Sparen N.V.
- Unirobe Meeùs Groep B.V.
- TKP Pensioen B.V.
- Nedasco B.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.

The three SO s that have been structured to serve different sales channels are the following:

- Corporate & Institutional Clients (C&IC) focuses on large companies and institutional clients such as company pension funds and industry pension funds;
- AEGON Intermediary focuses on independent agents;
- AEGON Spaarbeleg works with tied agents as well as making direct sales.

Various activities have been clustered as support units and are coordinated centrally, for example marketing, IT, and facilities services. The distribution activities of the Unirobe Meeùs Groep and Nedasco form a separate cluster of activities, as do the pension administration activities of TKP Pensioen. The Unirobe Meeùs Groep was formed in 2006 subsequent to the purchase of the remaining 55% of the shares of Unirobe in September 2006.

ii Products and distribution

AEGON The Netherlands offers five product lines:

- Pensions
- Life insurance (including mortgages)
- Non-life insurance
- Banking
- Asset management

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Pension products

Pension products are mainly sold through the sales organizations C&IC and AEGON Intermediary.

The main pension products are:

- Products for company/industry pensions funds
- Products for large companies
- Products for small and medium-sized enterprises
- Products for individuals

For the majority of the company/industry pensions funds and some large companies, AEGON The Netherlands provides full service pension solutions and via TKP Pensioen, also administration-only services. The full service pension products for account of policyholders are separate account group contracts with or without guarantees. Profit sharing is based on the return of a pool of investments. The assets are owned by AEGON The Netherlands but earmarked to form the basis for profit sharing for these contracts. 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 do 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).

Life insurance and mortgage savings products

Life insurance products are sold mainly by the sales organizations AEGON Intermediary and AEGON Spaarbeleg. The products are predominantly standardized financial products. The most important products are detailed below.

Universal life products

Universal life products are mainly endowment and savings type products, both single premium and recurring premiums with profit sharing based on a selected fund performance. A customer may choose from a variety of AEGON funds. AEGON The Netherlands has issued a guarantee of 3% for investments in the Mix Fund and the Fixed Income Fund (4% on policies sold before the end of 1999) at the maturity date providing the policyholder has invested in these funds for a consecutive period of at least ten years or on the demise of the insured. AEGON The Netherlands also provides immediate annuities for own and third party money.

Mortgage savings products

AEGON The Netherlands provides mortgage loans to customers for a period of twenty or thirty years. The loan is repaid in full or in part at the redemption date with the proceeds from a savings policy. AEGON The Netherlands provides a wide range of possible ways to invest and also offers an interest-only version. If the insured dies within the policy contract period, the benefit payment from the pledged life insurance policy is used to repay the mortgage loan. The interest paid on the loan is usually tax deductible, and the customer retains the full income tax benefit over the contract period.

Term life and funeral insurance products.

AEGON The Netherlands provides a broad selection of separate life insurance policies and has a significant position in funeral insurance.

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Non-life products

Non-life insurance products are mainly sold by the sales organization AEGON Intermediary. Non-life products consist primarily of accident and health (subject insurance) and property and casualty (object insurance). Over the past few years, the Dutch government has gradually withdrawn from the sick leave and workers disability market. In 2006, AEGON The Netherlands developed new disability products for the group employee benefits market to address changing needs as a result of the new disability system in the Netherlands as outlined in the WIA law (Law on Work and Income by work capacity). The distribution of subject products is not limited to the AEGON Intermediary channel but also includes the Corporate & Institutional Clients sales organization. In the property and casualty segment, AEGON The Netherlands provides products for the corporate and retail market.

Banking

Banking products are sold under the Spaarbeleg and AEGON Bank labels through all three sales organizations. Most of these products are savings accounts and investment plans with straightforward conditions accessible predominantly via Internet banking. In 2006, AEGON The Netherlands introduced an offering in the new Levensloop (life cycle) market. This savings product is a tax-friendly means for individuals to save for paid leave or early retirement.

Asset management

Asset management products are sold mainly via the sales organization C&IC. 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 fiduciairy 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.

Other activities

AEGON The Netherlands other activities consist primarily of the distribution units of the Unirobe Meeùs Groep, which is an AEGON Intermediary company specializing in insurance and real estate, and Nedasco. The Unirobe Meeùs Groep was created in 2006 to cluster the activities of the Meeùs Group with those of the Unirobe Group following the purchase of the remaining 55% of the shares of Unirobe in September 2006. Within the financial advice segment, the Unirobe Meeùs Groep has developed a broad range of activities such as insurance, pensions, mortgages, financing, savings, and investments. In the real estate business, Meeùs acts as a broker of both residential and corporate property. Meeùs is also active in the real estate management business.

iii 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 joined real estate investments. Furthermore, Amvest Vastgoed B.V. manages a separate real estate portfolio of AEGON The Netherlands.

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iv Reinsurance ceded

AEGON The Netherlands reinsures portions of its insurance exposure with unaffiliated insurance companies under traditional indemnity, quota share reinsurance contracts, and, in some instances, excess of loss reinsurance. Such reinsurance arrangements are in accordance with standard reinsurance practices within the industry. AEGON The Netherlands enters into these arrangements to assist in diversifying its risks and to limit the maximum loss on risks that exceed policy retention limits.

AEGON The Netherlands remains contingently 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 The Netherlands annually monitors the creditworthiness of its primary reinsurers. It has experienced no material reinsurance recoverability problems in recent years. Where deemed appropriate, additional protection is arranged through letters of credit or trust arrangements, and, for certain arrangements, funds are withheld for investment by the ceding company.

Life

Reinsurance takes place through a profit-sharing contract between AEGON Levensverzekering N.V. and Swiss Re. The contract is set up so that AEGON NL retains a maximum exposure of EUR 900,000 per insured person with respect to death risk and EUR 25,000 annually for disability risk. Risks in excess of these retentions are transferred to the reinsurer.

Non-life

In the fire insurance business, an excess of loss reinsurance strategy is in place with retention of EUR 5.0 million (2007: EUR 3.0 million) per risk and EUR 21.0 million (2007: EUR 20.0 million) per event. The motor liability business is also reinsured on an excess-of-loss basis with retention of EUR 2.5 million per event.

v 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, Achmea (Eureko), 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 77% of premium income in The Netherlands (source: DNB Regulatory Returns 2005). In the pensions market AEGON The Netherlands ranks second behind ING, whereas in the individual life insurance market AEGON The Netherlands takes fourth place behind ING, Achmea and Fortis (based on premium income, source: DNB Regulatory Returns 2005).

AEGON The Netherlands is one of the smaller players on the non-life market. Achmea, Fortis, Delta Lloyd and ING have a market share of approximately 46% whereas the rest of the market is very fragmented. The market share of AEGON The Netherlands is around 3% (source: DNB Regulatory Returns 2005).

In recent years, several changes in regulations have limited opportunities in the Dutch life 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, to be implemented in 2007). 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.

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vi 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 allocation of responsibilities between the AFM and DNB is formalized in a covenant. The AFM is responsible for supervising corporate governance and business conduct of organizations on the financial markets savings, investments, insurance, and credit activities. DNB oversees the strength of the financial system and its institutions. Regulations pertaining to the supervision of financial institutions referred to as Wet Financieel Toezicht (Act on Supervision of the Financial System) were passed in 2005 and will take effect in January 2007. This law will incorporate eight Acts in which the supervisory tasks of DNB were previously detailed.

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, pursuant to the Act on the Supervision of Insurance Companies 1993 mandate. Under this mandate, all life and non-life insurance companies that fall under DNB s supervision must file audited regulatory reports. These reports are primarily designed to enable DNB to monitor the solvency of the insurance company involved. The reports include a (consolidated) balance sheet, a (consolidated) income statement, extensive actuarial information, and detailed information on the investments.

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.

Spaarbeleg Kas N.V.

AXENT/AEGON Sparen 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.

Banking institutions

AEGON Bank N.V. falls under the supervision of the DNB, pursuant to the Act on the Supervision of the Credit System 1992 mandate, and must file monthly regulatory reports and an annual report. The annual report and one of the monthly reports must be audited.

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United Kingdom

i General history

AEGON UK is a leading manufacturer, fund manager, and distributor of pension, protection and investment products.

The principal holding company within the AEGON UK Group of companies is AEGON UK plc (AEGON UK), incorporated as a public limited company under the Companies Act 1985. AEGON UK, a company limited by shares, has its registered office in England. It was incorporated on December 1, 1998.

Total employment on December 31, 2006, was 4,639, which includes 150 agent-employees.

The primary operating subsidiaries of AEGON UK are:

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

AEGON UK is operationally structured into four distinct businesses:

AEGON Individual all operations relating to the individual investment, protection, and pension markets in the United Kingdom. This business operates under the AEGON Scottish Equitable brand name.

AEGON Corporate all manufacturing and scheme administration operations relating to the corporate pension and employee benefits markets in the United Kingdom.

AEGON Asset Management investment management operations.

AEGON UK Distribution intermediary distribution and advice businesses.

The principal offices of AEGON UK are Edinburgh (Scotland), London (England), Lytham (England), and Dublin (Ireland).

ii Products and distribution

AEGON UK is a major financial services organization specializing in the long-term savings and protection markets. AEGON UK sells a range of products through financial advisor channels in the United Kingdom. The business is centered on two core markets: individual and corporate customers. This segmentation is driven by a desire to place the customer at the heart of the strategy.

Pensions

Changes to many aspects of UK pension legislation and taxation continue to impact the industry. The most significant change relates to the introduction of a simpler and unified tax regime, which now applies to all types of pension arrangements. This was implemented in April 2006 and has impacted all UK pension providers. AEGON UK has supported its distribution channels by seeking to ensure they have an appropriate product range and by helping them to focus on the opportunities presented by these changes.

Sales of more specialized pensions remain strong, particularly phased retirement products. These allow individuals to access part of their pension income without having to fully purchase an annuity until a later date.

Self invested pensions have increased in popularity, fueled partly by the changes to pension legislation in the UK in April 2006 and partly by increasing desire among individuals to retain control over their own investment.

AEGON believes that its high standards of service are a key market differentiator for AEGON UK, with technology increasingly being used to improve efficiency for providers and advisors. AEGON UK is building on its success with SmartScheme, AEGON UK s technology solution to pension administration. The company is involving financial advisors and clients in developing technology solutions to ensure that all parties derive benefit.

Individual Pensions

AEGON Individual Pensions offers a comprehensive range of pension products, including stakeholder pensions, personal pensions, pensions for executives, transfers from other plans, phased retirement, unsecured pensions (USP), alternatively secured pensions (ASP) and self invested personal pensions (SIPP).

For the high-net-worth market AEGON Individual Pensions offers a SIPP that allows the policyholder to invest in a wide range of investments, including insured funds, a fund supermarket and property. This SIPP includes facilities for investing for retirement and the full range of post-retirement facilities (USP, ASP, phased retirement). It is also supported by a good range of technological support, including a risk profiling tool and on-line viewing facilities.

Group Pensions

Group pensions is a key business area for AEGON Corporate. These are pension arrangements for the employees of corporate customers that cover a range of benefit options and which are predominantly defined contribution. At retirement, cash up to the maximum allowed can be taken, with the remainder of the pension fund used to purchase an annuity or to invest in a drawdown policy until the age of 75. AEGON Corporate also sells and administers defined benefit pension schemes. The market for new defined benefit plans has decreased in recent years, but opportunities remain to take over the administration and investment of existing plans. A group SIPP contract has also been launched to provide all the benefits of the individual SIPP contract to group pension plans.

Individual Annuities

The pension legislation changes of April 2006 have resulted in new opportunities for annuity contracts. In the UK, pension plans have to be converted into income when they come to retirement. One option for retirees is an annuity contract to provide their retirement income. AEGON UK has seen an increase in new business this year because of the change in rules on tax-free lump sums, with more people wanting to combine several pensions together into one higher annuity and is currently developing a capital protection option for launch during 2007.

AEGON UK is continuing to invest in improving our systems and servicing processes, to improve our ability to gain market share from our main competitors. This will provide us with the platform to develop into a top player in this market and develop additional products to complement our Compulsory Purchase Annuity and Immediate Vesting Personal Pension Annuity.

Investment Products

Designed for customers in the United Kingdom, the investment products proposition is made up of the investment bond offered by AEGON Scottish Equitable (the onshore bond) and the products offered by AEGON Scottish Equitable International (the offshore contracts).

The onshore bond is a life contract which offers a wide range of investment choices including funds managed by some of the world s leading managers. It is a mass-market product aimed at pre-retirement and retirement customers looking for growth and /or income.

The offshore contracts are, historically, aimed at the high net worth market giving valuable tax advantages and a wide investment choice. Offshore investment contracts are increasingly forming part of the holistic retirement planning process. This is because there is less restriction on how and when benefits can be taken. The growing trend of the British retiring abroad again favors offshore contracts.

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An offshore contract 5 for Life was launched in 2006. Based on the United States variable annuity product and using the hedging expertise of AEGON USA, this was the first personal investment contract available to the UK market that offered a guaranteed income for life.

The number of estates falling within the UK Inheritance Tax market continues to drive demand for trust-based solutions to mitigate potential tax liabilities. AEGON Scottish Equitable International offers a range of trusts to support inheritance tax planning.

Individual protection

AEGON Scottish Equitable is now established as a top 5 provider, as measured by market share (Source: Association of British Insurers, 2006). Products are distributed through intermediated advice channels AEGON Scottish Equitable offers a menu product, which can meet the personal and business protection needs of individual and corporate customers, and will launch a basic product in 2007 to take advantage of new distribution opportunities.

Group Risk

AEGON Corporate offers a range of group risk products exclusively through financial advisors. These products are provided to employers who use them as part of their wider employee benefits and remuneration strategy. Products in general are sold on a standard employer paid basis, however there is increasing interest in placing these products as part of the flexible benefit offering, allowing an element of employee choice over product selection as well as benefit levels.

Distribution is heavily concentrated with the top 12 intermediaries accounting for 80% of total market revenue (Source: Association of British Insurers, 2006). The main intermediaries involved in this market are specialist Employee Benefit Consultancies.

Benefit solutions

AEGON Corporate provides employee benefit communication software via a limited number of independent distributors in the corporate market. The software provides solutions for flexible benefits; total reward statements; holiday and absence management; pension aggregation and forecasting; self-service HR; discounted voluntary benefits; generic financial education in the workplace and full self-service administrative functionality of the employee benefit package. The platform is modular so clients can pick and choose the services they require.

Mutual funds

AEGON Asset Management UK (AAM UK) is a major provider of asset management services both within the AEGON UK group and to institutional customers and individuals. As of December 31, 2006, AAM UK managed and administered approximately GBP 49 billion of funds, providing both mutual and segregated funds for clients.

Financial Advice

AEGON UK s principal means of distribution is through the intermediated financial advice channel in the United Kingdom. These advisors provide their customers with access to varying numbers and types of products depending on their regulatory status.

There are an estimated 60,000 active registered financial advisors in the United Kingdom, many of whom are grouped into networks of advisors that act as large national distributors. This estimate of financial advisors operating in the multi-tied, single-tied, whole of market, and Independent channels, reflects different levels of restriction on the number of providers products that can be sold or advised on. AEGON UK has strong relationships with financial advisors across the market.

AEGON UK, through Origen Financial Services Ltd and Positive Solutions (Financial Services) Ltd, delivers advice relating to the financial needs of both individual and corporate customers. Origen uses a range of distribution methods, primarily face-to-face contact but also media and worksite marketing, and distribution agreements with closed-book life offices. Positive Solutions provides management services to self-employed Individual Financial Advisors via sophisticated technology platforms, to support the advice and transaction processes.

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iii Asset liability management

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

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 then 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 investment scenarios on the solvency of each of the fund. These reports allow the central investment strategy for the with-profit funds to be discussed and are summarized for the AEGON UK Board. During 2006, the investment strategies of the funds were reviewed using economic capital measures and some refinements were made as a result.

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 monthly to monitor performance of the investment managers against fund benchmarks and, as appropriate, sets benchmarks/risk profiles for funds. Additionally, the investment committee of the AEGON UK Board reviews the policies and processes of its internal manager on a quarterly basis.

Investment exposure to any single counterparty is limited by an internal framework that reflects the limits set by the regulatory regime. This applies both within asset classes (equities, bonds and cash) and across all investments.

iv Reinsurance ceded

In general the approach adopted within AEGON UK is to limit morbidity and mortality risk through widespread use of reinsurance. For mortality and morbidity new business the policy is to substantially reinsure risk. Currently this results in reinsurance of around 85% of the benefit at risk for long-term business and 30% for short-term business. Variations from this level will occur from time to time to reflect the terms available in the market, the type of business (life, critical illness, permanent health insurance) and the length of risk involved.

For longevity risk prior to 2002, AEGON UK perceived reinsurance terms to be attractive for the risk of improving mortality under immediate annuities relative to the typical prices for these products. Since then, however, this has not been the case and therefore we have not reinsured longevity risk.

Reinsurer quality is sought by targeting a credit rating of AA. Any decision to use a reinsurer with a lower credit rating requires approval of the local Risk and Capital Committee and discussion with Group Risk where both the credit quality of the reinsurer and the type of risk being covered will be considered. As a reflection of the insurance industry in general there has been a reduction in the credit rating of reinsurers and this has resulted in a greater need to refer decisions to the reinsurance committee. However the policy remains to seek reinsurers with AA rating where this can be achieved on economic terms.

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v Competition

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

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

The retail investment market is very fragmented although there is a trend toward consolidation. The way in which mutual funds are accessed continues to evolve due to the increasing role of platform services within the market.

The institutional market has sustained its appetite for specialist fixed-income mandates, moving away from equities. Large global bond managers continued to gain prominence in the UK marketplace, while domestic providers have worked to develop their own capabilities.

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 led to advisors choosing to operate on a multi-tied, single-tied, whole of market, or independent basis. There has been significant consolidation activity with further consolidation expected as a result of financial pressures in the market, but fragmentation remains high. There are few firms with a nationwide presence or a well-known brand outside local areas.

vi Regulation

The relevant AEGON UK companies are regulated by the Financial Services Authority under the Financial Services and Markets Act 2000. Regulation was extended to mortgage advisors from November 1, 2004 and general insurance brokers from January 15, 2005.

The Financial Services Authority acts as both 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) enter into direct contracts with the Financial Services Authority as Approved Persons. As such, they are subject to rigorous pre-appointment checks on their integrity and competence, and they are subject to ongoing supervision throughout their mandate as Approved Persons and for a limited period afterwards.

The 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.

Central Eastern European Region

i General history

AEGON s Central Eastern European Region (AEGON CEE) was created in 2006. The member countries are AEGON Hungary, AEGON Poland, AEGON Slovakia and AEGON Czech Republic.

AEGON CEE is involved in both the life and non-life insurance businesses and provides a range of financial, pension fund and asset management services. On December 31, 2006, AEGON CEE employed a total of 1,195 employees.

AEGON CEE s primary operational units are as follows:

- AEGON Hungary Composite Insurance Company,
- AEGON Hungary Investment Fund Management Company Limited by Shares,
- AEGON Hungary Pension Fund Management Company Limited by Shares,
- AEGON Credit Finance Company Limited by Shares (Hungary),
- AEGON Hungary Real Estate Limited Company ,
- AEGON Life Insurance Company (Poland),
- AEGON Life Insurance (Slovakia),
- AEGON Pension Fund Management Company (Slovakia),
- AEGON Life Insurance (Czech Republic).

In Hungary, AEGON Credit Finance Company was officially registered on July 13, 2006, and started operations in November 2006. Its principal business is to provide mortgage financing to the retail market in Hungary.

On July 1, 2006, AEGON converted the branch office of its Slovakian life insurance operations into a separate stand-alone legal entity.

On November 9, 2006, AEGON announced that it had agreed with Ergo Hestia to buy 100% of the pension fund management company PTE Ergo Hestia S.A. in Poland. The acquisition is subject to approval by the Polish Financial Supervision Commission and anti-trust authorities, but is expected to be completed in 2007.

ii Products and distribution

AEGON CEE offers life insurance and pension products, in case of AEGON Hungary, non-life insurance products as well. The region s core business products are life, pension, mortgage, and household insurance. The life insurance product portfolio consists of traditional general account products and unit-linked products, although in recent years unit-linked sales have been significantly higher than general account product sales. Margins for household insurance in Hungary are attractive, and they present considerable opportunities for cross-selling life insurance products. Property and car insurance are also represented in the portfolio, but are not considered core products.

Pension products

Pension insurance is a core business product of AEGON Hungary and AEGON Slovakia. Pension fund administration services are also offered. The mandatory pension funds in Hungary and Slovakia, and the voluntary pension fund of AEGON Hungary, are among the largest in their countries in terms of the number of members and the assets they had under management (Source: www.pszaf.hu; Association of Pension Fund Management Companies, Slovakia). AEGON is aiming to grow its pension fund business by adding new members to its existing funds and by taking over other pension funds or starting greenfield activities in new countries.

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Traditional general account products

Traditional products are marginal in all countries apart from for Hungary. These products include individual life policies that were issued before AEGON Hungary was privatized and became part of AEGON. Traditional general account products also include indexed life products that are not unit-linked but have guaranteed interest. AEGON Hungary no longer offers these products. In addition, traditional general account products include group life products and the preferred life product. Group life products are yearly renewable term products with optional accident and health coverage. Savings products for employee benefit programs are mainly traditional products with interest guarantee. In 2005, AEGON Hungary was the first to launch a preferred life product in the CEE region. This product is a term insurance with different competitive premium rates for four pre-determined risk categories.

Unit-linked products

Unit-linked products are AEGON CEE s most important products and make up the largest part of AEGON CEE s new sales. The unit-linked products cover all types of life insurance, including pensions, endowment and savings. AEGON Poland is the leading provider in the life insurance single premium market segment with its open-architecture, unit-linked products, which offer more than 80 investment funds managed by different fund managers (Source www.knf.gov.pl).

Mortgage loans

In Hungary, the newly-established company, AEGON Credit Finance Company (AEGON Credit), provides Swiss franc-denominated mortgage loans to the retail market. AEGON Credit also sells various endowment life, term life and household insurance product-riders to these loans.

Asset management

AEGON CEE provides asset management services through AEGON Hungary Investment Fund Management Co. It offers mutual funds to the public and manages the assets of the general account portfolio of AEGON Hungary Composite Insurance Co., as well as the unit-linked portfolios, the guaranteed fund of AEGON Poland and AEGON Hungary pension funds. It also supplies asset management services to third parties and AEGON Slovakia. AEGON Hungary Investment Fund Management Co. supervises all the investment activities in the Central and Eastern European region.

Distribution channels

AEGON CEE s main distribution channels are tied network, brokers and, especially in Poland, banks. Through the tied network, brokers and call centers, AEGON CEE sells life, pension and non-life products. Through banks, it sells life products and, through the loan centers, mortgages.

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iii Asset liability management

Asset liability management is overseen by the Risk and Capital Committee and Investment 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.

iv Reinsurance ceded

AEGON CEE has reinsurance ceded for both its life and non-life businesses. AEGON CEE s reinsurance partners are large reinsurers active in the European market with a minimum Standard & Poor s rating of A . The three most important reinsurance programs currently in operation are the Property Catastrophe Excess of Loss Treaty, the Motor Third Party Liability Excess of Loss Treaty, and the Property per Risk Excess of Loss Treaty. The majority of AEGON CEE s programs are non-proportional Excess of Loss programs. Additionally, AEGON CEE has smaller proportional treaties for individual and group life business. The retention level is EUR 5.9 million in the case of the Catastrophe Excess of Loss Treaty, EUR 0.4 million in the case of the Motor Third Party Liability Excess of Loss Treaty, and EUR 1.2 million in the case of the Property per Risk Excess of Loss Treaty.

v Competition

AEGON CEE is among the biggest players on the insurance markets in both Poland and Hungary. Based on 2005 premium income, it is the fourth largest in Poland and the fifth largest in Hungary (source: KNUiFE and Annual Report of Hungarian Insurance Association 2006). As AEGON Slovakia was incorporated in 2003 and AEGON Czech in 2004 only, AEGON is a less significant player in these countries.

On the Hungarian mandatory pension fund market, AEGON was ranked second in terms of the number of members it has and third in terms of its managed assets at the 2005 year-end. On Hungary s voluntary pension fund market, AEGON was ranked third in terms of the number of members and fifth in terms of its managed assets in 2005. (Source: www.pszaf.hu). Slovakia started a reform of its pensions system in January 2005. By the end of June 2006, the first wave of reforms was complete. The official ranking related to number of clients was made public on September 26, 2006 by Slovakia s Social Security System. Based on this, AEGON was ranked as the fourth largest company with a market share of 13%. In terms of managed assets AEGON was ranked fifth on the Slovakian market at the end of 2006 (Source: Association of Pension Fund Management Companies).

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vi Regulation

The following laws regulate the foundation, operation, and reporting obligations of insurance companies in this region:

- the Insurance Act (LX. 2003.) in Hungary;
- the Insurance Act (95/2002) in Slovakia;
- the Insurance Act (363/1999), as amended by Act No. 39/2004 in the Czech Republic;
- the Insurance Activity Act of May 22, 2003, in Poland.

All of the above acts comply with EU regulations. 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 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 (before its transformation to a fully-fledged, standalone company on June 30, 2006, AEGON Slovakia was a local branch office of AEGON Levensverzekering N.V. which fell under the supervision of the DNB, the Dutch regulator;
- the Czech Ministry of Finance oversaw the Czech insurance industry until April 2006 when the Czech National Bank took on this role;
- the Financial Supervisory Commission, or INF, in Poland.

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. AEGON Credit Finance Company also falls under the supervision of the Hungarian Financial Supervisory Authority (HFSA). Effective from 8 May, 2006 AEGON Hungary Investment Fund Management Company was licensed for managing European investment funds and thus from this date it can manage 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.

In addition, Hungary s 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 Credit). In addition, AEGON Credit Finance Company falls under the supervision of the Hungarian Financial Supervisory Authority (HFSA).

As a joint stock institutional investor in Poland, the overall investment operations of AEGON Poland are regulated by the country s Commercial Code. The Commercial Code applies to all commercial activities in Poland.

In addition, Poland s Act on Credit Institutions and Financial Enterprises (CXII. 1996.) regulates the foundation, operation and reporting obligations of the country s financial institutions.

Slovakia s pensions market is regulated by Act 43/2004 on pension asset management companies and respective notices.

Spain

i General history

In 2006, AEGON operated in Spain through two insurance companies: AEGON Seguros Salud and AEGON Seguros de Vida, subsidiaries of a holding company, AEGON España S.A. Administrative and operational services to all companies in Spain, including joint ventures with third parties, are provided by a separate legal entity: AEGON Administración y Servicios A.I.E.

AEGON first entered the Spanish market in 1980 by acquiring Seguros Galicia. This was followed by the acquisition of Union Levantina in 1987, Union Previsora in 1988, Labor Medica in 1996, La Sanitaria in 1997, Caja de Prevision y Socorro in 1997, and Covadonga at the end of 1999.

In 2004, AEGON Spain set up a strategic partnership with Caja de Ahorros del Mediterráneo (CAM). This partnership combines CAM s significant customer reach through its banking network with AEGON s expertise in life insurance and pensions.

In July 2005, AEGON Spain entered into a strategic partnership agreement with Caja de Badajoz (CB) aimed at setting up a new insurance company to sell AEGON Spain s life insurance, accident and pension products through the CB network. AEGON Spain will provide back office services for this joint venture company. In May 2006, the new company, Caja Badajoz Vida y Pensiones, started operations, having obtained regulatory approval.

In November 2005, AEGON Spain signed a strategic partnership agreement with the Spanish savings bank Caja de Ahorros de Navarra (CN), under which AEGON acquired a 50% stake in CN s life insurance and pensions subsidiary, Seguros Navarra S.A. The acquisition of 50% of Seguros Navarra S.A. took place in two tranches. In the fourth quarter of 2005, 15% was acquired, followed by another 35% in the first quarter of 2006.

On December 31 2006, AEGON Spain employed a staff of 221 employees.

AEGON Spain will continue to expand its life insurance business by strengthening its own agent distribution capabilities, by enhancing its existing bancassurance partnerships with CAM, CB and CN as well as pursuing new distribution opportunities.

ii Products and distribution

Over the past several years, AEGON Spain has focused on its life insurance business for portfolio growth. By marketing unit-linked variable life products through multiple distribution channels significant inroads have been made into a market traditionally dominated by banks.

AEGON Spain focuses on the individual consumer segment. AEGON Spain s principal lines of business are traditional life and unit-linked insurance products. These products are distributed on the one hand through the agency channel, using a network of agents and brokers and on the other hand, in the case of joint ventures with the above-mentioned saving banks, through their networks.

Individual life products are sold by specialized agents and brokers in urban centers and by the saving banks branch networks both in urban centers and rural areas. Group life products are distributed through banks and financial institutions as well as through brokers and specialized agents.

iii 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.

iv Reinsurance ceded

AEGON Spain has proportional reinsurance protection for individual risk policies and non-proportional protection for group risk policies.

Such reinsurance arrangements are in accordance with standard reinsurance practices within the industry. AEGON Spain enters into these arrangements to assist in diversifying its risks and to limit the maximum loss on risks that exceed policy retention limits. The maximum retention limit on any one life varies by product and risk classification, and is generally between EUR 45,000 and EUR 60,000. AEGON Spain remains contingently liable with respect to the amounts ceded if the reinsurer fails to meet the obligations it assumed.

AEGON Spain s reinsurers generally have a minimum A rating from Standard & Poor s. To minimize its exposure to reinsurer insolvencies, AEGON Spain annually monitors the creditworthiness of its primary reinsurers. It has experienced no material reinsurance recoverability problems in recent years. Where deemed appropriate, additional protection is arranged through funds that are withheld for investment by the ceding company.

v 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.

vi 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.

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Taiwan

i General history

AEGON Life Insurance (Taiwan) Inc. (AEGON Taiwan) is a life insurance company formed in 2001 to conduct life insurance business in the Republic of China. AEGON Taiwan s operations began in 1994 as a branch office of Life Investors Insurance Company of America, an AEGON USA life insurance company. In 1998, AEGON Taiwan took over a block of business comprised of 55,000 policies of American Family Life Assurance Company Taiwan. In 1999, the Transamerica Taiwan branch was added to AEGON s business as a result of AEGON s acquisition of Transamerica. The integration with the existing operations was completed in 2001. At the end of 2001, AEGON Taiwan acquired a block of business comprised of 57,000 policies of National Mutual Life Association of Australia, AXA s Taiwan life operation.

Total employment of AEGON Taiwan on December 31, 2006 was 1,109 employees, including 706 employee-agents.

ii Products and distribution

AEGON Taiwan offers a broad range of insurance products that meet a variety of consumer needs. These include whole life, endowment life, term life, accident and supplemental health, variable universal life, annuities, group life and health, and a range of policy riders. AEGON Taiwan s variable universal life product was enhanced in 2005, and is now the company s top selling product line. The product includes a wide range of investment options, including AEGON s unique stable value fund.

AEGON Taiwan distributes through a variety of channels, which has been a key to the company s rapid growth in recent years. These channels include a force of over 700 full time professional career agents, independent brokers, banks, group and worksite marketing, as well as direct marketing. Each channel sells a mix of products tailored to their distribution system and the consumer segments they serve. In the past year, the company s agency, brokerage, and bank channels have all increased their sales of variable life insurance, driven by the demands of the market, as well as AEGON Taiwan s focus on growing that business line. The worksite marketing channel, which was started in 2005, has also grown steadily, offering a range of tailored retirement planning and insurance solutions to employees of corporate clients.

iii Asset liability management

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.

iv Reinsurance ceded

AEGON Taiwan has its mortality and morbidity risks reinsured by local and international reinsurers. All reinsurers that have significant business arrangements with AEGON Taiwan have a rating of AA- and above except for the Central Reinsurance Company (CRC), which used to be a government company but has gone through a privatization. CRC s credit rating was upgraded from its previous BBB+ to A- in October 2006. The reinsurance covers both excess surplus risks and catastrophic concentration risks.

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v Competition

Taiwan s life insurance market ranks number 9 in the world and number 3 in Asia in terms of total premiums in 2005 (Source: SwissRe Sigma Report No 5/2006). Between 1999 and 2005, life insurance premium income in Taiwan grew at an average 17.5% a year according to statistics released by the Life Insurance Association of the Republic of China. At the end of 2005, there were 29 life insurance companies in Taiwan, 14 of which were domestic companies and 15 of which were foreign company subsidiaries or branches of foreign companies. In 2005, insurance premiums totaled NTD 1,458 billion (approximately EUR 37 billion), with the top five companies accounting for around 64%.

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. The retirement market is blooming due to the aging population and implementation of the Taiwan Pension Act in 2005.

Among all the foreign companies, AEGON ranked sixth in terms of new business premium income for the full year of 2005 (Source: Life Insurance Association of the Republic Of China).

vi Regulation

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 minimum levels of capital.

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China

i General history

AEGON-CNOOC Life Insurance Co., Ltd. (AEGON-CNOOC) is a 50/50 joint venture established in Shanghai, People s Republic of China, by China National Offshore Oil Corporation and AEGON. AEGON-CNOOC started operations in Shanghai in May 2003. AEGON-CNOOC is licensed to sell both life insurance products as well as accident and health products in mainland China.

The total employment of AEGON-CNOOC on December 31, 2006 was 1,497 including 909 agents.

In April 2005, AEGON-CNOOC s Beijing branch completed its business registration and started full operations. Subsequently, in September 2005, the Jiangsu branch celebrated its opening ceremony in Nanjing and became one of the first joint venture life insurance companies to enter into Jiangsu Province. The Shandong branch became operational following formal approval from the China Insurance Regulatory Commission (CIRC) in September 2006.

ii Products and distribution

Since its inception in 2003, AEGON-CNOOC has successfully established multiple distribution channels, including agency, banks, direct marketing, telemarketing and group channels.

The agency channel portfolio consists primarily of universal life and traditional life products, including level whole life, coupon whole life, endowment life, term life as well as short-term accident and long-term health products. The most important product for the bancassurance channel is a single premium whole-life universal life product. Regular premium products, such as Juvenile Endowment, also became a major source of business through the bancassurance channel. The major product for the telemarketing channel is a yearly-renewable personal accident product. The primary products sold through the brokerage channel are universal life and traditional life products as well as short-term accident and long-term health products.

iii Asset liability management

A monthly asset liability management meeting is held do discuss duration- and liquidity management. The duration of liabilities and assets are calculated separately by block and the duration-gap is analyzed. Every quarter, a Risk and Capital Committee meeting is held to manage the asset and liability matching based on the result of stress-test scenarios based on Economic Capital Model, liquidity test and duration mismatch tests. Considering that most insurance liability is derived from 5-year and whole life single-premium products, AEGON-CNOOC purchased corporate bond, government bond, 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.

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iv Reinsurance ceded

According to the CIRC regulations, AEGON-CNOOC cedes a quota share of accident and health business to the 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 ends 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 CNY 200,000.

v Competition

China s life insurance sector registered double-digit revenue growth for several consecutive years prior to 2004. After the slow-down in 2004 (as the main life insurance companies gradually shifted their emphasis from business scale toward profitability), premium income started to recover in 2005. Premium income experienced high growth in 2006 with the popularity of universal life products mainly in the bancassurance channel. After lifting restrictions on foreign insurance companies, an increasing number of foreign insurance companies are entering the Chinese market. At the end of 2006, there were 25 foreign and 20 domestic life insurance companies operating in China. Almost all leading domestic insurers have now set up branches in all major cities in China. As a result, the competition among life insurance companies has been intensifying. This is especially true in cities that were open to foreign life insurers in earlier years.

vi Regulation

In 2006, CIRC regulation focused on improving corporate governance and further protecting of consumers interests. As far as corporate governance was concerned, the CIRC not only extended the registration requirements for senior management of insurance companies, but it also specify clearer the responsibilities of senior management in order to ensure the solid and steady operation of insurance companies. As for protecting the interests of consumers the CIRC promulgated regulations to prohibit personal agents from misleading, to encourage insurance companies to make the terms of their products more user-friendly and to ensure the classification of health insurance products is clearer.

Regarding investment channels for insurance companies, qualified insurance companies are now allowed to invest in infrastructure projects indirectly through trusts or industrial funds. Currently only leading companies are able and permitted to operate in this field. The recent developments are QDII (qualified domestic institutional investors) and investment in commercial bank shares were also open to insurance companies (whose total assets are above RMB 100 billion) in April and October 2006 respectively.

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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 18.52 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 N.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 19 offices located throughout the United States with a total square footage of 2.4 million. AEGON also leases space for various offices located throughout the United States under long-term leases with a total square footage of 1.7 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; Kansas City, Missouri; 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

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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. Our disclosure practices have been developed over many years with due consideration of the needs and requirements of our stakeholders, including regulators, investors and research analysts. We have substantive supplemental information in our annual and quarterly accounts to provide transparency of our financial results. We have provided insight into our critical accounting policies and the methodologies we apply to manage our risks. For a discussion of critical accounting policies see Application of Critical Accounting Policies IFRS Accounting Policies and Application of Critical Accounting Policies US GAAP . For a discussion of our risk management methodologies see Item 11, Quantitative and Qualitative Disclosure About Market Risk .

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 employ their 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 these estimates. Senior management reviews these judgments frequently and an understanding of these judgments may enhance the reader s understanding of AEGON s financial statements in Item 18 of this Annual Report. We have summarized in the following sections the IFRS accounting policies that are critical to the financial statement presentation and that require complex estimates or significant judgment.

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. In the event 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 account 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.

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Actuarial assumptions

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

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

Investment assumptions are either prescribed by the local regulator or based on management s future expectations. In the latter case, the anticipated future investment returns are set by management on a countrywide basis, considering available market information and economic indicators. A significant assumption related to estimated gross profits on variable annuities and variable life insurance products in the United States, Canada and some of the smaller country units, is the annual long-term growth rate of the underlying assets. As equity markets do not move in a systematic manner, assumptions as to the long-term growth rate are made after considering the effects of short-term variances from the long-term assumptions (a reversion to the mean assumption). The reconsideration of this assumption may affect the original DPAC or VOBA amortization schedule, referred to as DPAC or VOBA unlocking. The difference between the original DPAC or VOBA amortization schedule and the revised schedule, which is based on estimates of actual and future gross profits, is recognized in the income statement as an expense or a benefit in the period of determination.

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

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

Reserve for guaranteed minimum benefits

In the United States, a guaranteed minimum withdrawal benefit is offered directly on some variable annuity products AEGON issues and is also 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 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. These benefits subject the company to equity market risk, since poor market performance will cause the guaranteed benefits to exceed the policyholder account value and thus become in the money.

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.

Separate account group contracts of AEGON The Netherlands are large group contracts that have an individually determined asset investment 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 the technical interest of either 3% or 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.

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For AEGON The Netherlands, within individual unit-linked policies, the sum insured at maturity or upon the death of the beneficiary has a minimum guaranteed return (of 3% or 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 guarantees for minimum benefits:

	2006				2005			
In million EUR	United States[1]	Canada[1]	The Netherlands [2]	Total	United States[1]	Canada[1]	The Netherlands [2]	Total
At January 1	(14)	586	378	950	(3)	441	229	667
Incurred guarantee benefits	(17)	(37)	(103)	(157)	(10)	53	149	192
Paid guarantee benefits								
Net exchange differences	3	(57)		(54)	(1)	92		91
At December 31	(28)	492	275	739	(14)	586	378	950

	2006				2005			
	United States[1]	Canada[1]	The Netherlands[2]	Total	United States[1]	Canada[1]	The Netherlands[2]	Total
Account value	2,393	3,446	6,171	12,010	1,465	3,651	5,510	10,626
Net amount at risk	1	602	45	648	1	831	18	850

1 Guaranteed minimum accumulation and withdrawal benefits

2 Fund plan and unit-linked guarantees

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, 2006, the reinsured account value was EUR 8.4 billion (2005: EUR 9.9 billion) and the guaranteed remaining balance was EUR 5.5 billion (2005: EUR 7.3 billion).

The reinsurance contract is accounted for as a derivative and is carried in AEGON s balance sheet at fair value. At December 31, 2006, the contract had a value of EUR 15 million (2005: EUR 14 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.

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

	2006				2005			
In million EUR	**GMDB[1]**	**GMIB[2]**	**GMAB[3]**	**Total**	**GMDB[1]**	**GMIB[2]**	**GMAB[3]**	**Total**
At January 1	126	121	109	356	100	59	96	255
Incurred guarantee benefits	34	23	(57)		36	50	13	99
Paid guarantee benefits	(30)	(7)		(37)	(26)			(26)
Net exchange differences	(13)	(14)		(27)	16	12		28
At December 31	117	123	52	292	126	121	109	356

	2006				2005			
	GMDB[1]	**GMIB[2]**	**GMAB[3]**	**Total[4]**	**GMDB[1]**	**GMIB[2]**	**GMAB[3]**	**Total[4]**
Account value	23,814	8,562	7,489	39,865	24,991	9,122	6,164	40,277
Net amount at risk	1,614	296	40	1,950	2,357	380	84	2,821
Average attained age of contractholders	65	64			64	63		

1 Guaranteed minimum death benefit in the United States.

2 Guaranteed minimum income benefit in the United States.

3 Guaranteed minimum accumulation benefit in the Netherlands.

4 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.

Amortization of Deferred Policy Acquisition Cost, including Value of Business Acquired

At December 31, 2006, 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% (2005: 9%); gross short-term growth rate of 4.75% (2005: 6 %); gross short- and long-term fixed security growth rate of 6% (2005: 6%); and the gross short- and long-term growth rate for money market funds of 3.5% (2005: 3.5%). For Canada these assumptions, at December 31, 2006, were as follows: gross long-term equity growth rate of 9% (2005: 9%); and gross short-term growth rate of 9% (2005: 9.75%). For both countries the reversion period for the short-term rate is five years. For Hungary and the eastern European countries, the assumption for the gross long-term growth rate on external investment funds was 5.27% (2005: 5.27%).

The movements in DPAC over 2006 compared to 2005 can be summarized and compared as follows:

In million EUR	**2006**	**2005**
At January 1	10,789	8,499
Costs deferred/rebates granted during the year	1,891	1,919
Amortization through income statement	(1,243)	(936)
Shadow accounting adjustments	157	413
Disposals		(44)
Net exchange differences	(697)	930
Other	41	8
At December 31	10,938	10,789

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The movement in VOBA over 2006 can be summarized and compared to 2005 as follows:

In million EUR	2006	2005
At January 1	4,396	3,951
Additions	11	4
Acquisitions through business combinations	114	88
Disposals	(29)	
Amortization / depreciation through income statement	(246)	(308)
Shadow accounting adjustments	20	187
Impairment losses		(1)
Net exchange differences	(307)	487
Other		(11)
At December 31	3,959	4,396

VOBA, DPAC per line of business

DPAC per line of business

In million EUR	2006	2005
Traditional life	3,703	3,699
Life for account of policyholders	4,488	4,257
Fixed annuities	400	443
Variable annuities	852	970
Reinsurance	767	685
Accident and health insurance	726	734
General insurance	2	1
At December 31	10,938	10,789

VOBA per line of business

In million EUR	2006	2005
Traditional life	1,659	1,961
Life for account of policyholders	1,101	1,121
Fixed annuities	91	140
Variable annuities	96	115
Institutional guaranteed products	8	23
Fee off balance sheet products	122	4
Reinsurance	710	814
Accident and health insurance	172	218
At December 31	3,959	4,396

ii Fair value of investment contracts

Investment contracts issued by AEGON are either carried at fair value (if they are designated as financial liabilities at fair value through profit or loss) or amortized cost (with fair value being disclosed in the notes to the consolidated financial statements). These contracts are not quoted in active markets and their fair values are determined by using valuation techniques, such as discounted cash flow methods and stochastic modeling. 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.

iii Fair value of investments and derivatives determined using valuation techniques

Financial instruments

In the absence of an active market, the fair value of non-quoted investments in financial assets is estimated by using present value or other valuation techniques. For example, the fair value of non-quoted fixed interest debt instruments is estimated by discounting expected future cash flows using a current market rate applicable to financial instruments with similar yield, credit quality and maturity characteristics. For mortgage and other loans originated by the Group interest rates currently being offered for similar loans to borrowers with similar credit ratings are applied. The fair value of floating interest rate debt instruments and assets maturing within a year is assumed to be approximated by their carrying amount.

Financial derivatives

Where quoted market prices are not available, other valuation techniques, such as option pricing or stochastic modeling, are applied. The valuation techniques incorporate all factors that market participants would consider and are based on observable market data when available. All models are validated before they are used and calibrated to ensure that outputs reflect actual experience and comparable market prices.

Fair values for exchange-traded derivatives, principally futures and certain options, are based on quoted market prices. Fair values for over-the-counter (OTC) derivative financial instruments represent amounts estimated to be received from or paid to a third party in settlement of these instruments. These derivatives are valued using pricing models based on the net present value of estimated future cash flows, directly observed prices from exchange-traded derivatives, other OTC trades, or external pricing services. Most valuations are derived from swap and volatility matrices, which are constructed for applicable indices and currencies using current market data from many industry standard sources. Option pricing is based on industry standard valuation models and current market levels, where applicable. The pricing of complex or illiquid instruments is based on internal models. For long-dated illiquid contracts, extrapolation methods are applied to observed market data in order to estimate inputs and assumptions that are not directly observable. The values for OTC derivatives are verified using observed market information, other trades in the market and dealer prices, along with management judgment.

Derivatives embedded in insurance and investment contracts

Certain bifurcated embedded derivatives in insurance and investment products are not quoted in active markets and their fair values are determined by using valuation techniques. Because of the dynamic and complex nature of these cash flows, stochastic techniques under a variety of market return scenarios are often used. A variety of factors are considered, including expected market rates of return, market volatility, correlations of market returns, discount rates and actuarial assumptions.

The expected returns are based on risk-free rates, such as the current London Inter-Bank Offered Rate (LIBOR) forward curve or the current rates on local government bonds. Market volatility assumptions for each underlying index are based on observed market implied volatility data or observed market performance. Correlations of market returns across underlying indices are based on actual observed market returns and relationships over a number of years preceding the valuation date. The current risk-free spot rate is used to determine the present value of expected future cash flows produced in the stochastic projection process.

Assumptions on customer behavior, such as lapses, included in the models are derived in the same way as the assumptions used to measure insurance liabilities.

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iv 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, 2006 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	3,192	86	(37)	3,241	1,415	1,826
Dutch government	2,301	52	(27)	2,326	1,100	1,226
Other government	11,736	601	(67)	12,270	8,298	3,972
Mortgage backed	10,519	79	(73)	10,525	6,127	4,398
Asset backed	9,993	57	(72)	9,978	5,863	4,115
Corporate	53,852	1,644	(644)	54,852	30,143	24,709
Money market investments	4,387	0	0	4,387	4,387	0
Other	844	88	(24)	908	660	248
Total	96,824	2,607	(944)	98,487	57,993	40,494
Of which held by AEGON USA and NL	86,429	1,963	(837)	87,555	51,437	36,118

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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, 2006 is presented in the table below.

Unrealized losses bonds and money market investments

In million EUR	Carrying value of instruments with unrealized losses 2006	Gross unrealized losses 2006	Carrying value of instruments with unrealized losses 2005	Gross unrealized losses 2005
Asset Backed Securities (ABSs) Aircraft	63	(7)	113	(25)
ABSs CBOs	103	(3)	242	(23)
ABSs Housing related	1,499	(29)	1,658	(32)
ABSs Credit cards	705	(7)	1,229	(19)
ABSs Other	1,758	(27)	1,545	(31)
Collateralized mortgage backed securities	4,407	(73)	5,914	(105)
Financial	9,485	(186)	7,463	(159)
Industrial	12,259	(371)	11,211	(354)
Utility	2,948	(87)	2,495	(57)
Sovereign exposure	7,019	(130)	3,021	(52)
Total	40,246	(920)	34,891	(857)
Of which held by AEGON USA and NL	35,873	(813)	32,749	(821)

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. Under IFRS, 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 composition by industry categories of bonds and money market investments unrealized loss position held by AEGON USA and AEGON The Netherlands at December 31, 2006 is presented in the table below. The following unrealized loss consists of 1,680 issuers.

Unrealized losses bonds and money market investments (in EUR)

In million EUR	Carrying value of instruments with unrealized losses 2006	Gross unrealized losses 2006	Carrying value of instruments with unrealized losses 2005	Gross unrealized losses 2005
Asset Backed Securities (ABSs) Aircraft	63	(7)	113	(25)
ABSs CBOs	103	(3)	240	(23)
ABSs Housing related	1,493	(29)	1,644	(32)
ABSs Credit cards	670	(7)	1,205	(19)
ABSs Other	1,691	(25)	1,535	(31)
Collateralized mortgage backed securities	4,363	(72)	5,850	(103)
Financial	7,226	(134)	6,651	(145)
Industrial	11,258	(335)	10,711	(341)
Utility	2,615	(80)	2,384	(55)
Sovereign exposure	6,391	(121)	2,416	(47)
Total	35,873	(813)	32,749	(821)

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, 2006, there are EUR 1,875 billion of gross unrealized gains and EUR 813 million of gross unrealized losses in the AFS Bonds portfolio of AEGON USA and AEGON The Netherlands. No one issuer represents more than 4% of the total unrealized position.

When AEGON has made the decision to sell a security in a loss position as of the balance sheet date, an impairment loss has been recognized to write the book value of the security down to fair value. AEGON generally has the intent and ability to hold all other securities in unrealized loss positions to full recovery or maturity. If a particular asset does not fit the company s long-term investment strategy and is in an unrealized loss position due solely to interest rate changes, the security has been impaired to fair value under US GAAP only. Because the company has not made a decision to sell the security, there are no fundamental credit issues, and AEGON has not suffered any economic loss, these securities are not impaired under IFRS.

Asset Backed Securities

ABS Housing and ABS - Other

ABS-housing includes debt issued by securitization trusts collateralized by pools of loans to borrowers who are generally considered sub-prime and are secured by first and second mortgage loans on 1-4 family homes and manufactured housing. ABS-other includes debt issued by securitization trusts collateralized by various other assets including auto loans, student loans, and other asset categories. The aggregate unrealized loss is less than 2% of the market value of these two sectors. 82% of unrealized losses relate to AAA rated securities and 88% of unrealized losses relate to securities rated A or higher. The unrealized losses are more a reflection of interest rate movements than credit related concerns. Where credit events may be impacting the unrealized losses, cash flows are modeled using assumptions for defaults and recoveries as well as including actual experience to date. When models do not indicate full recovery of principal and interest, the securities are impaired to fair value. When these models indicate full recovery of principal and interest, no impairment is taken. AEGON does not consider securities in an unrealized loss as of December 31, 2006, to be impaired.

There are no individual issuers rated below investment grade in this sector which have unrealized loss positions greater than EUR 15 million.

Collateralized Mortgage-Backed Securities

The unrealized loss on collateralized mortgage-backed securities is EUR 74 million, of which EUR 52 million relates to commercial mortgage-backed securities (CMBS). The fundamentals of the CMBS market are, on average, strong. Aggressive underwriting at the loan level and an unprecedented amount of capital chasing commercial real estate continue to be the themes. Capitalization rates have compressed to historically low levels following the decline in interest rates as well as a compression in risk spread. A spike in interest-only loans coupled with a decrease in the amount of reserves collected highlight the current aggressive state of loan underwriting. The introduction of the 20% and 30% subordinated super senior AAA classes provides an offset to these negative fundamentals. Of the CMBS unrealized loss, 22% is attributed to the Lehman Brothers and UBS origination platform (LBUBS) deal shelf which is collateralized by diversified mortgages. We believe that these deals are well underwritten and have performed relatively better than other comparable CMBS deals. The unrealized loss overall (and specific to LBUBS) is not credit driven but rather a reflection of the move in interest rates relative to where these deals were originally priced. For those securities in an unrealized loss position, the market to book ratio is 98%. As the unrealized losses on AEGON s collateralized mortgage-backed securities are attributable to interest rate increases and not fundamental credit problems with the issuer or collateral, the unrealized losses are not considered by AEGON to be impaired as of December 31, 2006.

There are no other individual issuers rated below investment grade in this sector which have unrealized loss positions greater than EUR 15 million.

Financial

Banking

The fundamentals of the banking sector continue to be solid. It is a high credit quality sector and represents a large portion of the corporate debt market. As a result, the absolute exposure to the banking sector in AEGON s portfolio is also large and of high quality. Because of the sector s size, the absolute dollar amount of unrealized losses is large, but the overall market value as a percent of book value on public and private securities in an unrealized loss position is high at 98%. Unrealized losses in the banking sector are not a result of fundamental problems with individual issuers. Banking accounts for the majority of losses in the financial sector. Since the securities with unrealized losses are trading so close to par, the market is indicating there is little or no risk of default. The unrealized losses are more a reflection of interest rate movements, general market volatility and duration than credit related concerns. 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, 2006.

There are no individual issuers rated below investment grade in this sector which have unrealized loss positions greater than EUR 15 million.

Insurance

The fundamentals of the insurance sector continue to be solid. It is a high credit quality sector and represents a modest portion of the corporate debt market. The overall market to book ratio on all securities in an unrealized loss position is 98%. Unrealized losses in this sector are not a result of fundamental problems with individual issuers; rather it is more a reflection of interest rate movements, general market volatility and duration. AEGON has evaluated the near-term prospects of 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, 2006.

There are no individual issuers rated below investment grade in this sector which have unrealized loss positions greater than EUR 15 million.

Industrial

Basic Industries and Capital Goods

The basic and capital goods industries encompass various sub-sectors ranging from aerospace/ defense to packaging. The most significant of these are addressed individually. Packaging accounts for 6% of the basic and capital goods industries. The packaging sector s performance is dependent on the underlying credits, raw material structure and pricing power. Due to the fact that resin prices fluctuate with the price of oil, plastic packaging credits that have resins as their major raw material have struggled. Significant increases in aluminum have caused metal packaging credits that use aluminum to make cans to struggle. As the cost of the raw materials has dramatically risen, the companies have been trying to offset these costs with price increases and variable contracts. In the short term, this lag between increasing raw material costs and increased pricing has hurt margins and profitability, however new variable pricing contracts have shortened the lag. Additionally, high input costs such as oil, energy, and transportation have also hurt the results. With a market to book ratio on securities in an unrealized loss position of 98%, AEGON is well positioned in the packaging sector.

The environmental sector, which accounts for 4% of the sector, has been hurt by high energy and transportation costs. The sector is very sensitive to energy costs, as the majority of the business centers around the collection of waste by fleets of trucks. Price initiatives have been instituted and pricing is catching up to the higher energy costs.

Building products make up 16% of the basic and capital goods industries. The building products sector is highly correlated to the housing market. Fundamentals have dramatically weakened in the homebuilding sector and the building product sector has come under technical pressure as order activity has slowed and cancellation rates have increased. The construction machinery industry, which is 6% of the total, has experienced improving demand due mainly to continued economic expansion. Higher input costs have generally been more than offset by improved pricing and productivity initiatives. Companies within the diversified manufacturing industry have exposure to a wide variety of end-markets. Profitability in this industry tends to track overall industrial production trends which continued to show growth throughout 2006. The unrealized losses in the aerospace/defense sub-sector are primarily interest rate related and there are limited fundamental credit issues in the sector. The aerospace/defense sub-sector accounts for 11% of the total sector.

While the performance of some of the individual credits and sub sectors was somewhat below expectations, overall, valuations remain largely stable. The overall market to book ratio on securities in an unrealized loss position is 97%. Since the securities with unrealized losses are trading so close to par, the market is indicating there is little or no risk of default. The unrealized losses are more a reflection of interest rate movements, general market volatility and duration than credit related concerns. 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, 2006.

There are no individual issuers rated below investment grade in this sector which have unrealized loss positions greater than EUR 15 million.

Consumer Cyclical

The consumer cyclical sector covers a range of sub-sectors including autos, home construction, lodging, media, and retailers. These sectors include some of the largest credit issuers in the market. As a result, AEGON s absolute exposure is large, but the overall market to book ratio is 97% on all securities in an unrealized loss position.

The automotive sub sector accounts for approximately 20% of the unrealized loss position. The underlying fundamentals driving sales and earnings performance continue to be pressured as a result of declining Big 3 market share. The lost market share and high raw material costs have negatively impacted suppliers. The Big 3 have made progress with their respective restructuring plans to modestly improve credit profiles, but the pressure to further improve costs and stabilize market share remains. As of December 31, 2006, AEGON USA held EUR 26 million B-rated shares of General Motors, which carried unrealized losses of EUR 1 million. AEGON USA held EUR 36 million B-rated and EUR 15 million CCC+-rated shares of Ford Motor Company, which carried no unrealized losses. For autos, the overall market to book ratio is 97% on all securities in an unrealized loss position.

With respect to the other groups, fundamentals have held up relatively well, but a slowing economy and moderating consumer sentiment is likely to weaken results in the upcoming year. Homebuilders, retailers, and gaming companies have showed signs of stress as higher interest rates, oil/gas prices, and utility costs are taking their toll on discretionary spending. Lodging continues to perform well as results are tied more closely to business spending than consumer tourism spending. Many of the consumer sectors have been the target of leveraged buyouts and merger and acquisition activity, which could lead to credit deterioration. Higher interest rates than a few years ago have clearly been one of the primary drivers of those securities with unrealized losses in this sector the homebuilding sector likely the most affected. Fundamentals in the homebuilding sector have weakened due to higher interest rates and oversupply which have led to a decrease in order activity and high cancellation rates. The key question will be when the supply imbalance moderates. In the home building sector as of December 31, 2006, AEGON held EUR 15 million of debt rated less than BBB- and EUR 222 million of debt rated investment grade, which carried unrealized losses of EUR 1 million and EUR 2 million, respectively. In the retail sector, investors have been negatively impacted by increased mergers and acquisitions and leveraged buyout activity.

The overall market to book ratio is 97% on all securities in an unrealized loss position. Since the securities with unrealized losses are trading so close to par, the market is indicating there is little or no risk of default. The unrealized losses are more a reflection of interest rate movements, general market volatility and duration than credit-related concerns. 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, 2006.

There are no individual issuers rated below investment grade in this sector which have unrealized loss positions greater than EUR 15 million.

Consumer Non-Cyclical

The consumer non-cyclical companies continue to maintain fairly stable credit profiles. Consumer products, food and beverage fundamentals have modestly weakened due to higher input costs and somewhat stagnant pricing. Additionally, shareholder friendly actions and related restructuring have been done at the expense of bondholders. For private placements (which represent 49% of the gross unrealized loss position), the vast majority contain covenants that protect the bondholder from these shareholder friendly actions. Supermarkets have improved same store sales, but operating margins continue to be pressured by a very competitive food retail environment. Pharmaceuticals have had some modest sales and operating margin deterioration due to a number of branded products coming off of patent. In addition, many of the consumer sectors have been the target of leveraged buyouts and merger and acquisition activity, which could lead to significant credit deterioration.

Overall, the sector represents a large portion of the corporate debt market. As a result, AEGON s absolute exposure is large and the absolute dollar amount of unrealized losses is also large, but the overall market to book ratio is 98% on all public securities in an unrealized loss position, and 96% on all private securities in an unrealized loss position. The vast majority of the unrealized losses in the consumer non-cyclical sector are not the result of fundamental problems with individual issuers, but is primarily due to increases in interest rates; therefore, AEGON does not consider those unrealized losses to be impaired as of December 31, 2006.

There are no individual issuers rated below investment grade in this sector which have unrealized loss positions greater than EUR 15 million.

Transportation

The transportation segment has seen weakness due to rising fuel costs. The airlines are a material portion of the sector, and their results, although positive, have a negative correlation with fuel costs. Fuel costs have receded from their peak levels which is a positive for the airlines. In the short-term, the airlines have historically had a difficult time increasing fares to compensate for higher fuel costs. In the longer-term, however, the companies should be able to increase their pricing in order to reflect the cost environment given the consumer demand. Over 67% of the unrealized losses are from the railway sector. However, these unrealized losses as well as the other unrealized losses in this sector are not a result of fundamental problems with individual issuers; rather it is more a reflection of interest rate movements, general market volatility and duration. The overall market to book ratio on all securities in an unrealized loss position is 97%. AEGON has evaluated the near-term prospects of 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, 2006.

There are no individual issuers rated below investment grade in this sector which have unrealized loss positions greater than EUR 15 million.

Communications

Continuing on the trend started in 2005, many companies in the communications sector continue to focus on increasing shareholder returns. This has escalated event risk within the sector and caused many companies to increase financial leverage. Consolidation within the telecom industry has continued into 2006, with the most notable being AT&T Inc. s acquisition of BellSouth. Fundamentals also remain challenging, with wire line telecom companies experiencing accelerating line losses due to competition from wireless providers, as well as cable and other voice over internet protocol (VOIP) providers. Media companies are suffering from a tepid advertising environment, with advertising dollars shifting to new forms of media. This has led to lower returns on equity, historically low equity multiples, and poor stock performance. In some cases activist shareholders and private equity firms have forced management to respond by increasing financial leverage, consolidation, or asset divestitures. The net effect is a weaker credit profile for many companies.

The overall market to book ratio on all securities in an unrealized loss position is 97%. Since the securities with unrealized losses are trading so close to par, the market is indicating there is little or no risk of default. The unrealized losses are more a reflection of interest rate movements, general market volatility and duration rather than credit related concerns. 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 remaining book values to be impaired as of December 31, 2006.

There are no individual issuers rated below investment grade in this sector which have unrealized loss positions greater than EUR 15 million.

Utility

Electric and Energy

In the aftermath of 2002 s melt-down, the theme for electric utilities, and energy companies as a whole turned to a focus on the basics of good business. Companies focused on optimizing their regulated operations and minimizing the volatility in other areas of their businesses. The industry also focused on strengthening their balance sheets through debt-reduction and maximizing cash flows. During 2006 fundamentals continued to improve, and are generally expected to remain stable through 2007. Looking forward, the most concerning issues on the horizon appear to be continued merger and acquisition activity, growing capital expenditures programs, and an increasingly uncertain regulatory environment driven by rising energy prices. The overall market to book on all securities in an unrealized loss position is 97%. Since the securities with unrealized losses are trading so close to par, the market is indicating there is little or no risk of default. The unrealized losses are more a reflection of interest rate movements, general market volatility and duration than credit related concerns. 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, 2006.

There are no individual issuers rated below investment grade in this sector which have unrealized loss positions greater than EUR 15 million.

Natural Gas

Pipeline companies have strengthened their credit fundamentals via asset sales, strong cash flows, and renewed strength in select non-regulated business segments. Specifically, those companies with natural gas production units and/or gas processing have enjoyed very strong margins. At the same time, those companies with legacy energy trading books continue to be burdened by these now largely discontinued operations. With respect to capital deployment, pipeline companies are increasingly emphasizing organic growth projects over acquisitions. This has been driven by the higher cost of doing acquisitions in this consolidating sector, as well as the need to develop infrastructure as natural resources are extracted from new regions and basins. The maintenance and replacement of existing energy infrastructure has also been an area of increased investment by pipeline and distribution companies. Acquisition activity that is taking place is focused more on asset sales/purchases, as some industry participants are sharpening their business focus by moving away from the energy/utility conglomerate business model, or focusing their activities on regulated or non-regulated activities, respectively. One area of ongoing and increasing concern is the prospect for leveraged buy-outs within the sector. The overall market to book ratio on all securities in an unrealized loss position is 97%. 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, 2006.

There are no individual issuers rated below investment grade in this sector which have unrealized loss positions greater than EUR 15 million.

Sovereigns

Sovereigns include government issued securities including Dutch government bonds, US Treasury, agency and state bonds; substantially all of the unrealized losses relate to A or higher rated securities. Only one issuer in this sector has unrealized losses greater than EUR 15 million. AEGON owns EUR 1.8 billion of US Treasuries, of which all are AAA rated securities with unrealized losses of EUR 21 million. Over EUR 12 million of the unrealized losses in this sector relate to Small Business Administration (SBA) debt. When SBA holdings in the sovereign sector are combined with SBA holdings in the ABS - other sector, AEGON holds EUR 0.9 billion AAA rated shares of the issuer s securities with unrealized losses of EUR 15 million. The overall market to book ratio is 98% on all SBA debt in an unrealized loss position. As the unrealized losses on AEGON s sovereign holdings are attributable to interest rate increases, the unrealized losses are not considered by AEGON to be impaired at December 31, 2006.

There are no other individual issuers rated below investment grade in this sector which have unrealized loss positions greater than EUR 15 million.

Unrealized Loss by Maturity

The table below shows the composition by maturity of all Bonds in an unrealized loss position held by AEGON USA and AEGON The Netherlands at December 31, 2006.

Maturity Level

In million EUR	Carrying value of securities with gross unrealized losses	Gross unrealized losses
One year or less	2,059	(15)
Over 1 thru 5 years	11,269	(172)
Over 5 thru 10 years	11,927	(308)
Over 10 years	10,618	(318)
Total	35,873	(813)

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Unrealized Loss by Credit Quality

The table below shows the composition by credit quality of Bonds in an unrealized loss position held by AEGON USA and AEGON The Netherlands at December 31, 2006.

In million EUR	Carrying value of securities with gross unrealized losses	Gross unrealized losses
Treasury Agency	6,057	(111)
AAA	7,630	(124)
AA	2,571	(50)
A	8,957	(213)
BBB	9,005	(239)
BB	878	(34)
B	619	(30)
Below B	156	(12)
Total	35,873	(813)

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 -12 months	17,805	821	(251)	(29)
> 12 months	16,414	833	(486)	(47)
Total	34,219	1,654	(737)	(76)

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Realized gains and losses on Bonds of AEGON USA and AEGON The Netherlands for the twelve months ended December 31, 2006:

In million EUR	Gross Realized Gains	Gross Realized Losses
Bonds	493	(518)

Gross realized gains include EUR 103 million of bond recoveries and gross realized losses include EUR 80 million of bond impairments.

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, 2006.

In million EUR

Time period	0-12 months	>12 months	Total
Bonds	(356)	(82)	(438)

There are no securities which represented more than 5% of the EUR (438) million of realized losses on sales of fixed maturity securities, except for EUR 81 million losses on US Government Securities.

Impairment losses and recoveries

The composition of AEGON s bond impairments losses and recoveries by issuer, according to IFRS, for the twelve months ended December 31, 2006 is presented in the table below. Those issuers above EUR 12 million are specifically noted.

In million EUR	(Impairment)/Recovery
Issuer Name	
Impairments:	
Lease Investments Flight Trust	(23)
Other Impairments (28 unique issuers)	(57)
Sub-total	(80)
Recoveries:	
Class Action Law Suit	21
United Air Lines	13
Other Recoveries (44 unique issuers)	69
Sub-total	103
Net (Impairments) and Recoveries	23

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In 2006, AEGON recognized EUR 103 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.

In 2006, a EUR 23 million loss was realized on Lease Investments Flight Trust. The debt represents a beneficial interest in a portfolio of pooled aircraft leases. Larger than expected aircraft maintenance expenses have reduced revenue generation for the Trust. AEGON runs models based on best estimates of future cash flows. Due to an intent to sell this security, AEGON realized an impairment loss in the second quarter of 2006. The security was not sold in 2006 and additional write-downs have been taken to carry it at fair value.

In the fourth quarter of 2006, AEGON received EUR 21 million from a litigation settlement related to a previous debt holding. The settlement was recorded as an impairment recovery.

In 2006, AEGON also recorded a EUR 13 million recovery on United Airlines based on distributions collected and expected future distributions.

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.

Equity securities held in an unrealized loss position that are below cost for over six months or significantly below cost at the balance sheet date are evaluated for a possibility other than temporary impairment. If an individual stock is considered to be impaired on an other than temporary basis, the value of the stock is written down to fair value for US GAAP purposes. 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.

AEGON applies the same monitoring practices and evaluation process for identifying impairments of shares for IFRS as for US GAAP purposes.

These factors typically require significant management judgment. For equity securities considered to have an other-than-temporary impairment during 2006, a realized loss was recognized. The impairment review process has resulted in EUR 36 million (2005: EUR 20 million; 2004: EUR 30 million) of impairment charges for AEGON year ended December 31, 2006.

As of December 31, 2006, there are EUR 973 million of gross unrealized gains and EUR 27 million of gross unrealized losses in the equity portfolio of AEGON. There are no securities held by AEGON The Netherlands and AEGON USA with an unrealized loss of more than EUR 5 million. The table below represents the unrealized gain and loss on share positions held by AEGON The Netherlands and AEGON USA.

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	3,934	4,873	939	4,449	966	424	(27)

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The composition of shares by industry sector in an unrealized loss position held by AEGON The Netherlands and AEGON USA at December 31, 2006 is presented in the table below.

Unrealized losses shares

In million EUR	Carrying value of instruments with unrealized losses 2006	Gross unrealized losses 2006	Carrying value of instruments with unrealized losses 2005	Gross unrealized losses 2005
Communication	9	(1)	2	(1)
Consumer cyclical	9	(1)	40	(3)
Consumer non-cyclical	25	(2)	31	(5)
Financials	218	(9)	76	(4)
Funds	14	(1)	26	(1)
Industries	36	(3)	35	(5)
Resources	7	(1)	1	(1)
Services cyclical	19	(1)	19	(2)
Services non-cyclical	10	(1)	36	(2)
Technology	42	(4)	32	(4)
Transport	5			
Other	30	(3)	91	(7)
	424	(27)	389	(35)

The table below provides the unrealized loss on shares at December 31, 2006 broken down by the period of time they have been below cost.

Time Period

In million EUR	0 - 12 months	> 12 months	Total
Shares	(22)	(5)	(27)

Impairment losses on Shares

The table below provides the length of time the shares held by AEGON The Netherlands and AEGON USA were below cost prior to the impairment in 2006.

Time Period

In million EUR	0 - 12 months	> 12 months	Total
Shares	(21)	(13)	(34)

v 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.

Refer to Note 18.25 of the notes to our consolidated financial statements in Item 18 of this Annual Report on Form 20-F for more details on assumptions.

vi 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.

vii 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 reflects AEGON s current dividend yield. 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.

viii 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.

ix Non-consolidated group companies

All Group Companies are consolidated.

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5.3 Application of Critical Accounting Policies US GAAP

Reserve for Guaranteed Minimum Benefits and Amortization of Deferred Policy Acquisition Cost, including Value of Business Acquired

The application of these accounting policies is discussed in Application of Critical Accounting Policies International Financial Reporting Standards . The primary difference in applying these accounting principles for US GAAP accounting purposes is that for the flexible premium insurance products and investment contracts in The Netherlands and the United Kingdom, an annual unlocking as described for the Americas is performed and the reserves in the United Kingdom are adjusted to equal the contract holder balance.

Impairment of debt securities

The same monitoring practices and evaluation process as described in AEGON The Netherlands Application of Critical Accounting Principles - IFRS is followed. The practices described are those followed by AEGON USA, 89% of the unrealized loss exposure is in the U.S. and NL portfolio.

If it is probable that the investor will be unable to collect all amounts due according to the contractual terms of a debt security not impaired at acquisition, an other-than-temporary-impairment (OTTI) shall be considered to have occurred. If the decline in fair value is judged to be OTTI, the cost basis of the individual security shall be written down to fair value as a new cost basis and the amount of the write-down shall be included in earnings (that is, accounted for as a realized loss). Fair value is first based on quoted market prices in an active or less active market. If this approach is not applicable, the fair value is modeled by evaluating such factors as liquidity, capital structure issues, cash flow generating capability and conservative expectations as to future results. The fair value also incorporates independent third party valuation analysis.

Write offs on impaired debt instruments can be partially or fully reversed under IFRS if the value of the impaired assets increases. Such reversals are not allowed under US GAAP.

Pension expense

Statement of Financial Accounting Standards (SFAS) 87, Employees Accounting for Pensions (SFAS 87), is applied to the pension plans of the Group. SFAS 87 calculations require several assumptions, including future performance of financial markets, future composition of the work force and best estimates of long-term actuarial assumptions. The expected return on plan assets is calculated using a moving average for the plan assets. In a period of market decline, this moving average is higher than the fair value of the assets. The difference between the expected return reflected in the income statement and the actual return on the assets in a certain year is deferred. Deferred gains or losses are amortized to the income statement applying a corridor approach. The corridor is defined as 10% of the greater of the moving average value of the plan assets or the projected benefit obligation. To the extent that the prepaid pension costs at the beginning of the year exceed the moving average asset value less the pension benefit obligation by more than the 10% corridor, the excess is amortized over the employees average future years of service (approximately seven years). The assumptions are reviewed on an annual basis and changes are made for the following year, if required.

In September 2006, the Financial Accounting Standards Board (FASB) issued SFAS 158, Employers Accounting for Defined Benefit Pension and Other Postretirement Plans (SFAS 158), which requires an employer to recognize the funded status of a benefit plan as an asset or liability in its statement of financial position, measured as the difference between plan assets at fair value and the benefit obligation, and to recognize as a component of accumulated other comprehensive income, net of tax, actuarial gains or losses and prior service costs or credits that arise during the period, but which are not recognized as components of net periodic benefit cost pursuant to SFAS 87, or SFAS 106, Employers Accounting for Postretirement Benefits Other Than Pensions. The standard also requires that plan assets and benefit obligations be measured as of the annual balance sheet date. SFAS 158 was effective for fiscal years ending after December 15, 2006, with certain exceptions not applicable to AEGON; therefore, the provisions of SFAS 158 were adopted effective December 31, 2006. The adoption of SFAS 158 did not affect AEGON s results of operations or liquidity as SFAS 158 does not affect the determination of net periodic pension costs. The effect on shareholders equity of adopting SFAS amounted to EUR 855 million and has been presented on a separate line in the reconciliation.

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Goodwill

Pursuant to SFAS 142, Goodwill and Other Intangible Assets (SFAS 142), 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. Impairment testing requires the determination of the fair value for each of our identified reporting units. The reporting units identified for AEGON based upon the SFAS 142 rules include: AEGON USA, AEGON Canada, AEGON The Netherlands, AEGON UK insurance companies and AEGON UK distribution companies, other countries and Transamerica Finance Corporation.

The fair value of the insurance operations is determined using valuation techniques consistent with market appraisals for insurance companies, a discounted cash flow model requiring assumptions as to a discount rate, the value of existing business and expectations with respect to future growth rates and term. For our non-insurance operations, fair value was determined using a discounted cash flow analysis. The valuation utilized the best available information, including assumptions and projections considered reasonable and supportable by management. The assumptions used in the determination of fair value involve significant judgments and estimates. The discount rates used are believed to represent market discount rates, which would be used to value businesses of similar size and nature.

The fair value of the insurance operations in the Americas was determined using discounted cash flow valuations techniques consistent with market appraisals for insurance companies. This model utilized various assumptions, with the most significant and sensitive of those assumptions being a 9% discount rate and 15 years of projected annual new business production increases of 2%. A sensitivity analysis was performed using increases in the discount rate of 1% and 2%. There was no goodwill impairment with 1% increase in the discount rate, and approximately USD 375 million of impairment write-off when the risk discount rate was increased by 2%.

Certain effects of US GAAP

Net income of EUR 2,046 million was reported in 2006 based on US GAAP, compared to a net income of EUR 2,084 million and EUR 1,430 million respectively over the same period in 2005 and 2004. The US GAAP net income reflects the same financial statement impacts that are described in Item 5.4 and Item 5.5.

See Note 18.55 of the notes to our consolidated financial statements in Item 18 of this Annual Report on Form 20-F for a discussion of the main differences for net income and shareholders equity under IFRS and US GAAP.

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5.4 Results of Operations 2006 compared to 2005

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

1 Together non-operating earnings before tax

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

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Revenues geographically 2006

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

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

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

This review of operations should be read in conjunction with the financial statements and related notes included in Item 18.

Overview

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

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

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

The opportunity for pensions growth globally continues to be an area of primary focus for AEGON. During the year, sales of pension-related products were the main driver behind the strong sales growth in AEGON UK. Membership in AEGON s pension funds in Hungary and Slovakia grew considerably during 2006, and in AEGON The Netherlands sales of individual and group pension products showed an increase. In the US, our pension business continues to experience good growth with over USD 9.3 billion in total sales during the year, a 3% increase from 2005. Both Diversified Investment Advisors and Transamerica Retirement Services received numerous industry awards in recognition of their customer service platform. Our agreement to acquire a top-ten pension fund management company in Poland and our newly-formed pension fund management joint venture in Mexico will add additional momentum to AEGON s leading pension position internationally.

We further broadened AEGON s distribution capability through our acquisition of a leading provider of bank-owned and corporate-owned life insurance in the United States and with our acquisition of the remaining 55% of Unirobe, a company of independent financial advisors in The Netherlands. Our two new joint ventures with Spanish savings banks began writing business mid-year, expanding AEGON s position in the bank channel in Spain.

During 2006, and early this year, we have fulfilled our intention to enter a number of key growth markets. In Mexico, we acquired 49% of Seguros Argos, a life insurance company specializing in worksite marketing. In India, we established a partnership with the financial services company Religare, a subsidiary of the Ranbaxy Promoter Group, to provide life insurance and asset management products across the country. AEGON s rollout in China continued with new operations in the Shandong province. At the beginning of this year, we announced our plans to form a mandatory pension company with Banca Transilvania in Romania where pension reforms are expected to be implemented next year. We have also established a new partnership with Sony Life to form a life insurance company that will initially provide variable annuity products through its extensive Lifeplanner® agent channel and through other financial institutions throughout Japan.

Results

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

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

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

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

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

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

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

Production

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

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

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

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AMERICAS

Americas (includes AEGON USA and AEGON Canada)

	2006 in million USD	2005 in million USD	%	2006 in million EUR	2005 in million EUR	%
Income by product segment						
Traditional life	716	674	6	570	541	5
Life for account of policyholders	109	108	1	87	87	0
Fixed annuities	545	529	3	434	425	2
Variable annuities	327	162	102	260	130	100
Institutional guaranteed products	346	349	(1)	275	280	(2)
Fee - off balance sheet products	68	67	1	54	54	0
Reinsurance	205	131	56	163	105	55
Accident and health insurance	416	345	21	331	277	19
Operating earnings before tax	**2,732**	**2,365**	**16**	**2,174**	**1,899**	**14**
Gains/(losses) on investments	(28)	299		(22)	240	
Impairment charges	(15)	53		(12)	42	
Income before tax	**2,689**	**2,717**	**(1)**	**2,140**	**2,181**	**(2)**
Income tax	(738)	(705)	5	(587)	(566)	4
Minority interest	0	2		0	2	
Net income	**1,951**	**2,014**	**(3)**	**1,553**	**1,617**	**(4)**
Revenues						
Life general account single premiums	990	922	7	788	740	6
Life general account recurring premiums	5,833	5,568	5	4,642	4,470	4
Life policyholders account single premiums	1,698	611	178	1,351	491	175
Life policyholders account recurring premiums	1,166	1,156	1	928	928	0
Total life insurance gross premiums	9,687	8,257	17	7,709	6,629	16
Accident and health insurance	2,490	2,456	1	1,981	1,972	0
Total gross premiums	12,177	10,713	14	9,690	8,601	13
Investment income	7,185	6,705	7	5,718	5,383	6
Fee and commission income	1,220	1,085	12	971	871	11
Total revenues	**20,582**	**18,503**	**11**	**16,379**	**14,855**	**10**
Commissions and expenses	4,614	4,063	14	3,672	3,262	13
Standardized new premium production insurance						
Life single premiums	2,202	1,298	70	1,752	1,042	68
Life recurring premiums annualized	1,029	1,036	(1)	819	832	(2)
Life total recurring plus 1/10 single	**1,249**	**1,166**	**7**	**994**	**936**	**6**
Gross deposits						
Fixed annuities	2,169	2,221	(2)	1,726	1,783	(3)
Institutional guaranteed products	12,501	10,712	17	9,948	8,600	16
Variable annuities	6,612	6,260	6	5,262	5,026	5

Total production on balance sheet	**21,282**	**19,193**	**11**	**16,936**	**15,409**	**10**
Off balance sheet production						
Synthetic GICs	12,628	8,239	53	10,049	6,614	52
Mutual funds/ Collective Trusts and other managed assets	9,701	10,114	(4)	7,720	8,120	(5)
Total production off balance sheet	**22,329**	**18,353**	**22**	**17,769**	**14,734**	**21**

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Exchange rates

Per 1 EUR	Weighted average 2006	Weighted average 2005	Year-end 2006	Year-end 2005
USD	1.2566	1.2456	1.3170	1.1797
CAD	1.4236	1.5094	1.5281	1.3725

Operating earnings before tax

Operating earnings before tax were USD 2,732 million for 2006, an increase of USD 367 million or 16% compared to 2005. The return on hedge funds, limited partnership and convertible bond assets contributed significantly to the earnings growth. The returns on these portfolios outperformed long term expectations in both 2006 and 2005, and strong returns were particularly noticeable in the fourth quarter of 2006. In addition, the year over year earnings improvement is due to growth in most lines of business and improved mortality experience.

Traditional life

Operating earnings before tax for traditional life increased USD 42 million, or 6%, to USD 716 million in 2006. The growth over last year is primarily attributable to improved mortality experience, continued favorable performance in the hedge fund and limited partnership portfolios, and continued growth of the inforce. The earnings from the fair value assets held at fair value through profit and loss (hedge funds and limited partnerships) contributed USD 79 million in 2006 compared to USD 58 million in 2005.

Life for account of policyholders

Operating earnings before tax from life for account of policyholders of USD 109 million increased USD 1 million compared to 2005.

Fixed annuities

Fixed annuity operating earnings before tax increased 3% to USD 545 million compared to 2005. This reflects an increase in earnings from the impact of fair value movements of certain financial assets, as well as otherwise stable spreads on lower balances. Assets carried at fair value contributed USD 148 million compared to USD 92 million in 2005. The earnings impact from the valuation of total return annuities declined to USD 14 million compared to USD 42 million in the prior year.

Product spreads on the largest segment of the fixed annuity book were 247 basis points in 2006 on a pre-tax operating basis compared to 230 basis points in 2005. Product spreads in 2006 include 40 basis points from the impact of valuation of certain financial assets carried at fair value compared to 21 basis points in 2005. On a normalized basis, the expected contribution to product spreads from the valuation of these assets is approximately 17 basis points.

Variable annuities

Variable annuity operating earnings before tax amounted to USD 327 million in 2006, an increase of USD 165 million compared to 2005. The valuation of Canadian segregated funds contributed earnings of USD 54 million in 2006 compared to USD 12 million in 2005. The remainder of the increase reflects favorable equity markets and growth in assets under management in addition to favorable deferred policy acquisition costs (DPAC) amortization compared to 2005.

Institutional guaranteed products

Operating earnings before tax of institutional guaranteed products decreased 1% to USD 346 million compared to 2005. Higher earnings on certain assets carried at fair value, which amounted to USD 164 million compared to USD 85 million in 2005, and growth due to strong sales were offset by reduced product spreads due to the continued rise of short-term interest rates early in 2006.

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Fee off balance sheet products

Operating earnings before tax from fee off balance sheet products were USD 68 million in 2006, an increase of USD 1 million over 2005. The 2005 results include a one-time release of USD 20 million from a long-term deferred compensation plan. This was more than offset by higher fees from the growth in assets under management due to strong production and favorable equity markets.

Reinsurance

Reinsurance operating earnings before tax of USD 205 million increased 56% compared to 2005. The increase in earnings primarily reflects continued growth in the inforce business due to strong sales and favorable mortality compared to 2005. In addition, earnings from the total return annuity product amounted to USD 24 million in 2006 compared to a loss of USD 7 million in 2005.

Accident and health insurance

Accident and health operating earnings before tax increased 21% to USD 416 million in 2006. The increase in earnings is primarily due to favorable claims experience compared to 2005 and continued growth of the business.

Long term return expectations for fair-valued assets in operating earnings

AEGON provides long term return expectations for certain financial assets that are managed on a total return basis with no offsetting changes to the fair value of liabilities. Long term annual earnings on these assets, as described in more detail below, are based on long-term expected returns in financial markets, but should not be used as an explicit forecast for the year as actual results can and will deviate from these expectations.

These assets include certain hedge funds, real estate limited partnerships and convertible bonds, with assets totaling approximately USD 3.8 billion as of December 31, 2006. Operating earnings for 2006 include USD 499 million (USD 598 million before DPAC offsets) related to these asset classes, including fair valuation of assets of USD 452 million and cash income of USD 47 million. Based on current holdings and asset class returns consistent with long-term historical experience, the long-term expected return on an annual basis is 8-10%, including fair valuation and cash income, before tax and DPAC offsets. The impact of the fair valuation of assets is most notable in the traditional life, fixed annuity and institutional guaranteed products lines of business.

Net income

Net income, which includes net gains/losses on investments and impairment charges, decreased 3% to USD 1,951 million. Net gains/losses on investments amounted to a loss of USD 28 million in 2006 compared to a gain of USD 299 million in 2005. The loss in 2006 is primarily due to normal trading activity in the bond portfolio during the second quarter of 2006 in a rising interest rate environment.

Net impairment charges of USD 15 million in 2006 were well below long-term expectations, but less favorable than the net impairment recoveries of USD 53 million recorded during 2005.

The effective tax rate of 27% for 2006 is slightly higher than the effective rate of 26% in 2005.

Revenues

Revenues of USD 20.6 billion increased 11% in 2006 compared to those in 2005.

Life insurance gross premiums of USD 9.7 billion increased 17%. Life general account premiums increased by 5% compared to 2005, reflecting a 7% increase in single premiums and a 5% increase in recurring premiums, primarily in the reinsurance business. Life for account of policyholders premiums increased by 62% compared to 2005, a result of a large single premium BOLI/COLI case in 2006. The 2006 figure includes USD 95 million of premiums from the acquisition of a block of credit life insurance.

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Accident and health premiums of USD 2.5 billion remained stable compared to 2005.

Investment income increased 7% in 2006 compared to 2005, primarily due to rising short-term rates, higher volume and increased book yield from reinvestment of the portfolio.

Commissions and expenses

Commissions and expenses of USD 4,614 million increased 14% compared to 2005. Operating expenses of USD 1,957 million in 2006 were up 11% compared to 2005. This increase includes the impact of a one-time release of USD 20 million during 2005 from a long-term deferred compensation plan included in the fee off balance sheet line of business.

Operating expenses increased primarily due to growth initiatives in variable annuities and off balance sheet asset management, as well as increased regulatory and compliance costs. On January 11, 2007 Transamerica announced that it will consolidate its Kansas City-based life insurance administrative operations in Cedar Rapids, Iowa by year-end 2007. Once consolidation is complete annual savings are expected to be USD 15 million to USD 20 million.

Production

New life sales for retail and BOLI/COLI products increased 3% to USD 934 million, including USD 50 million from the assumption of a significant block of credit life insurance through a reinsurance transaction. Retail sales declined 9% over 2005 due to the discontinuance of sales of investor-owned life insurance offset partially by a rebound in the fourth quarter of 2006. Standardized sales of BOLI/COLI increased USD 95 million to USD 202 million in 2006. Reinsurance new life sales of USD 315 million increased USD 56 million or 22% over 2005 due to growth in both domestic and international sales.

Fixed annuity new deposits declined by USD 52 million, or 2%, to USD 2,169 million in 2006. Retail fixed annuity new deposits declined 19% as fixed annuity sales continued to be difficult due to the inverted yield curve and competition from other bank-sold products. However, new deposits in the pension channel increased 48% to USD 799 million. The increase in pension sales is primarily related to fourth quarter 2006 terminal funding sales of USD 228 million. Fixed annuity account balances of USD 48.0 billion were USD 4.9 billion lower than year-end 2005 as policyholder withdrawals continued to exceed new deposits. The total decrement rate on the retail annuity segment increased to 23% in 2006, up from 14% in 2005.

Variable annuity new deposits of USD 6.6 billion increased 6% compared to 2005. The retail segment increased 15% over last year due to an increase in demand for variable annuity products and increased wholesaler distribution. Sales in the pension segment declined 3% from last year, primarily due to strong takeover deposits in the third quarter of 2005. Variable annuity balances of USD 52.7 billion increased 10% compared to year-end 2005.

Sales of institutional guaranteed products amounted to USD 12.5 billion, an increase of 17% during 2006. The increased sales were primarily due to higher medium term note issuance. The balance of institutional guaranteed products increased to USD 34.3 billion compared to USD 32.9 billion at year-end 2005.

Off balance sheet sales for 2006 of USD 22.3 billion increased 22% over 2005. Retail mutual fund deposits of USD 3.1 billion increased 51% in 2006 due to increased sales in the wirehouse and fee planner channels. Sales of pension mutual funds increased 2% over a strong 2005 to USD 5.3 billion. Synthetic GIC sales of USD 12.6 billion in 2006 increased 53% with the increase largely attributable to fourth quarter 2006 sales of USD 7.1 billion. Institutional asset management sales decreased from USD 2.9 billion in 2005 to USD 1.4 billion in 2006, primarily due to a strong first quarter 2005 prior to a change in investment personnel. Off balance sheet assets of USD 94.6 billion at December 31, 2006 increased 17% compared to year-end 2005 due to continued strong mutual fund and synthetic GIC sales and favorable equity market returns.

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THE NETHERLANDS

AEGON The Netherlands

	2006 in million EUR	2005 in million EUR	%
Income by product segment			
Traditional life	189	270	(30)
Life for account of policyholders	315	(53)	
Fee - off balance sheet products	35	15	133
Accident and health insurance	34	45	(24)
General insurance	26	30	(13)
Banking activities	35	15	133
Operating earnings before tax	**634**	**322**	**97**
Gains/(losses) on investments	413	985	(58)
Impairment charges	(12)	(25)	52
Share in profit/(loss) of associates	7	4	75
Income before tax	**1,042**	**1,286**	**(19)**
Income tax	(2)	(272)	(99)
Net income	**1,040**	**1,014**	**3**
Revenues			
Life general account single premiums	657	419	57
Life general account recurring premiums	449	474	(5)
Life policyholders account single premiums	604	634	(5)
Life policyholders account recurring premiums	1,318	1,494	(12)
Total life insurance gross premiums	3,028	3,021	0
Accident and health insurance	191	191	0
General insurance	434	443	(2)
Total gross premiums	3,653	3,655	(0)
Investment income	2,006	2,184	(8)
Fee and commission income	375	325	15
Total revenues	**6,034**	**6,164**	**(2)**
Commissions and expenses	1,087	1,091	(0)
Standardized new premium production insurance			
Life single premiums	1,248	1,079	16
Life recurring premiums annualized	123	123	0
Life total recurring plus 1/10 single	**248**	**231**	**7**
Non-life premiums	**79**	**48**	**65**
Gross deposits			
Saving deposits	2,401	3,478	(31)
Total production on balance sheet	**2,401**	**3,478**	**(31)**
Off balance sheet production			
Mutual funds and other managed assets	408	864	(53)

Total production off balance sheet	**408**	**864**	**(53)**

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Operating earnings before tax

Operating earnings before tax amounted to EUR 634 million in 2006, compared to EUR 322 million in 2005. Provisions for guarantees and fair value movements of related hedge instruments significantly influenced operating earnings. The net impact of guarantee provisions and related hedging results on operating earnings in 2006 was a positive EUR 167 million, whereas EUR 165 million was added to guarantee provisions in 2005.

Certain insurance products include minimum interest rate guarantees that are not offset by matching investments. In the second half of 2006, AEGON The Netherlands implemented a hedging program to extend and enhance its active risk management strategy. In addition to the established derivatives program of 2004 to lengthen the asset duration, AEGON The Netherlands has implemented a hedging strategy using derivative instruments to mitigate most of the interest rate risks related to guarantees embedded in traditional life, unit-linked and certain group pension products.

Fair value movements of the derivatives hedging the unit-linked guarantees are part of operating earnings, while fair value movements of derivatives related to guarantees in traditional life and certain group pension contracts are part of net gains/losses on investments.

Certain financial assets that are carried at fair value with no offsetting changes in the fair value of liabilities contributed EUR 43 million to operating earnings before tax, compared to a positive EUR 67 million in 2005. Operating earnings in 2005 included EUR 42 million in provisions for improvements of Spaarkas products, which were offset by provision releases for employee benefits and profits sharing in 2005. Earnings of 2006 contain an accelerated depreciation of deferred acquisition expenses of EUR 17 million related to group pension business, as a result of the new pension law which no longer allows surrender charges.

Traditional life

Operating earnings before tax for traditional life amounted to EUR 189 million in 2006, compared to EUR 270 million in 2005. The decrease mainly reflects lower investment income, including a smaller contribution from assets carried at fair value, provision releases in 2005, and normalized technical results compared to favorable results in 2005.

Life for account of policyholders

Operating earnings before tax from life for account of policyholders amounted to EUR 315 million, compared to a loss of EUR 53 million in 2005. This mainly reflects the net positive effect of changes in interest rates on provisions for guarantees and related hedges, and the absence of additions to provisions for Spaarkas products.

Fee - off balance sheet products

Operating earnings before tax from fee - off balance sheet products amounted to EUR 35 million in 2006, compared to EUR 15 million in the previous year. The asset management business continued the positive trend in profitability, Meeùs improved its performance. For Unirobe, a wholly-owned independent distribution business of AEGON The Netherlands, as of the fourth quarter of 2006, 100% of the results were included compared to 45% before.

Accident and health

Accident and health operating earnings before tax were EUR 34 million compared to EUR 45 million in 2005. Technical results were lower compared to the favorable results in 2005, mainly as a result of more normalized claim experience and lapses in the sickness benefit market.

General insurance

General insurance operating earnings before tax amounted to EUR 26 million in 2006 compared to EUR 30 million in 2005. Better technical results were offset by lower investment income and pricing pressure due to increased competition in some markets.

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Banking activities

Operating earnings before tax from banking activities amounted to EUR 35 million, compared to EUR 15 million in 2005. The increase primarily reflects the absence of additions to provisions for equity lease products and higher interest spreads.

Long term return expectations for fair-valued assets in operating earnings

AEGON provides long term return expectations for certain financial assets that are managed on a total return basis with no offsetting changes to the fair value of liabilities. Long term annual earnings on these assets, as described in more detail below, are based on long-term expected returns in financial markets, but should not be used as an explicit forecast for the year as actual results can and will deviate from these expectations.

These assets include an investment in a private equity fund and totaled EUR 243 million as of December 31, 2006. Operating earnings in 2006 include a gain of EUR 43 million related to these asset classes. Based on current holdings and asset class returns consistent with long-term historical experience, the long-term expected return on an annual basis is 8% before tax. The impact of the fair valuation of assets is notable in the traditional life and life for account of policyholders lines of business.

Net income

Net income, which includes net gains/losses on investments, impairment charges and the share in profit of associates, increased 3% to EUR 1,040 million. Net gains on investments (before tax) amounted to EUR 413 million compared to EUR 985 million in 2005. The gains and losses on investments (before tax) include a negative EUR 352 million from the decrease in market value of derivatives used for asset and liability management purposes, compared to a positive contribution of EUR 306 million in 2005.

The effective tax rate was 0% compared to 21% in the prior year. The decrease mainly reflects higher tax-exempt gains from the sale of shares and the impact of the reduction of the corporate tax rate in The Netherlands from 29.6% to 25.5%, ratified by the Dutch parliament in the fourth quarter of 2006, resulting in a release of deferred tax liabilities.

Revenues

Revenues of EUR 6,034 million decreased by 2% in 2006 compared to 2005. Life insurance gross premiums of EUR 3,028 million and accident and health insurance premiums of EUR 191 million remained stable, general insurance premiums of EUR 434 million decreased 2%, investment income of EUR 2,006 million decreased by 8% and fees and commissions of EUR 375 million increased by 15%.

Life general account premiums increased by 24% compared to 2005, due to a 57% increase in single premiums, both in immediate annuities and pension contracts. Recurring premiums were 5% lower.

Life policyholders account premiums decreased by 10% compared to 2005. Single premiums in 2006 are 5% lower than in 2005 when a particularly large single premium contract was closed. Recurring premiums are 12% lower than in 2005 when a catch-up effect for a large co-insurance pension contract in the recurring segment was recognized.

Non-life premiums are 1% lower than in 2005. Accident and health insurance premiums are at the same level as in 2005 as decreased premium levels following legislative changes effective in 2006 have been fully compensated for by successful new income products (WIA). General insurance premiums decreased by 2% compared to 2005 as price pressure begins to be felt, particularly in the motor market.

Investment income, which includes direct investment income of both general account and account of policyholder investments, decreased 8% compared to 2005 primarily due to lower coupons. Other factors include lower deferred purchase price recognition in 2006, lower dividends as a consequence of the sale of shares and lower interest returns on loans offset by income generated on reinvestments and increased interest on mortgages.

Fees and commission income were 15% higher than in 2005. The consolidation of Unirobe in the fourth quarter of 2006, securities lending activities, performance fees earned by TKP Pension and growth in the investment portfolios contributed to the higher fee income in 2006.

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Commissions and expenses

Commissions and expenses amounted to EUR 1,087 million in 2006, equal to 2005. Operating expenses amounted to EUR 708 million, 6% lower than in 2005. This is primarily due to the absence of additional provisions for Spaarkas and equity lease products. This decrease was partly offset by the consolidation of Unirobe in the fourth quarter of 2006.

Production

New life sales in The Netherlands increased 7% to EUR 248 million, driven by the growth of individual life sales through the intermediary channel and increased activity in the group pensions business. Immediate annuities were an important driver for individual life sales. A larger number of smaller contracts were sold in the group pension business in 2006 as opposed to a relatively small number of large cases in 2005.

Non-life sales increased 65% to EUR 79 million, due to successful sales of new disability products. Accident and health premiums amounted to EUR 191 million, equal to 2005, as premiums from new products offset the decline in income, resulting from lapses in the sickness benefits market following new legislation. Sales of the new WIA disability product developed favorably and represented 49% of all new non-life production in 2006. General insurance premiums decreased 2% to EUR 434 million.

During the first half of the year, employees of Dutch companies had the opportunity to establish a Levensloop (Life Cycle) account. New Levensloop (Life Cycle) deposits, largely recurring, amounted to EUR 107 million in 2006.

Off balance sheet product sales amounted to EUR 408 million compared to EUR 864 million in 2005. The comparable period in 2005 included a number of large asset management contracts.

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UNITED KINGDOM

AEGON United Kingdom

	2006 in million GBP	2005 in million GBP	%	2006 in million EUR	2005 in EUR	million %
Income by product segment						
Traditional life	14	(1)		21	(1)	
Life for account of policyholders	139	139	0	204	203	0
Fee - off balance sheet products	0	(27)		0	(40)	
Operating earnings before tax	**153**	**111**	**38**	**225**	**162**	**39**
Gains/(losses) on investments	11	6	83	16	9	78
Impairment charges	(1)	(2)	50	(1)	(3)	67
Other non-operating income/(charges) [1]	61	71	(14)	90	104	(13)
Share in profit/(loss) of associates	1	0		1	0	
Income before tax	**225**	**186**	**21**	**331**	**272**	**22**
Income tax attributable to policyholder return	(51)	(71)	(28)	(75)	(104)	(28)
Income before income tax on shareholders return	**174**	**115**	**51**	**256**	**168**	**52**
Income tax on shareholders return	(16)	(17)	(6)	(24)	(24)	0
Net income	**158**	**98**	**61**	**232**	**144**	**61**
Revenues						
Life general account single premiums	859	388	121	1,261	567	122
Life general account recurring premiums	226	172	31	332	252	32
Life policyholders account single premiums	3,897	1,756	122	5,724	2,569	123
Life policyholders account recurring premiums	1,292	1,206	7	1,897	1,764	8
Total gross premiums	6,274	3,522	78	9,214	5,152	79
Investment income	1,643	1,480	11	2,413	2,165	11
Fee and commission income	189	153	24	278	223	25
Total revenues	**8,106**	**5,155**	**57**	**11,905**	**7,540**	**58**
Commissions and expenses	607	518	17	892	757	18
Standardized new premium production insurance [2]						
Life single premiums	5,656	3,185	78	8,307	4,658	78
Life recurring premiums annualized	490	368	33	720	538	34
Life total recurring plus 1/10 single	**1,056**	**687**	**54**	**1,551**	**1,004**	**54**
Off balance sheet production						
Mutual funds and other managed assets	808	1,032	(22)	1,186	1,509	(21)
Total production off balance sheet	**808**	**1,032**	**(22)**	**1,186**	**1,509**	**(21)**

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.

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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.

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Exchange rates

	Weighted average		Year-end	
Per 1 EUR	**2006**	**2005**	**2006**	**2005**
GBP	0.6809	0.6837	0.6715	0.6853

Operating earnings before tax

Operating earnings before tax amounted to GBP 153 million, compared to GBP 111 million in 2005. The increase mainly reflects the positive effect of higher equity and bond markets and growth of the businesses, partly offset by a charge related to higher surrenders due to Pension A-day. Earnings in 2006 were impacted by a GBP 14 million charge for an incentive plan related to the accelerated acquisition of the remaining 40% of Positive Solutions. In 2005 earnings included a GBP 33 million charge related to this item. Excluding the effect of these charges, operating earnings before tax increased 15%.

Traditional life

Operating earnings before tax for traditional life amounted to GBP 14 million, compared to a loss of GBP 1 million in 2005. Earnings increased due to higher annuity earnings, positive experience in the protection businesses and higher underlying assets.

Life for account of policyholders

Operating earnings before tax from life for account of policyholders were GBP 139 million, equal to 2005 earnings. This mainly reflects business growth and the impact of the higher equity and bond markets on fund-related charges offset by higher surrenders due to Pension A-day.

Fee - off balance sheet products

In AEGON s owned-distribution businesses in the UK, Positive Solutions income increased in 2006, driven by higher adviser productivity.

Operating earnings before tax from the fee off balance sheet products amounted to nil, compared to a negative contribution of GBP 27 million in 2005. Excluding the charges of GBP 14 million for the incentive plan related to Positive Solutions in 2006 and GBP 34 million in 2005, earnings of the fee businesses increased from GBP 7 million in 2005 to GBP 14 million in 2006.

Net income

Net income, which includes net gains/losses on investments and impairment charges, increased to GBP 158 million from GBP 98 million in 2005. Other non-operating income includes a gain of GBP 11 million in the first quarter of 2006 related to the sale of the Luxembourg-based subsidiary Scottish Equitable International to La Mondiale Participations. In the consolidated earnings for the Group, 35% of this gain has been eliminated to reflect AEGON s 35% share in La Mondiale Participations.

The effective tax rate in 2006 decreased from 15% to 9%. This primarily reflects the tax-exempt disposal of the Luxembourg subsidiary and the mix of earnings.

Revenues

Revenues of GBP 8,106 million were up 57% from 2005. In comparison to 2005, life general account premiums increased by 94% to GBP 1,085 million reflecting continued strong growth in immediate annuity production and the maturing of the individual protection business.

Life policyholder account premiums increased by 75% reflecting higher pension production primarily reflecting Pension A-Day activity.

Investment income increased by 11% compared to 2005 reflecting the increase in investments from the growth in business.

Fees and commission income in 2006 increased by GBP 36 million due to strong growth in Positive Solutions and commission income on onshore and offshore bonds.

Commissions and operating expenses

Commissions and expenses increased 17% to GBP 607 million, reflecting growth in the protection and distribution businesses, and the impact of higher surrenders related to Pension A-day. Operating expenses increased by 8% to GBP 375 million, due to investments, growth of the businesses and strong new business in 2006.

Production

New life sales in 2006 increased 54%, following record sales in the fourth quarter of 2006. The increase was due to increased activity in almost all business lines and the pension business in particular. A portion of the higher pension sales can be attributed to exceptional activity due to Pension A-Day with single premium pension sales more than doubling. Compared to 2005, non-pension sales grew 25% to GBP 263 million in annualized premium equivalent.

In asset management, the retail business continued its strong performance. With the majority of sales coming from bond funds, this further emphasizes AEGON s fixed income capability. Institutional sales were lower as three large institutional mandates were won in 2005, compared to two major contracts in 2006. Total off balance sheet production amounted to GBP 808 million in 2006, compared to GBP 1,032 million in 2005.

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OTHER COUNTRIES

Other countries

	2006 in million EUR	2005 in million EUR	%
Income by product segment			
Traditional life	10	13	(23)
Life for account of policyholders	8	6	33
Fixed annuities	(1)	0	
Variable annuities	1	0	
Fee - off balance sheet products	(14)	4	
Accident and health insurance	4	2	100
General insurance	29	25	16
Other	0	(6)	
Operating earnings before tax	**37**	**44**	**(16)**
Gains/(losses) on investments	20	12	67
Other non-operating income/(charges)	0	176	
Share in profit/(loss) of associates	24	16	50
Income before tax	**81**	**248**	**(67)**
Income tax	(45)	(37)	22
Net income	**36**	**211**	**(83)**
Revenues			
Life general account single premiums	76	25	
Life general account recurring premiums	1,014	1,009	0
Life policyholders account single premiums	490	101	
Life policyholders account recurring premiums	237	142	67
Total life insurance gross premiums	1,817	1,277	42
Accident and health insurance	69	67	3
General insurance	127	130	(2)
Total gross premiums	2,013	1,474	37
Investment income	192	157	22
Fee and commission income	41	25	64
Other revenues	1	0	0
Total revenues	**2,247**	**1,656**	**36**
Commissions and expenses	342	288	19
Standardized new premium production insurance [1]			
Life single premiums	628	128	
Life recurring premiums annualized	195	355	(45)
Life total recurring plus 1/10 single	**258**	**368**	**(30)**
Gross deposits			
Variable annuities	6	5	20
Total production on balance sheet	**6**	**5**	**20**

Off balance sheet production			
Mutual funds and other managed assets	459	318	44
Total production off balance sheet	**459**	**318**	**44**

[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.

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

Exchange rates

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

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

Operating earnings before tax

Operating earnings before tax in Other countries amounted to EUR 37 million, compared to EUR 44 million in 2005. Higher earnings in Hungary and Spain were more than offset by investments in growth in Slovakia and China. The increase in Spain is mainly driven by non-recurring expenses in 2005, related to the sale of the non-life business, and by the proportional inclusion of the joint ventures with Caja Badajoz and Caja Navarra since the second quarter of 2006. In Taiwan, higher life for account of policyholders earnings compensated lower traditional life earnings.

Traditional life

Total traditional life insurance operating earnings before tax from Other countries amounted to EUR 10 million, compared to EUR 13 million in 2005. This reflects lower results in Taiwan, due to the decline in sales, and sales growth in China, where acquisition costs are not yet deferred.

Life for account of policyholders

Operating earnings from life for account of policyholders increased from EUR 6 million in 2005 to EUR 8 million in 2006, primarily due to higher earnings in Taiwan.

Fee - off balance sheet products

Total fee - off balance sheet operating earnings before tax from Other countries amounted to a negative EUR 14 million, against a positive EUR 4 million in 2005, reflecting acquisition costs of EUR 27 million in 2006 to grow the Slovakian pension business which are immediately expensed. The decline was partly offset by higher earnings in Hungary.

Accident and health insurance

Accident and health insurance operating earnings before tax in Other countries amounted to EUR 4 million in 2006 compared to EUR 2 million in 2005. General insurance operating earnings before tax increased to EUR 29 million from EUR 25 million in 2005 as a result of favorable claim experience in the Hungarian household insurance business.

AEGON s share in the profit of associates amounted to EUR 24 million, compared to EUR 16 million in 2005. This line represents the income from the partnership with CAM (49.99% interest) as well as the income from the 35% stake in La Mondiale Participations.

Net income

Net income amounted to EUR 36 million, compared to EUR 211 million in 2005. The 2005 figure included a book gain on the sale of the Spanish general insurance activities of EUR 176 million before tax. AEGON s share in the profit (and loss) of associates (after tax) amounted to EUR 24 million, compared to EUR 16 million in 2005. The effective tax rate in 2006 was 56% as a result of a reduction in the deferred tax asset in Taiwan in 2006.

Revenues

Total revenues increased by 36% to EUR 2.2 billion and primarily reflects the full year of revenues from AEGON Poland, the inclusion of the joint ventures with Caja de Badajoz and Caja Navarra and growth in the other markets.

AEGON Poland s revenues increased from EUR 88 million in 2005 (only fourth quarter) to EUR 485 million in 2006.

Commissions and expenses

Commissions and expenses increased 19% to EUR 342 million mainly due to lower deferral of commissions in Taiwan, following a change in business mix, and strong pension sales in Slovakia. Operating expenses increased 4% to EUR 148 million due to higher expenses in China, Hungary and new operations in Poland, offset by lower expenses in Spain.

Production

New life sales in Taiwan in 2006 decreased 61% to NTD 4.8 billion (EUR 117 million), reflecting the high levels of sales through the broker and bank channel in the first six months of 2005. Unit-linked sales accounted for 47% of total new life sales in 2006. The decline in traditional life sales is due to re-pricing of the products following the revised reserving requirements introduced in 2005. Total gross premiums increased 12% to NTD 39.8 billion (EUR 965 million) in 2006, mainly due to growth in premiums of the life for account of policyholders business.

New life sales in Central and Eastern Europe amounted to EUR 82 million. In Hungary, new life sales increased 5% to HUF 4.6 billion (EUR 17 million), due to the introduction of a new tax regulation, higher sales in the agency channel and the development of the broker channel. In Poland, new life sales amounted to PLN 232 million (EUR 60 million) in 2006, after record sales in the fourth quarter of 2006. Sales of single premium life insurance through the bank channel showed very strong momentum, due to a recovery in equity markets in the fourth quarter in 2006. In addition, recurring premium sales accelerated in the fourth quarter of 2006 as a result of the successful development of the broker channel and the tied agent network.

In Spain, new life sales increased 112% to EUR 52 million, reflecting the proportional inclusion of bancassurance sales through AEGON s joint ventures Caja de Badajoz and Caja Navarra. In addition, a large group life policy sold in the fourth quarter of 2006, after the approval of tax changes, contributed to the sales growth. Group sales have been adversely affected by uncertainty about changes in tax law in 2006. Also, the changes have removed tax advantages on certain individual life insurance products. AEGON Spain has developed several new products in anticipation of the new tax rules and will launch these in 2007.

The partnership with CAM experienced a decrease of 24% in new life sales to EUR 168 million (on a 100% basis). The return on the new business improved as the product mix continues to shift from single premium savings products to recurring premium risk and protection products. Premium income for the partnership with CAM amounted to EUR 492 million (on a 100% basis). The partnership with CAM is not consolidated in AEGON s accounts. AEGON includes its share in the results of the partnership in the line share in profit / (loss) of associates.

In Hungary, non-life premium income increased by 1% to HUF 34 billion (EUR 127 million) mainly as a result of solid sales growth and a high retention rate of household insurance. Non-life premiums in Spain, which only include health business, increased 2% to EUR 67 million.

In Hungary, pension fund and mutual fund sales amounted to HUF 93 billion (EUR 353 million). Sales in the pension fund business continued to grow, with the number of new members added in 2006 increasing by 32% to more than 60,000. Total pension fund membership amounted to more than 628,000 members at the end of 2006 compared to 583,000 at the year-end of 2005. Off balance sheet investments grew by 32% to HUF 373 billion (EUR 1.5 billion) compared to the year-end 2005 level.

In Slovakia, the pension fund business was very successful in attracting new pension fund members in 2006. Approximately 154,000 new members were registered in the mandatory pension fund, bringing the total to over 200,000.

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5.5 Results of Operations 2005 compared to 2004

	2005 in million EUR	2004 in million EUR	%
By product segment			
Traditional life	823	566	45
Life for account of policyholders	243	304	(20)
Fixed annuities	425	284	50
Variable annuities	130	177	(27)
Institutional guaranteed products	280	367	(24)
Fee - off balance sheet products	33	36	(8)
Reinsurance	105	(88)	
Accident and health insurance	324	325	0
General insurance	55	104	(47)
Banking activities	15	24	(38)
Other	(6)	0	0
Interest charges and other	(280)	(327)	(14)
Operating earnings before tax	**2,147**	**1,772**	**21**
Gains/(losses) on investments	1,157	1,203[2]	(4)
Impairment charges	14	(183)[2]	108
Other non-operating income/(charges)	277	(22)[2]	
Share in profit/(loss) of associates	20	25	(20)
Income before tax	**3,615**	**2,795**	**29**
Income tax	(885)	(537)	65
Income after tax	**3,730**	**2,258**	**48**
Minority interest	2	(2)	
Net income [1]	**2,732**	**2,256**	**21**
Income before tax geographically			
Americas	2,181	1,698	28
The Netherlands	1,286	1,097	17
United Kingdom	272	220	24
Other countries	248	135	84
Holding and other activities	(352)	(356)	(1)
Eliminations	(20)	1	
Income before tax	**3,615**	**2,795**	**29**

1 Net income means net income attributable to equity holders of AEGON N.V.

2 Together non-operating earnings before tax

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Revenues geographically 2005

In million EUR	Americas	The Netherlands	United Kingdom	Other countries	Holdings, other activities and eliminations	Total
Total life insurance gross premiums	6,629	3,021	5,152	1,277		16,079
Accident and health insurance premiums	1,972	191		67		2,230
General insurance premiums		443		130		573
Total gross premiums	8,601	3,655	5,152	1,474		18,882
Investment income	5,383	2,184	2,165	157	48	9,937
Fees and commission income	871	325	223	25		1,444
Other revenues					73	73
Total revenues	**14,855**	**6,164**	**7,540**	**1,656**	**121**	**30,336**
Number of employees, including agent-employees	14,015	5,698	4,539	2,721	186	27,159

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

In million EUR	2005	2004
Operating earnings before tax	**2,147**	**1,772**
Gains on investments	1,269	1,290
Other income	176	138
Losses on investments	(112)	(87)
Impairment charges	14	(183)
Other charges	(3)	(218)
Policyholder tax	104	58
Share in profit/(loss) of associates	20	25
Income before tax	**3,615**	**2,795**

This review of operations should be read in conjunction with the financial statements and related notes included in Item 18.

Overview

During 2005, we strengthened AEGON s position in our three major markets the US, the UK and the Netherlands. In addition, we continued to invest in Central and Eastern Europe, Spain and Asia, where we see good growth prospects over time. We have taken a number of steps to improve the operations of our businesses as well as to enhance AEGON s strategic position in the life insurance and pension sectors overall. We are pleased to report increased earnings from all major country units for the year, enhanced distribution and a stronger balance sheet. We believe that AEGON is well-positioned to deliver the products and services that will lead to the continued growth of our business.

In the Americas, we achieved a 7% increase in new standardized life production over 2004, as well as a 17% increase in operating earnings for 2005. Production through our reinsurance division was particularly strong.

Our variable annuity business in the Americas showed 19% production growth for the year, led by a 41% increase through the wirehouse channel and a 24% increase in our pension business. Although fourth quarter retail sales were lower than previous quarters of the year, we anticipate sales growth going forward driven by new product development as we continue to build our wholesaling capability. Despite the challenging interest rate environment in the United States, and against the backdrop of declining industry sales, we have seen consecutive quarterly growth in our fixed annuity sales in 2005, due largely to new bank distribution agreements as well as our pension operations.

In the Netherlands, the improved organization reported a 64% increase in operating earnings for the year. Leveraging its leading position in the group pension market, AEGON the Netherlands was successful in capturing several large contracts. The Dutch organization focused on maximizing opportunities. For instance, to date, we signed 775 Levensloop contracts with employers and 2,250 group disability contracts. Looking ahead, we expect continued momentum of sales in our group business, as well as improved sales to individuals driven by new product initiatives in the intermediary channel.

AEGON UK had a good year with a 32% increase in operating earnings before costs associated with the accelerated acquisition of Positive Solutions, AEGON UK s Independent Financial Advisor network, in 2005. AEGON UK has successfully introduced a broader range of non-pension products in the UK market, which resulted in over 30% of new business coming from annuities, bonds and protection products in 2005. Moreover, AEGON UK is in a good position to both drive and benefit from developments in the distribution market. The number of registered individuals affiliated with Positive Solutions has more than doubled since the initial investment in the company in late 2002. We regard this as key to ensuring AEGON s position in the UK market as further reforms are implemented and the distribution environment becomes more competitive.

Elsewhere in Europe, we divested our general insurance business in Spain and focused our efforts on establishing life insurance partnerships with savings banks. Our partnership with Caja de Ahorros del Mediterráneo achieved a 27% increase in recurring premiums during the year. We also established two new bancassurance joint ventures in 2005 with Caja de Badajoz and Caja Navarra. AEGON Spain s life products will soon be sold in over 1,500 branches across the country. We will be looking at opportunities to expand this network given the dominant role of banks in the Spanish life and pensions market.

Central and Eastern Europe are countries where AEGON is now active, with a total population of over 65 million, offer strong growth potential for life and pension products. AEGON Hungary achieved a notable increase of 26% in net income for the year. AEGON Poland, which we acquired in October, had record sales in the fourth quarter - its first as a member of the AEGON Group. Membership in AEGON s pension fund in Slovakia continues to grow with over 70,000 currently enrolled, of which 57,000 are officially registered, and life sales have begun in the Czech Republic where we launched operations in April.

We continue to see pensions as a key growth driver for our business. Leveraging AEGON s pension expertise, we formally launched the AEGON Pension Network, which has been developed with our French partners at La Mondiale to provide multinational corporate clients cross-border solutions. The recent addition of HDI Pensions management, a leading provider of group pensions in Germany, has added further momentum to this initiative, which now covers ten European countries as well as the United States.

Finally, our operations in Asia also grew during 2005. In Taiwan, new life sales increased 58% following especially strong sales in the first half of the year. Although recurring traditional life business continued to be the main driver of growth, increased efforts to sell unit-linked products led to encouraging results in the fourth quarter.

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In China, we have expanded from our base in Shanghai, having received licenses to begin operations in Beijing, Nanjing and most recently, the Shandong province, where we are among the first foreign insurers to gain access to the region. During the fourth quarter, AEGON-CNOOC s multi-channel distribution advantage was strengthened with the addition of brokers. We have made clear our long-term commitment to China and we will continue to identify additional opportunities to expand AEGON s geographic presence.

AEGON continues to benefit from strong capitalization in all our country units. The year 2005 was especially good in terms of capital formation and cash flows. Shareholders equity at December 31, 2005 was EUR 19.3 billion, an increase of 30% compared to year-end 2004. In 2005, AEGON further strengthened the quality of its capital base by replacing senior debt and perpetual subordinated bonds with perpetual capital securities. Group equity, which includes shareholders equity and other equity instruments, represented 89% of the total capital base at the end of December. Due to our strengthened capital position and good cash flows, we have raised the final dividend by 10% to EUR 0.23 per common share, bringing the total 2005 dividend to EUR 0.45 per common share, a 7% increase over 2004.

In summary, 2005 was a good year and we are confident about our prospects for capturing further growth in AEGON s core lines of business. The increased sales and earnings for the year, combined with enhanced distribution and improved operational efficiency, indicate that we have made good progress within AEGON s three major markets while investing in new markets that offer long-term growth.

Results

Operating earnings before tax in 2005 increased 21% to EUR 2,147 million. The three major country units, the Americas, the Netherlands and the United Kingdom, each reported increases in operating earnings before tax for the year. The increase in the Americas primarily reflects business growth, favorable mortality experience and the impact of volatile items, partly offset by decreased spreads and lower investment yields. The increase in operating earnings before tax in the Netherlands is largely due to improved interest results and released provisions for profit-sharing and employee benefits, increased technical life and non-life results, partially offset by additional provisions for guarantees and improvements to Spaarkas life products in 2005. In the United Kingdom, the increase mainly reflects the positive impact from higher equity and bond markets. The increase is largely offset by a charge for an incentive payout to registered individuals and relates to the accelerated acquisition of the remaining 40 percent of Positive Solutions. The divestiture of the general insurance activities in Spain at the beginning of this year is the primary reason for the decline in operating earnings in Other Countries.

Non-operating earnings, which includes gains/(losses) on investments, impairment charges and other non-operating income/(charges), increased from EUR 998 million in 2004 to EUR 1,448 million in 2005. Net gains on investments were slightly lower in 2005 compared to 2004. Included in other non- operating income/(charges) in 2005 is the gain on the sale of the general insurance business in Spain for a pre-tax amount of EUR 176 million. Included in 2004 in other non-operating income/(charges) is the gain on the sale of Transamerica Finance Corporation (TFC) businesses for an amount of EUR 154 million. Impairment losses in 2005 were more than offset by impairment recoveries. Interest rate swaps in AEGON The Netherlands contributed EUR 307 million in 2005 (2004: EUR 347 million) to Gains/(losses) on investments. Included in 2004 other non-operating income/(charges) is EUR 218 million relating to the settlement with Dexia. Included in other non-operating income/(charges) are also charges to AEGON UK policyholders related to taxes payable for the account of policyholders. There is an equal and opposite tax charge in the corporate tax line. Both amounts increased in 2005 due to higher bond values in 2005 resulting from a significant fall in bond yields.

Net income increased 21% to EUR 2,732 million in 2005 reflecting higher operating earnings, increased net gains on investments and impairment charges, and higher non-operating income. The effective tax rate increased to 24% from 19% in 2004, reflecting higher taxable earnings, higher policyholder taxes in the United Kingdom and one time tax benefits in 2004.

Total commissions and operating expenses amounted to EUR 5,522 million over 2005 compared to EUR 5,784 million in 2004, a decrease of EUR 262 million or 5%. The sale of most of Transamerica Finance Corporation s businesses in 2004, the sale of the general insurance business in Spain, as well as expense savings in the Americas and AEGON UK, all contributed to lower operating expenses.

Revenue generating investments amounted to EUR 358 billion on December 31, 2005. This represents an increase of 17% compared to year-end 2004.

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AMERICAS

Americas (includes AEGON USA and AEGON Canada)

	2005 in million USD	2004 in million USD	%	2005 in million EUR	2004 in million EUR	%
By product segment						
Traditional life	674	639	5	541	514	5
Life for account of policyholders	108	107	1	87	86	1
Fixed annuities	529	353	50	425	284	50
Variable annuities	162	220	(26)	130	177	(27)
Institutional guaranteed products	349	456	(23)	280	367	(24)
Fee - off balance sheet products	67	(1)		54	(1)	
Reinsurance	131	(109)		105	(88)	
Accident and health insurance	345	361	(4)	277	290	(4)
Operating earnings before tax	2,365	2,026	17	1,899	1,629	17
Gains/(losses) on investments	299	280	7	240	225	7
Impairment charges	53	(197)		42	(159)	
Share in profit/(loss) of associates	0	3		0	3	
Income before tax	2,717	2,112	29	2,181	1,698	28
Income tax	(705)	(439)	61	(566)	(353)	60
Income after tax	**2,012**	**1,673**	**20**	**1,615**	**1,345**	**20**
Minority interest	2	(3)		2	(2)	
Net income	**2,014**	**1,670**	**21**	**1,617**	**1,343**	**20**

Exchange rates

Per 1 EUR	Weighted average 2005	Weighted average 2004	Year-end 2005	Year-end 2004
USD	1.2456	1.2436	1.1797	1.3621
CAD	1.5094	1.6166	1.3725	1.6416

Operating earnings before tax

AEGON America s operating earnings before tax for 2005 of USD 2,365 million increased USD 339 million or 17% compared to the results for 2004. Operating earnings include certain volatile items under IFRS. In 2005, these items contributed USD 316 million to operating earnings compared to USD 255 million in 2004. These volatile items include a discontinued total return pass-through annuity product, Canadian Segregated Funds and financial assets carried at fair value, such as hedge funds, convertible bonds and certain limited partnerships, for which there is no offset in liabilities. A significant portion of the earnings from these volatile items is due to returns on hedge funds and limited partnership investments, which have exceeded long-term pricing expectations in both 2004 and 2005. Excluding these volatile items in both 2005 and 2004, operating earnings increased USD 278 million or 16%. See table on page 89 for the impact of volatile items in AEGON America s operating earnings before tax.

Traditional life

Traditional life operating earnings before tax of USD 674 million increased by USD 35 million or 5% compared to 2004. Continued growth of the in-force business contributed to the earnings increase during 2005 in addition to the increase in earnings from volatile items. The valuation of certain financial assets carried at fair value contributed USD 58 million to traditional life operating earnings before tax in 2005 compared to USD 38 million in 2004. Excluding this volatile item, operating earnings before tax increased USD 15 million or 2%. Significant positive items include: USD 15 million increase in Canada traditional life earnings upon an update to the valuation software and refinement of reinsurance reserve credits in the third quarter of 2005 and USD 15 million favorable adjustment of premium tax rates in addition to growth in both the United States and Canada. These were partially offset by USD 10 million of non-recurring expenses incurred in Canada in the second quarter of 2005 as well as slightly higher mortality costs.

Life for account of policyholders

Life for account of policyholders operating earnings before tax of USD 108 million remained at approximately the same level as the results for 2004. Earnings increased due to growth of the in force business and a positive DPAC adjustment in the Bank-Owned Life Insurance and Company-Owned Life Insurance (BOLI/COLI) business in the first quarter of 2005. This was largely offset by lower expense deferrals due to an updated expense study.

Fixed annuities

Fixed annuity operating earnings before tax of USD 529 million increased USD 176 million or 50% compared to the results for 2004. The total return annuity existing block of business and the fair value movements of certain financial assets carried at fair value contributed to an increase of USD 105 million to operating earnings in 2005. Excluding these volatile items, operating earnings before tax increased USD 71 million, or 22%. Earnings in 2004 were negatively impacted by a charge of USD 54 million related to reserve strengthening on a block of payout annuities. The remaining increase of USD 17 million is due to lower DPAC amortization resulting from the retail annuity products, favorable mortality on payout annuities and continued favorable persistency, with a partial offset due to slightly lower product spreads and lower account balances.

Product spreads on the largest segment of the fixed annuity book were 230 basis points for 2005. Excluding the volatile income related to certain financial assets carried at fair value, pre-tax operating spreads were 209 basis points for 2005.

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Variable annuities

Variable annuity operating earnings before tax of USD 162 million decreased USD 58 million or 26% in 2005 compared to 2004, primarily as a result of a decline in the earnings before tax of Canadian segregated funds of USD 48 million. Excluding the Canadian segregated funds pre-tax operating income decreased USD 10 million or 6%. A negative DPAC adjustment of USD 25 million occurred in the second quarter of 2005 related to updating a trail commission modeling assumption, while 2004 results included a positive USD 17 million DPAC adjustment. The remaining increase was primarily due to higher fees from growth in assets under management due to continued favorable persistency and strong equity market growth.

During the second and third quarters of 2005, changes were made to the valuation of the maturity guarantees in the Canadian segregated funds. During the third quarter, best estimate assumptions for the risk free rate used in the calculation of the fair value of the guarantee reserve were updated to better coincide with the liability pattern for this guarantee. However, separate from the change discussed above, interest rates rose during the third and fourth quarters, reducing the liability. During the year, AEGON Canada updated its best estimates for lapse assumptions and equity market volatility, which had a negative impact of USD 74 million.

Institutional guaranteed products

Institutional guaranteed products operating earnings before tax of USD 349 million decreased USD 107 million or 23% compared to the results for 2004. The valuation of certain financial assets carried at fair value contributed USD 85 million to operating earnings before tax in 2005 compared to USD 94 million in 2004. Excluding this item, operating earnings decreased USD 98 million or 27%. The decrease includes USD 16 million from the one-time positive effect in 2004 related to the performance of a portfolio of loans. The remaining decrease is due primarily to lower investment spreads due to rising short-term interest rates.

Fee off balance sheet products

Fee off balance sheet products operating earnings before tax of USD 67 million increased USD 68 million compared to the results for 2004. Included in the 2005 results is a USD 20 million one-time accrual release from a long-term deferred compensation plan as conditions for payment from the plan were not fulfilled during 2005. The remaining increase reflects higher fees from growth in assets under management from the recent strong equity market performance and lower expenses.

Reinsurance

Reinsurance operating earnings before tax of USD 131 million increased USD 240 million compared to a loss of USD 109 million in 2004. The 2004 results were negatively impacted by loss recognition of USD 118 million related to value of business acquired (VOBA) recoverability. Reserve increases and other changes of USD 80 million were also recorded in 2004 to the reinsurance business. This included an increase of USD 54 million for a change in estimate of incurred but not reported claims resulting from a refinement of the calculation model and USD 26 million of reserve refinements and accrual changes related to the conversion to new reserve and administrative systems at Transamerica Reinsurance (TARe). The 2005 operating earnings include a USD 12 million positive adjustment to reflect the extension of a recapture provision in a fixed annuity reinsurance treaty and assumption refinement in retro-ceded life business, USD 11 million of additional earnings related to retrocession recoveries and USD (4) million of other one-time items. The remaining increase is primarily due to improved mortality in 2005 relative to poor mortality occurring primarily in the second quarter of 2004 and growth of the existing business.

Accident and health insurance

Accident and health operating earnings before tax of USD 345 million decreased USD 16 million or 4% compared to 2004. The long-term care business earnings increased USD 14 million in 2005 due to favorable lapse and claim experience compared to a reserve strengthening in 2004 and higher investment income. Favorable premium tax rate adjustments in 2005 increased earnings by USD 18 million and other one-time expense items reduced earnings. The 2005 earnings were also reduced by USD 30 million due to reserve strengthening and increased claims mostly related to closed blocks of business. The 2004 results included a one-time benefit of USD 15 million due to reserve refinements upon conversion to a new reserve valuation system.

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Impact of volatile items in the Americas

AEGON believes that the summary of volatile items in the table below, together with the GAAP information, provides a meaningful measure to the investing public to evaluate AEGON s business relative to the business of peers. The breakdown of this measure per line of business is shown below.

In millions	USD 2005	USD 2004	EUR 2005	EUR 2004
Asset valuation				
Traditional life	58	38	47	30
Life for account of policyholders	3	5	2	4
Fixed annuities	92	75	74	61
Variable annuities	9	8	7	6
Institutional guaranteed products	85	94	68	76
Fee - off balance sheet products	1	2	1	2
Reinsurance	10	9	8	7
Accident and health	11	10	9	8
Total asset valuation	**269**	**241**	**216**	**194**
Total return annuity				
Fixed annuities	42	(46)	34	(37)
Reinsurance	(7)	0	(6)	0
Total return annuity	**35**	**(46)**	**28**	**(37)**
Segregated funds				
Variable annuities	12	60	10	48
Segregated funds	**12**	**60**	**10**	**48**
Total volatile items	**316**	**255**	**254**	**205**

For the Americas, operating earnings before tax on an IFRS basis are generally expected to be more volatile than income before realized gains and losses on shares and real estate reported on the previous Dutch accounting principles (DAP) basis. In particular, there are three items that are expected to create significant volatility due to the fair value nature of the underlying valuation. In aggregate, these items contributed pre-tax operating earnings of USD 316 million during 2005 compared to USD 255 million in 2004. These items are as follows:

Asset valuation

Certain financial assets that are managed on a total return basis, such as hedge funds, convertible bonds and certain limited partnerships, are carried at fair value with no offsetting change in the fair value of liabilities. As of December 31, 2005, these assets totaled USD 3.2 billion. The valuation of these assets contributed USD 269 million to operating earnings before tax in 2005 compared to USD 241 million in 2004. The impact of this is notable in the traditional life, fixed annuity and institutional guaranteed products lines of business.

Total return annuity

This annuity product 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 asset market value changes will be offset in the liability valuation. This product exists in both the fixed annuity and reinsurance lines of business and in both cases represents closed blocks. Product balances as of December 31, 2005 were USD 2.2 billion in fixed annuities and USD 0.6 billion in reinsurance. This item generated a loss of USD 46 million in 2004 operating earnings before tax, compared to earnings of USD 35 million in 2005.

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Segregated funds maturity guarantees

Segregated funds sold in Canada and reported in the variable annuity line of business contain ten-year maturity guarantees that are carried at fair value using market-based risk neutral scenario techniques. The operating earnings impact from these guarantees is generally positive for higher equity market returns and higher interest rates, and conversely negative for lower equity market returns and lower interest rates. As of December 31, 2005, segregated fund balances with maturity guarantees totaled USD 4.3 billion. This product contributed positive USD 12 million to operating earnings before tax in 2005 compared to positive USD 60 million in 2004. The decline during 2005 was primarily due to changes in best estimate modeling assumptions for volatility, lapse rates and the Canadian risk free interest rate.

Net income

Net income, which includes net realized net gains and losses on investments and impairment charges, increased 21% to USD 2,014 million compared to USD 1,670 million in 2004. In 2005, realized gains on investments and impairment recoveries were USD 352 million (net of USD 92 million DPAC adjustment) compared to USD 82 million (net of USD 112 million DPAC adjustment) in 2004.

Asset recoveries of USD 176 million exceeded impairments of USD 125 million in 2005, which resulted in a net recovery of USD 51 million (USD 53 million after DPAC adjustment). This compares to 2004 asset losses of USD 311 million exceeding recoveries of USD 97 million, which resulted in a net loss of USD 214 million (USD 198 million after DPAC adjustment). Recoveries are recognized on debt securities where market values increased significantly and objective evidence can be obtained as to the reason for the increase.

The effective tax rate for 2005 was 26% compared to 21% for 2004. The primary reasons for the increase are higher pre-tax earnings in 2005 (taxed at the 35% US marginal tax rate) and a one-time benefit in 2004 from favorable treatment of dividend repatriations from foreign subsidiaries pursuant to a provision of the American Jobs Creation Act of 2004 and a decrease in 2005 benefits from non-taxable distributions from pre-1984 tax accounts of certain US life insurance company members of the Group. These increases in tax were offset in part by increases in 2005 in tax credits and certain tax preferred investment income.

Revenues

Revenues of USD 18,503 million increased 4% in 2005 compared to those in 2004. Life insurance gross premiums of USD 8,257 million increased 1%, accident and health insurance premiums of USD 2,456 million increased 1%, investment income of USD 6,705 million increased 7%, and fees and commissions of USD 1,085 million increased 7%.

Life general account single premiums of USD 922 million decreased 24% in 2005 due to higher BOLI/COLI premiums in 2004, while life general account recurring premiums of USD 5,568 million increased 9%, driven by strong reinsurance recurring premium production.

Life for account of policyholders single premiums of USD 611 million decreased 6% in 2005 due to a large case that closed in the fourth quarter of 2004. Life for account of policyholders recurring premiums of USD 1,156 million decreased 2%.

Accident and health premiums of USD 2,456 million were slightly higher than those in 2004 due to increased sales through sponsored programs along with rate increases on certain health products, partially offset by discontinuance of new sales of long-term care policies.

Deposits into fixed and variable annuity contracts and institutional spread based products (GICs and funding agreements) were recorded directly to the balance sheet as a deposit liability and not reported in revenues.

Investment income was 7% higher in 2005 compared to that of 2004. This increase was primarily due to rising short-term rates on floating rate investments, increased investing in mortgage loans and improved results from other long-term investments.

The increase in fees and commission revenues is primarily attributable to increased investment management fees earned as a result of higher asset balances. Fees were lower on certain membership products as direct marketing sales declined throughout 2004 and in 2005 due to FCC and FTC regulations including the national Do not call list.

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Commissions and operating expenses

Commissions and operating expenses of USD 4,063 million decreased 6% in 2005 compared to those in 2004. Commissions paid increased USD 174 million or 6% in 2005 compared to those in 2004, primarily due to higher recurring life premiums. Net DPAC capitalized increased USD 435 million due to higher first year life premiums. Operating expenses for the Americas decreased by USD 2 million to USD 1,768 million compared to 2004. The decrease is due to the effect of expense savings and the release of an accrual for performance bonuses, partly offset by higher expenses for share-based payments and USD 14 million of one-time expenses in 2005 in Canada.

Production

Standardized new premium production of USD 1,166 million was 7% higher than in 2004. Retail standardized production of USD 801 million was USD 20 million or 3% higher than last year s as continued strong traditional and universal life sales in the Agency channel were partially offset by lower single premium via the bank channel sales. BOLI/COLI standardized production of USD 107 million was USD 22 million or 17% lower than last year s due to a large BOLI case that closed in the fourth quarter of 2004. Reinsurance standardized production of USD 261 million was USD 84 million or 47% higher than last year s due to continued strong international and domestic sales.

Fixed annuity deposits of USD 2,221 million decreased 26% in 2005 compared to 2004 due to the current low interest rate environment, flat yield curve and AEGON s commitment to write profitable business with acceptable risk profiles. In response to the low interest rate environment, during 2003 and 2004 new products were introduced with a lower guaranteed annual interest rate. Withdrawals from existing contracts in 2005 exceeded 2004 and increased throughout the year. Fixed annuity account balances of USD 52.9 billion decreased by 4% from year-end 2004 as withdrawals exceeded deposits during the year.

Variable annuity deposits of USD 6,260 million increased 19% compared to 2004. The strong year over year growth is notable in both the retail and pension markets. The growth in the retail segment in 2005 was 13%, much of which is attributable to the 5 for Life product that was introduced in the fourth quarter of 2004. Production in the pension segment grew at 24%, largely due to strong production in the third and fourth quarters. The balances of variable annuities increased 8% to USD 48 billion in 2005.

Institutional guaranteed product production was USD 10,712 million in 2005, an increase of 13% compared to 2004. Higher sales were primarily in traditional and municipal GIC products and in medium term notes in conjunction with the launch of a new sales platform in Ireland. The tight credit spreads continue to negatively impact sales in 2005 as disciplined pricing is followed to achieve returns. The balance of GIC and funding agreements at December 31, 2005 consisted of USD 31.1 billion general account and USD 1.9 billion separate account business. The combined balances decreased 6% over 2005.

Off balance sheet products include managed assets such as mutual funds, collective investment trusts and synthetic GICs. Off balance sheet production of USD 18.4 billion slightly decreased compared to that of 2004. Mutual fund sales of USD 10.1 billion decreased 9% in 2005 compared to 2004. Synthetic GIC sales of USD 8.2 billion in 2005 were 13% above those of 2004. Off balance sheet assets have increased 6% over 2005 and now total USD 80.8 billion.

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THE NETHERLANDS

AEGON The Netherlands

	2005 in million EUR	2004 in million EUR	%
Income by product segment			
Traditional life	270	40	
Life for account of policyholders	(53)	45	
Fee - off balance sheet products	15	26	(42)
Accident and health insurance	45	27	67
General insurance	30	34	(12)
Banking activities	15	24	(38)
Operating earnings before tax	**322**	**196**	**64**
Gains/(losses) on investments	985	907	9
Impairment charges	(25)	(19)	(32)
Share in profit/(loss) of associates	4	13	(69)
Income before tax	**1,286**	**1,097**	**17**
Income tax	(272)	(177)	54
Net income	**1,014**	**920**	**10**

Operating earnings before tax

AEGON The Netherlands operating earnings before tax for 2005 of EUR 322 million increased by EUR 126 million or 64% compared to 2004. The increase in the Netherlands is largely due to improved interest results, a release of provisions for profit-sharing and employee benefits, as well as increased technical life and non life results, partially offset by additions to provisions for products with certain guarantees and for improvements to certain spaarkas products, affecting life for account of policyholders. The release of the provision for employee benefits was mainly due to legislative changes. Operating earnings include certain volatile items under IFRS. In 2005, these items contributed EUR 62 million to operating earnings compared to EUR 12 million in 2004. These volatile items include financial assets carried at fair value, such as investments in private equity funds and derivatives used in portfolio allocation, for which there is no offset in liabilities. Excluding these volatile items in both 2005 and 2004, operating earnings increased EUR 76 million or 41%.

In May 2005 AEGON The Netherlands announced that it would improve the terms of spaarkas products. In 2005, the improvements involved an amount of approximately EUR 100 million. Part of these costs are offset by a release of a previously established provision. The effect of the improvements on future earnings will also amount to approximately EUR 100 million and will be spread over many years.

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Traditional life operating earnings before tax of EUR 270 million increased EUR 230 million because of higher investment income stemming primarily from the release of profit-sharing provisions of EUR 57 million (compared to an addition of EUR 50 million in 2004), the positive effect of volatile items of EUR 50 million, the returns on swaps used to extend duration of EUR 31 million, dividend receipts of EUR 20 million and EUR 33 million related to the deferred purchase price receivable of the mortgage securitization programs.

Life for the account of policyholders operating earnings before tax amounted to an EUR 53 million loss in 2005 compared to a profit of EUR 45 million in 2004. The decrease was mainly caused by additional provisioning related to Spaarkas products (EUR 42 million) and the additions to the guarantee provisions (EUR 163 million in 2005 compared to EUR 37 million in 2004). Lower amortization of DPAC mitigated the above mentioned losses.

Operating earnings before tax from fee business of EUR 15 million in 2005, decreased by EUR 11 million or 42% compared to 2004. Meeùs operational results decreased as significant investments were made in improving quality and generating growth. An expense management program commenced in the fourth quarter of 2005. TKP Pensioen and AEGON Asset Management have both performed better.

Accident and health insurance operating earnings before tax of EUR 45 million increased by EUR 18 million or 67% compared to the results over 2004. The accident and health business benefited from the positive claim experience on disability and sick leave coverage products.

General insurance operating earnings before tax of EUR 30 million decreased by EUR 4 million in comparison to 2004 mainly due to additional provisioning for personal liability insurance. Fire and transport have performed well.

Banking operating earnings before tax of EUR 15 million decreased by EUR 9 million mainly reflecting additional settlements of client disputes regarding Sprintplan and Vliegwiel, a decline in the lease portfolio due to expiration, a decline in savings accounts balances following the release of company savings accounts and lower interest spreads.

Impact of volatile items in the Netherlands

In millions	EUR 2005	EUR 2004
Asset valuation		
Traditional life	55	24
Life for account of policyholders	12	4
Total asset valuation	**67**	**28**
Derivatives		
Traditional life	(5)	(12)
Life for account of policyholders	0	(2)
Accident and health insurance	0	(1)
General insurance	0	(1)
Total derivatives	**(5)**	**(16)**
Total volatile items	**62**	**12**

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For AEGON the Netherlands, operating earnings before tax on an IFRS basis are generally expected to be more volatile than income before realized gains and losses on shares and real estate as reported on the previous DAP basis. In particular, there are two items that are expected to create significant short-term volatility due to the fair value nature of the underlying valuation. In aggregate, these items contributed EUR 62 million to operating earnings in 2005, compared to EUR 12 million in 2004. These items are as follows:

Asset valuation certain financial assets, such as an investment in a private equity fund, are carried at fair value with no offsetting changes in the fair value of liabilities. As of December 31, 2005, these assets totaled EUR 225 million. This item contributed EUR 28 million to operating earnings before tax in 2004, compared to EUR 67 million in 2005.

Derivatives used in portfolio allocation - AEGON The Netherlands uses derivatives to manage the asset allocation of its investment portfolio. These derivatives are carried at fair value with no offsetting changes in the fair value of liabilities. The valuation of these derivatives contributed a negative EUR 16 million to operating earnings before tax in 2004 compared to a negative EUR 5 million in 2005.

Net income

Net income, which includes net realized gains and losses on investments and impairment charges, increased by EUR 94 million or 10% to EUR 1,014 million in 2005. The increase in the non-operating component of earnings is driven by improving equities markets and a declining yield curve. The decision to lengthen the duration of the pension portfolio in the second quarter of 2004 had a significant impact on the results in both 2004 and 2005. Derivatives used to extend the duration contributed EUR 307 million to the non-operating result in 2005. The sale of shares in 2005 resulted in the realization of gains amounting to EUR 348 million, the sale of bonds EUR 154 million and mortgages EUR 32 million. Changes in the market value of real estate contributed a further EUR 144 million to non-operating income.

Impairment charges in 2005 amounted to a total of EUR 25 million compared to EUR 19 million in 2004, comprised of EUR 25 million in respect of AEGON Germany which was sold in April 2005, impairments on loans of EUR 3 million, impairments of shares of EUR 14 million and offset by the release of provisions on lease products (EUR 17 million) due to increases in the value of investments coupled with the lease products.

Revenues

Revenues of EUR 6,164 million increased by 4% in 2005 compared to 2004. Life insurance gross premiums of EUR 3,021 million increased by 1%, accident and health insurance premiums of EUR 191 million increased by 2%, general insurance premiums of EUR 443 million remained stable, investment income of EUR 2,184 million increased by 8% and fees and commissions of EUR 325 million increased by 9%.

Life general account premiums of EUR 893 million decreased by 23% compared to 2004, mainly due to the decrease in single premiums. Recurring premiums have remained stable compared to 2004.

Life for account of policyholders premiums of EUR 2,128 million increased by 17% compared to 2004 as a result of several large new contracts in the single premium-segment that closed in 2005. In addition, a catch-up effect for a large co-insurance pension contract in the recurring segment was booked in the first quarter of 2005.

Accident and health insurance premiums increased by 2% in 2005 compared to 2004 as a consequence of the privatization of disability for self employed (WAZ). General insurance revenues remained flat compared to last year.

Investment income amounted to EUR 2,184 million and increased 8% as a consequence of higher volumes of both investments and derivative instruments in 2005, partly offset by lower investment income from banking activities due to a shrinking block of business (runoff of Sprintplan-product and withdrawal of company savings plans).

Fee and commission income of EUR 325 million was 9% higher than in 2004 due to strong growth (55%) in the service centers, 17% growth for TKP Pensioen and a 22% increase for AEGON Asset Management.

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Commissions and operating expenses

Total commissions and operating expenses increased by 7% to EUR 1,091 million in comparison to 2004.

Operating expenses increased by EUR 162 million or 27% to EUR 752 million. Operating expenses in 2005 included the addition to the provision for spaarkas products (EUR 42 million) partially offset by releases of the provisions for lease products (EUR 8 million). In 2004 operating expenses included the release of the provision related to the sale of real estate in 2000 (EUR 56 million) and the receipt of fraud compensation (EUR 16 million). When one-time items are excluded, operating expenses increased by EUR 25 million or 4% mainly due to additional employee expenses reflecting the focus on improving the quality of the organization and higher compliance and regulatory costs.

Deferred expenses were slightly lower in 2005 compared to 2004 as a significant portion of commissions relates to the sale of single premium products, which are not deferred. DPAC amortization declined in comparison to 2004 as a consequence of accelerated DPAC amortization charges in 2004.

Production

Standardized new life production of EUR 231 million was 2% higher than that of 2004.

Single premium production increased by 4% compared to 2004. This increase was mainly due to the conclusion of a number of institutional pension contracts in the life for account of policyholder business line. These contracts are very significant but tend to be incidental and therefore production is less predictable. The recurring premium production has remained stable compared to 2004. Whereas 2004 benefited from the effect of changes in pension legislation causing strong production in the second quarter of 2004 of Streefregelingen , 2005 included several large new contracts. Moneymaxx Germany production in 2005 amounted to EUR 3 million (2004: EUR 15 million) reflecting the sale of this business in the first quarter of 2005. Excluding Moneymaxx Germany, the total standardized new premium production life increased by 8%.

Non-life production decreased by 25% in comparison to 2004. Accident and health production declined in 2005 as a consequence of announced changes to legislation, with no production in the fourth quarter of 2005. The strong production in 2004 came from the new sick leave product (EUR 8 million) and from the disability product for self-employed. In 2005, AEGON The Netherlands developed new disability products for the group employee benefits market to address the changing needs as a result of the new disability system in the Netherlands as outlined in the WIA law. To date, AEGON has signed WIA contracts with 2,250 employers. General insurance production amounted to EUR 40 million and showed a stable pattern throughout 2005 and 2004.

Off balance sheet production increased by 10% to EUR 864 million, reflecting growth in asset-only group pension contracts and good performance at TKP Pensioen.

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UNITED KINGDOM

AEGON United Kingdom

	2005 in million GBP	2004 in million GBP	%	2005 in million EUR	2004 in million EUR	%
Income by product segment						
Traditional life	(1)	(8)	88	(1)	(12)	92
Life for account of policyholders	139	114	22	203	168	21
Fee - off balance sheet products[1]	(27)	3		(40)	5	
Operating earnings before tax	**111**	**109**	**2**	**162**	**161**	**1**
Gains/(losses) on investments	6	3	100	9	4	125
Impairment charges	(2)	(2)		(3)	(3)	
Other non operating income/(charges)[2]	71	40	78	104	58	79
Share in profit/(loss) of associates	0	0		0	0	
Income before tax	**186**	**150**	**24**	**272**	**220**	**24**
Income tax attributable to policyholder return	(71)	(40)	78	(104)	(58)	79
Income before income tax on shareholders return	**115**	**110**	**5**	**168**	**162**	**4**
Income tax on shareholders return	(17)	(28)	(39)	(24)	(41)	(41)
Net income	**98**	**82**	**20**	**144**	**121**	**19**

1 Includes GBP 33 million in 2005 for incentive pay related to Positive Solutions.

2 Other non-operating income/(charges) is currently used to report charges made to policyholders in respect of income tax. There is an equal and opposite tax charge which is reported in the line Income tax attributable to policyholder return.

Exchange rates

Per 1 EUR	Weighted average 2005	Weighted average 2004	Year-end 2005	Year-end 2004
GBP	0.6837	0.6790	0.6853	0.7051

Operating earnings before tax

Operating earnings before tax of GBP 111 million in 2005 increased by 2% compared to 2004. The increase primarily reflects the positive effect of the higher equity and bond markets on policy fee income offset by a GBP 33 million charge for the incentive plan for registered individuals and staff related to the acquisition of the remaining 40% of Positive Solutions (GBP 23 million in the third quarter of 2005 and GBP 10 million in the fourth quarter of 2005). A further charge of GBP 7 million is expected in the first quarter of 2006. AEGON UK has accelerated the incentive plan for Positive Solutions registered individuals and staff on the back of the acquisition of the remaining 40% of Positive Solutions. The FTSE level was on average 15% higher in 2005 than in 2004 and results in 2004 included a GBP 10 million restructuring charge.

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Operating earnings before tax in the traditional life product segment were a loss of GBP 1 million in 2005 compared to a loss of GBP 8 million in 2004. The increase reflects a restructuring charge of GBP 10 million in 2004.

Operating earnings before tax in the life for account of policyholder line of business was GBP 139 million for 2005, an increase of 22% compared to 2004. The increase mainly reflects the impact of the higher equity and bond market on policyholder fee income.

Fee business reported a loss of GBP 27 million in 2005 compared to a profit of GBP 3 million in 2004. The lower result is due to the GBP 33 million charge for the incentive plan related to Positive Solutions, while equity markets and higher distribution business profits had a positive effect on operating earnings.

Net income

Other non-operating earnings before tax is used to report charges made to policyholders in respect of corporation tax. These non-operating earnings are offset by an equal and opposite amount included in the line income tax attributable to policyholder return.

Net income for 2005 of GBP 98 million increased by 20% compared to 2004. The effective tax rate decreased from 25% in 2004 to 14% in 2005, largely due to non-recurring tax charges in 2004, the increased volume of protection business in 2005 giving additional expense relief and an increase in profits in AEGON UK s life business lines (these are taxed at a lower rate than pensions business).

Revenues

Revenues of GBP 5,155 million were up 5% from 2004. This reflects growth in annuity production over 2005.

The increase in fee and commission revenues of 28% to GBP 153 million is due to growth in income from our distribution companies. In particular there was strong growth in Positive Solutions income during the year.

Commissions and operating expenses

Commission and operating expenses increased 20% to GBP 518 million and included the GBP 33 million incentive cost related to Positive Solutions, and the growth in the distribution businesses leading to an increase of GBP 38 million in paid-out commissions. Operating expenses increased GBP 2 million to GBP 346 million.

Production

Standardized new life production increased 4% compared to 2004. Changes in pricing and commission structures in the core pensions markets had a negative effect on production, especially impacting sales in the first quarter, while subsequent quarters showed a recovery in sales levels. AEGON UK continued to record solid growth in onshore bonds, protection business and annuities, illustrating the successful diversification into non-pension business. Higher margin non-pension products, such as annuities, bonds and protection products accounted for nearly one third of production in 2005.

In asset management, AEGON UK had a strong performance in retail and institutional sales, attributable to the continued stock market improvement encouraged investors back into the market as well as to the continued strong performance of AEGON UK Asset Management s fixed income team. Total off balance sheet product sales amounted to GBP 1,032 million compared to GBP 143 million in 2004.

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OTHER COUNTRIES

Other countries

	2005 in million EUR	2004 in million EUR	%
Income by product segment			
Traditional life	13	24	(46)
Life for account of policyholders	6	5	20
Fee - off balance sheet products	4	6	(33)
Accident and health insurance	2	8	(75)
General insurance	25	70	(64)
Other	(6)	0	
Operating earnings before tax	**44**	**113**	**(61)**
Gains/(losses) on investments	12	15	(20)
Impairment charges	176	(2)	
Share in profit/(loss) of associates	16	9	78
Income before tax	**248**	**135**	**84**
Income tax	(37)	(34)	9
Net income	**211**	**101**	**109**

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

Exchange rates

Per 1 EUR	2005	2004
Czech Republik Krona (CZK)	29.590	30.464
Hungarian Forint (HUF)	248.020	251.830
New Taiwan Dollar (NTD)	39.760	41.690
Polish Zloty (PLN)	3.860	
Rin Min Bi Yuan (CNY)	10.100	11.273
Slovakian Koruna (SKK)	38.640	38.745

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

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AEGON Hungary

Operating earnings before tax

Operating earnings before tax increased by HUF 2.7 billion to HUF 17.9 billion in 2005 mainly due to better technical results, a strict control of expenses and an increase in profit from fee-off balance sheet products.

Life operating earnings before tax increased by HUF 1.2 billion compared to 2004. Traditional life results decreased by HUF 1.1 billion as the portfolio runs off. The increase in life for account of policyholders by HUF 1.5 billion is mainly coming from emphasizing high-profitable elements in life insurance products and lower commissions and expenses ratios. Increased operating results in the fee - off balance sheet line of business of HUF 0.8 billion is due to growing pension fund deposits and managed assets.

Non life operating earnings increased by HUF 1.6 billion, mainly due to lower claims ratio in household and motor and improving expense results.

Net income

Net income increased from HUF 13.2 billion in 2004 to HUF 16.6 billion in 2005. Contributing to the increase are, in addition to higher operating earnings, higher non-operating earnings and a lower effective tax rate.

Revenues

Life premiums amounted to HUF 39.3 billion and increased by HUF 1.7 billion compared to 2004 due to higher universal life recurring sales while traditional life premiums decreased due to mature portfolios. Higher deposits resulted in a HUF 0.8 billion higher fee and commission income despite falling fee rates due to increasing competition in the market. Non life premiums increased by 12% in 2005 compared to 2004. Higher deposits resulted in a HUF 0.8 billion higher fee and commission income despite falling fee rates due to increasing competition in the market.

Commissions and operating expenses

Commission and operating expenses increased by HUF 0.7 billion. Expenses increased by 5% in 2005 compared to 2004 as a result of strict cost control and despite increasing efforts needed to protect and retain pension plan portfolios due to growing competition.

Production

Standardized new life production decreased by 6% in 2005 compared to 2004. To reverse a declining trend in production over the past few years, an intensive marketing campaign was launched in 2005. New life products were launched and the sales network has been restructured. New production started recovering slightly in the last quarter of 2005. Sales of household insurance increased by 6% mainly based on improving client service and price discounts. Strong competition in the motor insurance market caused a small reduction in market share since AEGON Hungary chose to maintain its pricing in order to maintain profitability.

Off balance sheet production increased by HUF 25 billion or 49% to HUF 76 billion, reflecting increased pension fund deposits. Although competition in the pension fund management business intensified, pension fund membership increased by a net 32,500 to 456,000 members. Off balance sheet investments grew by 44% to HUF 282 billion compared to the 2004 year end level.

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AEGON Slovakia

Operating earnings before tax amounted to a loss of SKK 463 million in 2005 compared to a loss of SKK 325 million in 2004.

Premium income increased from SKK 76 million to SKK 105 million. Standardized new premium production decreased from SKK 100 million to SKK 77 million, reflecting the focus on the sale of pension plans, but increased in the second half of 2005 due to new agreements with brokers.

AEGON exceeded the threshold of 50,000 members required by regulatory authorities for a pension fund to be deemed viable, ahead of the June 2006 deadline. AEGON Slovakia has sold over 70,000 policies so far, of which 57,000 are officially registered, reflecting the good investment performance and an attractive fee structure of AEGON s offering.

AEGON Czech Republic

AEGON started selling insurance products in the Czech Republic in the second quarter of 2005. Standardized new premium production was CZK 44 million and operating earnings before tax amounted to a loss of CZK 212 million.

AEGON Poland

On October 4, 2005 the acquisition of AEGON Poland was completed. Standardized new premium production was PLN 41 million in the fourth quarter and operating earnings before tax amounted to a loss of PLN 4 million.

AEGON Spain

Operating earnings before tax

AEGON Spain s operating earnings before tax was a loss of EUR 2 million for 2005, compared to a profit of EUR 63 million for 2004. The decrease mainly related to the sale of the general insurance activities as of January 1, 2005, which contributed EUR 56 million to operating earnings before tax in 2004 and to EUR 9 million of non-recurring costs associated with the sale of the general insurance business.

The result of life was break-even compared to a profit of EUR 4 million in 2004. Accident and health showed a profit of EUR 4 million in 2005 compared to a profit of EUR 8 million in 2004. Following the sale of the general insurance activities, accident and health in Spain only include health insurance. Both businesses were negatively impacted by a loss of economies of scale due to the sale of the non-life business.

Net income

Net income for 2005 amounted to EUR 161 million and included the gain on the sale of the general insurance business of EUR 150 million (pre-tax EUR 176 million) and EUR 11 million related to AEGON s share in the net result of the partnership with Caja de Ahorros del Mediterráneo (CAM) (49.99% interest), which became operational in June 2004 (EUR 4 million in 2004).

The effective tax rate for 2005 was 14% compared to 35% for 2004, mainly due to the low tax rate on the gain on the sale of the general insurance business.

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Revenues

Gross premiums of EUR 192 million for 2005 decreased by 59% compared to the same period of 2004, due to the sale of the general insurance business.

Life premiums increased by 3%, partly due to premiums from the acquired Reale Vida portfolio. Life recurring premiums decreased by 3% but single premiums increased by 32%. The cancellation of a distribution agreement with a large agent had a negative effect on life premium growth. Accident & health premiums increased 6% compared to 2004.

Commissions and operating expenses

Operating expenses increased by EUR 11 million due mainly to non-recurring expenses related to the sale of the general insurance business.

Production

Standardized new premium production was 32% lower than in 2004. This reflects the cancellation of a distribution agreement with a large agent and the slow down in sales in the first half of 2005 from general agents as a consequence of the sale of the non-life activities.

Joint ventures

In July 2005, AEGON Spain signed an agreement to set up a 50/50 partnership with Caja Badajoz. This transaction has not received the approval from the Insurance authorities before December 31, 2005 and therefore no activity has been reported in 2005.

A 50/50 partnership agreement was signed in November 2005 with Caja Navarra. The acquisition of 50% of Seguros Navarra S.A. took place in two tranches. In the fourth quarter of 2005 15% was acquired and in the first quarter of 2006 another 35% stake has been acquired. No results have been recognized in the 2005 financial statements as the acquisition is subject to approval by the Insurance authorities and approval was not received by year-end.

Associates

The partnership with CAM continued its strong growth path, generating premium income of EUR 560 million and new life production of EUR 219 million, compared to EUR 177 million in 2004. The partnership has been successful in expanding sales of recurring premium products, which increased by 27% in 2005. The partnership with CAM is not consolidated by AEGON. AEGON includes its share in the results in the partnership in the line share in profit/(loss) of associates.

AEGON Taiwan

Operating earnings before tax

AEGON Taiwan reported operating earnings before tax of NTD 21 million whereas in 2004 an amount of NTD 149 million was reported. The variances are due mainly to NTD 379 million of cost to hedge the exposure on the USD denominated bonds portfolio in 2005, which was NTD 347 million higher than in 2004. The increase is as a result of a widening of the interest differential between the NTD and USD.

Operating earnings before tax of traditional life was NTD (141) million for the year 2005. The decrease compared to the NTD 57 million profit reported for the year 2004 is mainly due to higher hedging cost.

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Net income

Net income decreased from NTD 249 million in 2004 to NTD 176 million in 2005. Net gains on investments were NTD 155 million for the year 2005, lower than the NTD 193 million reported for 2004 mainly attributable to lower realized capital gains on US fixed income instruments in 2005. In 2005 there was no impairment charge versus default losses on convertible bonds of NTD 94 million in 2004.

Revenues

Gross premiums increased by 42% to NTD 35.4 billion mainly coming from growth in recurring premiums in the traditional life business.

Investment income rose from NTD 935 million in 2004 to NTD 1,964 million in 2005, mainly due to an increase in the asset base. Investment assets increased from NTD 41 billion as of December 31, 2004 to NTD 70 billion as of December 31, 2005.

Commissions and operating expenses

Commissions and operating expenses were NTD 4,495 million for the year 2005 compared to NTD 3,462 million reported for the same period last year, mainly due to higher first year commissions as a result of higher new business production.

Production

Standardized new premium production increased from NTD 7.8 billion over 2004 to NTD 12.3 billion over 2005. The production in the second half year of 2005 was negatively affected by a decision to cut commissions and stop selling certain products through the brokerage and bank channels as these products required higher reserves as mandated by the Insurance Bureau.

AEGON China

AEGON s share in operating earnings before tax amounted to a loss of CNY 68 million in 2005 compared to a loss of CNY 41 million in 2004. Gross premiums (AEGON s 50% share) increased from CNY 27 million to CNY 134 million and standardized new premium production increased from CNY 10 million to CNY 23 million in 2005, reflecting the extension of sales channels and the opening of new branches in Beijing and Nanjing in 2005.

Associates

AEGON increased its share in La Mondiale Participations from 20% to 35% on December 31, 2004. AEGON s share in the net result of La Mondiale Participations increased from EUR 5 million in 2004 to EUR 6 million in 2005.

5.6 Liquidity and capital resources

General

AEGON conducts its capital management processes at various levels in the organization. The main goal of AEGON s capital management is to manage the capital adequacy of its operating companies to high standards within leverage tolerances consistent with strong capitalization.

Capital adequacy

AEGON manages capital adequacy at the level of its country units and their operating companies. AEGON seeks to support its internal capital adequacy levels at the higher of local regulatory requirements, 165% of the relevant local Standard & Poor s capital adequacy models or internally imposed requirements. During 2006, the capital adequacy of AEGON s operating units continued to be strong. All of AEGON s units were capitalized within these tolerances. In the United States, at December 31, 2006, AEGON held approximately 365% of the minimum capital required by the National Association of Insurance Commissioners.

Capital base

AEGON applies leverage tolerances to its capital base. The capital base reflects the capital employed in core activities and consists of shareholders equity, capital securities, and dated subordinated and senior debt. AEGON targets its capital base (excluding revaluation reserve) to comprise at least 70% shareholders equity (excluding revaluation reserve), 25% capital securities and a maximum of 5% dated subordinated and senior debt. At December 31, 2006, AEGON s capital base was within these prescribed tolerances: shareholders equity capital represented 77% of its total capital base, while perpetual capital securities comprised 16% of its total capital base. Senior and dated subordinated debt accounted for the remaining 7%. The ratio of shareholders equity to total capital (excluding revaluation reserve) improved, and capital leverage decreased, mainly due to a strong operating cash flow. In June 2006, AEGON N.V. successfully issued USD 500 million of junior perpetual securities, which was subsequently increased by USD 50 million in July 2006. Additionally, In July 2006, AEGON N.V. issued EUR 200 million of junior perpetual capital securities. This further improved the quality of the capital base and reduced refinancing risk.

Shareholders equity

Shareholders equity was EUR 19,137 million at December 31, 2006, compared to EUR 19,276 million at December 31, 2005. Net income of EUR 2,789 million was offset mainly by a decrease in the foreign currency translation reserve of EUR 1,325 million (largely due to a lower US Dollar), a decrease in the revaluation reserve of EUR 645 million, dividend payments, and coupon payments on perpetual capital securities.

Debt funding and liquidity

AEGON s funding strategy continues to be based on assuring excellent access to international capital markets at low costs. As part of this strategy, AEGON aims to offer institutionally targeted debt securities and to maintain excellent access to retail investors, as witnessed by the successful issuance of junior perpetual capital securities during recent years. AEGON s focus on the fixed income investor base continues to be supported by an active investor relations program to keep investors well informed on AEGON s strategy and results. Most of AEGON s external debt is issued by the parent company, AEGON N.V., as well as a limited number of other AEGON companies whose securities are guaranteed by AEGON N.V. AEGON N.V. has employed its regular access to the capital markets through transactions issued under its USD 6 billion Euro Medium Term Notes Program. AEGON N.V. also has access to US markets through a separate US shelf registration. AEGON N.V. s and AEGON Funding Corp. s (guaranteed by AEGON N.V.) combined USD 4.5 billion Euro and US Commercial Paper Program facilitates access to domestic and international money markets, when required. 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 maturing in 2011 and extendable until 2013, of which USD 3 billion acts as a back-up facility. At December 31, 2006, AEGON N.V. had EUR 2.0 billion outstanding under its Medium Term Notes Program and no amounts under its Commercial Paper Programs. In order to further optimize AEGON N.V. s capital structure, Transamerica Corporation successfully called and repurchased USD 381 million outstanding Trust pass through securities in November and December 2006.

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Operating leverage is not part of the capital base. At December 31, 2006, operating leverage was EUR 1.6 billion (2005: EUR 1.6 billion). Operating debt activities primarily relate to mortgage warehousing and the funding of US regulation XXX and Guideline AXXX redundant reserves. Internal sources of liquidity include distributions from operating subsidiaries on the basis of excess capital or cash and cash equivalents.

During 2006, internal distributions from units were sufficient to cover interest expense, other holding company expenses, and dividend payments. Internal distributions may be subject to (local) regulatory requirements. Each business unit further controls its liquidity by closely managing the liquidity of its investment portfolio. The duration profile of AEGON s capital leverage is managed in line with the duration of surplus assets related to investments in its subsidiaries, subject to liquidity needs, capital, and other requirements. Of AEGON s total capital leverage at December 31, 2006, approximately EUR 0.6 billion matures within three years and EUR 5.0 billion is perpetual or matures after five years. AEGON considers its working capital, backed by the external funding programs and facilities, to be amply sufficient for the group s present requirements.

5.7 Research and development, patents and licences

Not applicable

5.8 Off-balance sheet Arrangements

As part of the AEGON Levensverzekering N.V. funding program the company regularly enters into securitization contracts for its mortgage loans. At December 31, 2006 a total of six publicly placed and one privately placed securitization contracts were outstanding with a total value of EUR 5.8 billion. In 2006, AEGON Levensverzekering N.V. has terminated one of the two privately placed securitization transactions reported in prior years. Also, it completed one public ally placed securitization transaction in 2006, whereby the economic ownership of EUR 2.1 billion of aggregate mortgage receivables was conveyed to a special purpose company. The special purpose company funded this purchase with the issuance of mortgage-backed securities. The transfer of ownership title will take place upon notification of the borrowers by the special purpose company. The special purpose company has the right to notify the borrowers 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 (scheduled yield from the mortgage receivables). After a period of seven years, the interest of the notes issued by the special purpose company in respect of this transaction will step-up, together with a similar step-up in the fixed-to-floating swap agreement. At that same time, the special purpose company has the right to call the notes. A deferred purchase arrangement forming part of the contract to sell the mortgage loans to the special purpose company entitles AEGON Levensverzekering N.V. to any residual positive value of the special purpose entity at maturity. The value of this arrangement is included in the valuation of the interest rate swap as it is viewed as a correction on the assumptions underlying the cash flow forecasts. In 2005, AEGON Levensverzekering N.V. completed one mortgage-related publicly placed securitization contract for EUR 1.2 billion that was structured similarly to the 2006 securitization described above. A portion of securitized mortgage loans amounting to EUR 24 million (2005: EUR 28 million) continues to be recognized as a financial asset on the balance sheet, representing the interest rate risk retained by AEGON in respect of the fourth publicly placed securitization contract.

For the year ending December 31, 2006, AEGON USA sold approximately EUR 105 million (2005: EUR 21 million) of AAA-wrapped municipal debt securities to qualifying special purpose entities (QSPEs). Due to AEGON s continuing involvement with the assets in these QSPEs, it consolidates these entities. The fair value of all such debt securities reflected in investments and also measured at fair value through profit or loss is EUR 678 million as of December 31, 2006 (2005: EUR 866 million). The acquisition of these securities was financed by the QSPEs through issuance of floating rate notes at par value to third parties and issuance of a de minimus residual investment to AEGON. Upon early termination of a QSPE, up to 10% of the excess of the fair value of the securities over the notes value may be shared with the noteholders, with residual flowing to AEGON. In the event that the fair value of the securities is less than the notes value at early termination and the securities have maintained their investment grade rating, AEGON will reimburse the QSPE liquidity provider for this shortfall. AEGON must pledge collateral to support these shortfall agreements. At December 31, 2006, the fair value of the bonds was in excess of the par value of the floating rate notes and no collateral was pledged. The maximum exposure to loss resulting from AEGON s involvement is the December 31, 2006 unpaid principal and accrued interest on the notes of EUR 649 million (2005: EUR 840 million) reflected in financial liabilities-investment contracts. Management does not anticipate any future funding requirements with respect to these guarantees that would have a material effect on reported financial results.

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5.9 Contractual Obligations and Commitments

i Contractual obligations as per December 31, 2006

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]	7,698	12,042	9,859	127,080	156,679
Insurance contracts for account of policyholders[1]	5,169	10,479	11,025	94,314	120,987
Investment contracts[2]	12,528	10,267	5,944	15,658	44,397
Investment contracts for account of policyholders[2]	4,214	9,542	9,748	105,038	128,542
TRUPS, subordinated borrowings and borrowings[3]	935	1,337	94	2,782	5,148
Scheduled interest payments on TRUPS, subordinated borrowings and borrowings	214	253	329	1,222	2,108
Operating leases[4]	89	179	142	363	773

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 18.19, 18.20 and 18.22. More details on the products, terms and conditions are included in note 18.4.1 of the notes to our consolidated financial statements in Item 18 of this Annual Report on Form 20-F.

2 The cash flows included in the table are consistent with those included in the fair value measurement of the liabilities. More details on the products, and terms and conditions are included in notes 18.4.1 and 18.22 of the notes to our consolidated financial statements in Item 18 of this Annual Report on Form 20-F.

3 Long-term debt represents principal repayment obligations relating to Trust pass-through securities (TRUPS), subordinated borrowings and borrowings; they are described further in Notes 18.17, 18.18 and 18.23 of the notes to our consolidated financial statements in Item 18 of this Annual Report on Form 20-F.

4 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 2007. 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.

	2006		2005	
	Purchase	Sale	Purchase	Sale
Real estate	2	(1)	2	(5)
Mortgage loans	826		559	
Bonds	1	(2)	11	(12)
Private loans	679		441	
Other	1,346	(2)	1,420	

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.

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iii Other commitments and contingencies

	2006	2005
Guarantees	166	146
Standby letters of credit	105	34
Share of contingent liabilities incurred in relation to interests in joint ventures	615	676
Other collateral and guarantees	70	12
Other commitments and contingent liabilities	57	81

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.

On November 1, 2006, AEGON entered into an agreement to acquire 100% of the outstanding common shares of Clark Inc. (Clark), a public company specializing in the sale of corporate-owned life insurance, bank-owned life insurance and other benefit programs. On March 13, 2007, AEGON announced the completion of the tender offer process and finalized the acquisition of Clark. The estimated aggregate purchase price is approximately EUR 263 million, consisting of EUR 208 million cash consideration, EUR 34 million of Clark debt assumed by AEGON, the EUR 21 million cost basis of Clark common stock already owned by AEGON and transaction costs. As part of the transaction, a Clark management group has acquired from AEGON some of Clark s other business segments, not considered core to AEGON for EUR 41 million.

In December 2006, AEGON and Ranbaxy Promoter Group agreed to jointly establish a life insurance and an asset management undertaking in India. The ventures will be incorporated by AEGON and Religare, the financial services division of Ranbaxy Promoter Group. The transactions are expected to be completed in the second half of 2007.

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 AEGON USA, Inc., Commonwealth General Corporation and Transamerica Corporation (EUR 2,528 million). At December 31, 2006, there were no amounts due and payable.

- Due and punctual payment of payables by the consolidated group companies AEGON Funding Corp., Commonwealth General Corporation, Transamerica Corporation and Transamerica Finance Corp. with respect to bonds, capital trust pass-through securities and notes issued under commercial paper programs (EUR 1,025 million), as well as payables with respect to a derivative transaction of Transamerica Corporation (nominal amount EUR 744 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, 2006.

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.

iv Collateral

AEGON pledges investment securities that are on its balance sheet related to certain other transactions that it enters into that create liabilities, such as reverse repurchase agreements and other transactions involving funding agreements. The amount of collateral pledged may vary as the fair value of the securities changes since these agreements require certain minimum maintenance levels.

AEGON receives collateral related to securities lending transactions. The collateral received is typically in the form of cash and is invested in pre-designated high quality investment strategies. The collateral is typically greater than the market value of the related securities loaned and is recorded on the balance sheet as an asset and an offsetting liability is established for the same amount. AEGON is obligated to return the collateral upon termination of the lending arrangement.

AEGON can receive or pledge collateral relative 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. In addition, in order to trade derivatives on the various exchanges, AEGON posts margin as collateral. The amount of collateral will vary with the market value changes of the derivative contracts. Cash is normally received as collateral and a portion of this cash collateral has been rehypothecated to other parties to serve as collateral. Securities that may be received, other than cash that has been rehypothecated, are reported on the consolidated balance sheet at fair value. Cash that is pledged to counterparties is removed from the balance sheet. AEGON is obligated to return the collateral to the original counterparty upon termination of the derivative contract.

AEGON has entered into asset lending transactions for which the collateral is held by a third party and will only be released to AEGON on default by the counterparty. This collateral is not recognized in the balance sheet.

Assets pledged as collateral

The following table summarizes the carrying amounts on the balance sheet of financial assets pledged as collateral. Collateral paid as part of share borrowing or reverse repurchase transactions are included in this information.

	2006	2005
Financial assets pledged for liabilities	4,547	3,395
Other financial assets pledged as collateral	121	103

When AEGON pays cash collateral as part of security borrowing or reverse repurchase transactions, an asset is recorded to receive back the cash pledged. The balance of these receivables, as also reflected in Note 18.13 of the notes to our consolidated financial statements in Item 18 of this Annual Report on Form 20-F, are as follows:

	2006	2005
Cash collateral paid as part of security borrowing	34	
Cash collateral pledged on reverse repurchase agreements	4	23

AEGON does not account for the receipt of the securities, as the Group does not have economic ownership. When collateral takes the form of non-cash, AEGON does not account for the delivery of instruments as collateral, or for the securities received, as there is no change in economic ownership.

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Assets accepted as collateral

Details of collateral accepted that the Group is permitted to sell or repledge in the absence of default by the owner of the collateral are as follows:

	2006	2005
Fair value of financial assets accepted as collateral	9,960	4,616
Repurchase agreements	806	

As part of security lending and repurchase agreements, AEGON received EUR 23 billion (2005: EUR 22 billion) of cash and non cash collateral. For cash collateral received, AEGON recognized a liability to repay the cash, which is included in other liabilities in note 18.28 of the notes to our consolidated financial statements in Item 18 of this Annual Report on Form 20-F., for the following amounts:

	2006	2005
Cash collateral repayable on security lending and repurchase agreements	9,315	3,917

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5.10 Subsequent Events

On January 19, 2007 AEGON announced the signing of a memorandum of understanding with Banca Transilvania to jointly develop and operate a mandatory pension company in Romania. The 50/50 joint venture company will be established in the summer of 2007 in anticipation of introduction of a mandatory pension system in Romania, expected by early 2008. In addition AEGON will establish a life insurance company in Romania that will enter into a distribution agreement with Banca Transilvania to sell co-branded products through the bank s branch network.

On January 25, 2007 AEGON N.V. and Sony Life Insurance Co., Ltd. announced their intention to establish a life insurance company in Japan. The 50/50 joint venture will develop annuity products, initially focusing on variable annuity products that will be distributed though Sony Life s Lifeplanner® channel as well as through banks an other financial institutions. The partnership between AEGON and Sony Life is expected to be operational in early 2008, subject to final agreement and regulatory licensing and approval.

On January 29, 2007 AEGON announced that it successfully completed a transaction involving a private Value of in-force (ViF) securitization by AEGON UK, enabling AEGON UK to monetize a portion of future profits associated with an existing book of unit-linked business. The securitization will add around EUR 134 million (GBP 90 million) to the total core capital of AEGON. The capital created by the transaction will be used by AEGON UK to return capital to the Group. These transactions provide the company with flexible solutions that help manage reserves and capital in a cost efficient manner. AEGON will continue to explore further opportunities for securitizations and structured financing as part of its ongoing commitment to efficiently manage capital and reserve needs.

On November 1, 2006, AEGON entered into an agreement to acquire 100% of the outstanding common shares of Clark Inc. (Clark), a public company specializing in the sale of corporate-owned life insurance, bank-owned life Insurance and other benefit programs. On March 7, 2007, AEGON announced the expiration of its tender offer to purchase all the outstanding shares of Clark common stock at USD 17.21 per share. Based on preliminary information, the shares tendered, together with the shares already owned by AEGON, represent approximately 94% of the outstanding shares of Clark. On March 13, 2007, AEGON completed the tender offer process and finalized the acquisition of Clark. The sale of Clark s other business groups has also been completed.

On March 15, 2007 AEGON announced an agreement to acquire OPTAS N.V., a Dutch life insurance company specializing in employee benefit products and services within the Dutch group pension market. The net consideration for AEGON of this transaction is approximately EUR 100 million. 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 2005, OPTAS had 60,000 policyholders and reported total gross written premiums of EUR 92 million, with total assets of EUR 4.3 billion. AEGON will acquire OPTAS N.V. for a gross amount of approximately EUR 1.3 billion. Taking into account the excess capital of OPTAS, the net consideration is estimated to be approximately EUR 100 million. 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. The combination of OPTAS and AEGON s existing pension activities will lead to a more efficient platform to serve the group pension market. The transaction will have a slightly positive effect on AEGON N.V. s earnings per share. This acquisition agreement is subject to the consultation of the Works Councils of both OPTAS and AEGON The Netherlands, in addition to the approvals of the relevant regulatory authorities.

ITEM 6. DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

6.1 Introduction

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

6.2 General Meeting of Shareholders

A General Meeting of Shareholders is held at least once a year to discuss and resolve on subjects, which include the adoption of the annual accounts, the approval of dividends and any appointments to the Executive Board and the Supervisory Board. Meetings are convened by public notice.

Extraordinary General Meetings of Shareholders may be convened by the Supervisory Board or the Executive Board whenever deemed necessary. In accordance with the Articles of Incorporation, requests to add subjects to the agenda of a General Meeting of Shareholders made by shareholders representing at least 0.1% of the issued common shares will generally be honored.

Every shareholder is entitled to attend the General Meeting of Shareholders and to speak and vote in the meeting, either in person or by proxy granted in writing (including electronically embedded proxies). The participating shareholder must comply with the applicable statutory provisions pertaining to the provision of evidence of shareholders status and notification of intention to attend the meeting. When convening General Meeting of Shareholders, the Executive Board can set a record date for determining the entitlement of shareholders to attend and vote at the General Meeting of Shareholders.

As a participant of Stichting Communicatiekanaal Aandeelhouders (a Dutch foundation dedicated to enhancing the communication with and participation of shareholders at General Meetings of Shareholders) AEGON welcomes the possibility of voting by proxy. Moreover, proxies are solicited from the New York Registry shareholders in accordance with US practice.

At the General Meeting of Shareholders each share is entitled to one vote. However, the holder of preferred shares, Vereniging AEGON, is entitled to cast 25/12 votes per preferred share in the event that Vereniging AEGON, in its sole discretion, has determined that a special cause (as defined in the Preferred Shares Voting Rights Agreement which is published on our website) has occurred. Each special cause is then limited to a period of six months. In this respect reference is made to the section on Vereniging AEGON in Note 18.15 of the notes to our consolidated financial statements in Item 18 of this Annual Report on Form 20-F.

At the General Meeting of Shareholders all resolutions are adopted with an absolute majority of the valid votes, unless a greater majority is required by law or by the Articles of Incorporation.

6.3 Executive Board

The Executive Board, as a body, is charged with the management of the Company. Each Board member has an allocation of duties relating to his or her specific areas of interest. The number of the Executive Board members and their terms of employment are determined by the Supervisory Board. The members of the Executive Board are appointed by the General Meeting of Shareholders upon nomination of the Supervisory Board.

Pension arrangements of the Members of the Executive Board are based on a retirement age of 62 with optional retirement at reaching the age of 60. The Articles of Incorporation require the Executive Board to obtain the prior approval of the Supervisory Board for a number of defined resolutions. Additionally, the Supervisory Board may subject other resolutions of the Executive Board to its prior approval.

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6.4 Supervisory Board

The supervision of the management of the Executive Board and of the Company s business and general course of affairs is entrusted to the Supervisory Board, acting as a body with collective responsibility and accountability. The Supervisory Board also assists the Executive Board by giving advice. In performing their duties the Supervisory Board members shall act in accordance with the interests of the Company and its business.

The members of the Supervisory Board are appointed by the General Meeting of Shareholders upon nomination of the Supervisory Board. The Supervisory Board currently consists of nine non-executive members, one of whom is a former member of the Executive Board. Specific issues are prepared and dealt with in committees of the Supervisory Board members. In view of a balanced composition of the Supervisory Board a profile has been drawn up, outlining the required qualifications of its members. Upon reaching the age of 70, a member of the Supervisory Board is no longer eligible for reappointment, except with the approval of the Supervisory Board. The remuneration of the members of the Supervisory Board is determined by the General Meeting of Shareholders.

6.5 Specific Information with regard to Exercise of Control

As a publicly listed company, AEGON N.V. is required to explicitly provide the following detailed information regarding structures and measures that could hinder the acquisition and exercise of control over the company by an offeror. To the extent necessary, an explanation is given with each item below:

(a) The authorized capital of the company amounts to EUR 610,000,000, divided into 3,000,000,000 common shares with par value of EUR 0.12 each and 1,000,000,000 class A and class B preferred shares with par value of EUR 0.25 each. At December 31, 2006, 1,622,927,058 common shares and 240,970,000 preferred shares were issued. Common shares and preferred shares represent 76.4% respectively 23.6% of the total issued and fully paid up capital. The capital contribution made on the preferred shares class A is reflective of the market value of AEGON s common shares at the time the capital contribution was made. Preferred shares are entitled to receive a preferred dividend on the paid in amount. No other dividend is paid on the preferred shares. Upon liquidation of the company the paid in amount on the preferred shares is reimbursed before any payment will be made on the common shares. Each share confers the right to cast one vote. However, the holder of preferred shares is entitled to cast 25/12 (= approximately 2.08) votes per preferred share in line with the higher par value of the preferred shares.

(b) There are no restrictions on the transfer of common shares. As regards the transferability of the preferred shares reference is made to the arrangements of clause 10.5 of the Amendment of the 1983 Merger Agreement, as published on our website.

(c) Vereniging AEGON holds 171,974,055 common shares and all 240,970,000 issued preferred shares, together representing 32.3% of the voting capital; however, in the absence of a special cause , this holding represents 22.6% of the voting capital. The 1983 Merger Agreement (as amended) provides that additional preferred shares class B are to be issued by AEGON to Vereniging AEGON at the option of Vereniging AEGON in order to prevent Vereniging AEGON s voting power from being diluted as a result of issuances of common shares.

(d) 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 period of six months. Based on its current aggregate holdings of common and preferred shares, Vereniging AEGON would in that case command 32.3% of the votes at a General Meeting of Shareholders. As a result of the foregoing and certain qualified majorities specified in AEGON s Articles of Incorporation, in the event of a special cause and for a period of six months, Vereniging AEGON may effectively be in a position to temporarily block unfriendly actions by a hostile bidder or others.

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(e) Senior executives of AEGON companies as well as other AEGON employees have been offered both share appreciation rights and share options. In this regard reference is made to Note 18.40 of the notes to our consolidated financial statements in Item 18 of this Annual report on Form 20-F. Under the outstanding option plans it is up to the executive/employee to exercise its option rights under the conditions of the plan. The company cannot influence the exercise of granted option rights.

(f) There are no restrictions on the exercise of voting rights, neither in number of votes nor in terms of time limitations (apart from the limitation in time mentioned under (d) above as to the exercise of full voting rights on preferred shares). Depositary receipts for shares are not issued with the company s cooperation.

(g) The company has no knowledge of any agreement between shareholders with regard to the restriction of share transfers or of voting rights pertaining to shares.

(h) The General Meeting of Shareholders may, with an absolute majority of votes, pass a resolution to amend the Articles of Incorporation or to dissolve the company upon a proposal of the Executive Board as approved by the Supervisory Board.

The members of the Executive and Supervisory Boards are appointed by the General Meeting of Shareholders upon nomination by the Supervisory Board. This nomination will be binding if at least two candidates are nominated. However, the General Meeting of Shareholders may cancel the binding character of such nominations with a majority of two-thirds of the votes cast representing at least one-half of the issued capital. A resolution of the General Meeting of Shareholders to appoint a person other than in accordance with a nomination by the Supervisory Board requires a majority of two-thirds of the votes cast representing at least one-half of the issued capital. In addition, members of the Executive and Supervisory Board can only be dismissed by the General Meeting of Shareholders with the same qualified majority, except if proposed by the Supervisory Board.

The provisions on appointing board members were included at the time of the overall review of AEGON s corporate governance and were adopted at the extraordinary General Meeting of Shareholders on May 9, 2003. The qualified majority requirement was included in order to give AEGON a temporary protection against unfriendly actions by a hostile bidder, for example. Effectively, Vereniging AEGON may for a period of six months block unfriendly attempts to replace the Supervisory Board and the Executive Board.

(i) New shares may be issued pursuant to a resolution of the General Meeting of Shareholders up to the maximum of the authorized capital. Shares may also be issued following a resolution of the Executive Board, if and to the extent that the Board is authorized to do so by the General Meeting of Shareholders. An authorization to that end is usually proposed to the Annual General Meeting of Shareholders.

The company is entitled to acquire its own fully paid-up shares for consideration within the limits set by the applicable legal requirements. The Annual General Meeting of Shareholders usually authorizes the Executive Board to acquire shares of the company on conditions set by the General Meeting.

(j) The company is not a party to significant agreements, which take effect, alter or terminate conditional upon a change of control of the company following a public offer on the outstanding shares of the company, other than customary in the market (e.g. financial arrangements, loan agreements, joint venture agreements),

(k) The employment agreements of the company with the members of the Executive Board, as published on AEGON s website, contain provisions which entitle the members to severance payments in case of termination of employment in connection with a merger or take-over.

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6.6 Dutch Corporate Governance Code

i General

In December 2003, the Dutch Corporate Governance Code was adopted. The code came into effect on January 1, 2004. AEGON endorses the code and the principles of good corporate governance included therein. AEGON has welcomed the guidance given by the Monitoring Committee Corporate Governance. This chapter is intended to outline AEGON s compliance with the code as of the end of 2006. The circumstances in which AEGON does not fully comply with the code are explained. The information set forth below closely follows the structure of the Dutch Corporate Governance Code. Where appropriate, the headings of the Code s chapters and paragraphs have been included for easy reference.

ii Implementing the corporate governance code

The Executive Board and the Supervisory Board accept full responsibility of AEGON s corporate governance structure. Whenever a substantial change in the company s corporate governance structure is proposed, AEGON will submit the proposal for debate as a separate agenda item at the General Meeting of Shareholders.

iii Executive Board

The Supervisory Board has agreed with the Executive Board and its individual members on a reappointment and retirement schedule for Executive Board members, which is available on the company s website www.aegon.com.

In accordance with this schedule, the 2006 annual General Meeting of Shareholders reappointed Mr. J.G. van der Werf as a member of the Executive Board for a term of four years. Although he was reappointed by shareholders during the 2006 AGM, Mr. Van der Werf submitted his resignation as an Executive Board member, effective December 31, 2006, because he was appointed to the Management Board of AEGON N.V. on January 1, 2007. The Supervisory Board intends to propose to the annual General Meeting of Shareholders in 2007 that Mr. A.R. Wynaendts be reappointed as a member of the Executive Board for a four year term. The principle of appointments to the Executive Board for a four year term with possible reappointment is duly reflected in the Articles of Incorporation.

In accordance with AEGON past practice, the Executive Board will submit the company s operational and financial objectives along with the strategy to achieve stated goals to the Supervisory Board for its consideration and approval. The outlined objectives and strategy include detailed parameters to be applied in relation to the strategy, such as the company s financial ratios and capital adequacy levels. A summary of these plans will continue to form part of AEGON s annual reports.

AEGON closely pays attention to risk management and risk factors in each of its country and group units.

AEGON s annual report includes information about the most important external factors and variables influencing the company s performance. These analyses include AEGON s long term market projections and company sensitivity to interest rate fluctuations and to changes in equity, real estate, and currency markets. The Executive and Supervisory Boards will consider the publication of additional analyses if or when appropriate.

AEGON has adopted a Code of Conduct at group level. The Code of Conduct is implemented and monitored by a taskforce that reports directly to the Executive Board. This is in addition to the Codes of Conduct adopted earlier by the majority of AEGON s country units. The Code of Conduct includes whistleblower provisions that give employees the ability to report on suspected irregularities without jeopardizing their employment. Within the framework of the Financial Controls Complaints Procedure more detailed rules and regulations have been implemented regarding the reporting of finance-related complaints. Serious violations of the Code of Conduct, as well as any alleged irregularities concerning the functioning of Executive Board members, are reported directly to the chairman of the Supervisory Board. The Code of Conduct and the Financial Controls Complaints Procedure of AEGON N.V. are available on AEGON s website.

None of the members of AEGON s Executive Board is a member of the Supervisory Board of more than two listed companies nor is a chairman of the Supervisory Board of a listed company. The Executive Board Rules, as posted on AEGON s website, provide that any prospective appointment of an AEGON Executive Board member to a supervisory or non-executive director role in another Dutch-listed company is subject to prior approval from AEGON s Supervisory Board. Moreover, the Executive Board Rules state that Executive Board members intending to accept any other significant professional position will notify the Supervisory Board prior to accepting such position.

iv Remuneration

AEGON s Remuneration Policy was adopted by the General Meeting of Shareholders on April 22, 2004 for a period of three years (2004-2006). The annual General Meeting of Shareholders of April 25, 2006, resolved to extend the duration of this Remuneration Policy until the annual General Meeting of Shareholders of April 25, 2007. At that meeting a new Remuneration Policy will be proposed. Please refer to AEGON s website for the new Remuneration Policy.

AEGON places a high importance on attracting and retaining qualified directors and personnel, while at the same time safeguarding and promoting the company s medium and long term interests. The Remuneration Policy currently in force for members of the Executive Board is reflective of these objectives. It was designed to support AEGON s strategy of value creation and shareholder alignment, in addition to establishing standards for evaluating performance and business results. The Remuneration Policy also offers an incentive for Board members with performance-linked pay, reflecting both individual member and collective Executive Board performance. Moreover, the Remuneration Policy takes into consideration corporate governance guidelines and compensation levels in relevant reference markets.

The Remuneration Policy 2004-2006 for Executive Board members includes fixed and variable components. With respect to the variable components, the Supervisory Board has set clear and measurable criteria including measures relating to the value of new business and total shareholders return. For more details on the compensation of the Executive Board members, please refer to the chapter on remuneration in Note 18.53 of the notes to our consolidated financial statements in Item 18 of this Annual Report on Form 20-F.

The current Remuneration Policy also sets out a plan for Executive Board members to be remunerated partly in share options (performance options) and performance shares. If Executive Board members are entitled to share options, the strike price of these options corresponds to the AEGON share price on Euronext Amsterdam at the close of trading on the date the options are granted. The terms under which share options and performance shares are issued shall not be altered during the reference period, except for technical alterations in accordance with market practice in events such as share splits, mergers and acquisitions, share issuances, and (super) dividends. Any performance shares granted must be retained for a period of at least five years from the date of the grant or at least until the end of employment, if the latter period is shorter.

The Supervisory Board has decided that it will amend the Remuneration Policy with regard to severance payments owed to new members of the Executive Board. Changes will include setting a maximum severance payment in the event of termination, limited to the fixed component of the particular member s salary for one year, or two years in cases where a maximum of one year s salary would be manifestly unreasonable for a Executive Board member who is dismissed in his or her first term of office. The Supervisory Board has agreed with the current members of the Executive Board not to amend the existing severance payment arrangements that apply to them in order to respect the existing employment agreements and in consideration of varying employment conditions in the United States and the Netherlands. The employment agreements of the members of the Executive Board can be found on AEGON s website.

As consistently disclosed in AEGON s annual reports, members of the Executive Board of AEGON are entitled to mortgage loans provided by AEGON in the normal course of its business and under the terms applicable to employees in the Netherlands. Such loans to Executive Board members are subject to the prior approval of the Supervisory Board.

AEGON has detailed regulations applicable to members of the Executive Board concerning the ownership of and transactions in securities, other than AEGON shares. These regulations are in line with the regulations prescribed by the Dutch regulators and have been further refined in light of the more detailed best practice provisions of the Dutch Corporate Governance Code. Compliance with these regulations is supervised by the Group Compliance Officer, who acts alongside compliance officers appointed by country units and the business units. The regulations applicable to members of the Executive Board are posted on AEGON s website.

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v Determination and disclosure of remuneration

The Remuneration Report of the Supervisory Board, as included in Item 6.10 of this annual report and available on the company s website, explains the manner in which the Remuneration Policy pertaining to the members of the Executive Board has been applied in the year under review. The principal points of the Remuneration Report are also dealt with in the Report of the Supervisory Board. In addition, the annual report presents an overview of the current Remuneration Policy, as adopted previously by the annual General Meeting of Shareholders and in force until the annual General Meeting of Shareholders of April 25, 2007. At that meeting a new Remuneration Policy will be proposed.

The remuneration of the individual members of the Executive Board is determined by the Supervisory Board within the scope of the prevailing Remuneration Policy. Upon conclusion of a contract with a new member of the Executive Board, the main elements of the member s employment contract shall be made public forthwith. Any particular payment to a (former) member of the Executive Board is recorded and explained in the Remuneration Report.

In AEGON s annual accounts, the value of options and share appreciation rights, granted to the Executive Board and personnel is recognized with an indication as to how the value is determined.

vi Conflicts of interest

The Code of Conduct addresses conflicts of interest that may occur between AEGON and its employees, including the members of the Executive Board. More detailed regulations regarding conflicts of interest between members of the Executive Board and AEGON are included in the Executive Board Rules. Both documents are available on AEGON s website. Any transactions in which there are conflicts of interest shall be agreed on terms customary in the industry and are published in the annual report.

Under the provisions of the Dutch Corporate Governance Code, the membership of Messrs. Shepard and Streppel on the Executive Committee of Vereniging AEGON may give rise to deemed conflicts of interest. The Articles of Association of Vereniging AEGON provide that Messrs. Shepard and Streppel are excluded from voting on certain issues relating directly to AEGON (including the adoption of annual accounts, discharge of members of the Executive Board and appointments to the Executive Board and Supervisory Board of AEGON).

The Supervisory and Executive Boards have drawn up a protocol that provides that the members of the Executive Board who also serve on the Executive committee of Vereniging AEGON shall continue to participate in discussions and decision-making relating to possible transactions with Vereniging AEGON. The Supervisory Board is confident that by adhering to this protocol the deemed conflict of interests with Vereniging AEGON are adequately dealt with and that the best practice provisions of the Code have been complied with in all material respects. The protocol is posted on AEGON s website.

vii Supervisory Board

Role and procedure

The supervision of the management of the Executive Board and of the company s business and general course of affairs is entrusted to the Supervisory Board, acting as a body with collective responsibility and accountability. The Supervisory Board also assists the Executive Board by giving advice. In performing their duties, the members of the Supervisory Board are required to act in accordance with the interests of the company and its business. The Supervisory Board is responsible for decisions relating to the resolution of conflicts of interest between members of the Executive Board, members of the Supervisory Board, major shareholders, and the independent auditor on the one hand, and AEGON on the other.

Annually the Supervisory Board evaluates its own performance and that of its individual members, as well as the performance of the Executive Board and that of the individual Executive Board members. Such meetings take place without Executive Board participation. Moreover, the Supervisory Board Rules provide that a member of the Supervisory Board shall resign if the Supervisory Board has determined that this member is no longer fit to function due to inadequate performance, fundamental differences of opinion, or other impeding circumstances.

Pursuant to AEGON s Articles of Incorporation and the Supervisory Board Rules, the Supervisory Board members are empowered to obtain all information they deem necessary for the performance of their duties, including the right to acquire information from company officers and external experts. The Supervisory Board Rules contain provisions regarding the division of duties within the Supervisory Board, its internal procedures and its interactions with the Executive Board and with the General Meeting of Shareholders. These regulations are posted on AEGON s website www.aegon.com. The Supervisory Board consistently provides a detailed report of its activities during the financial year in each annual report. The activity report includes the information prescribed in the Dutch Corporate Governance Code and addresses the topics discussed within the Supervisory Board meetings during the year.

Independence

The current composition of the Supervisory Board is in compliance with the best practice provisions of the Dutch Corporate Governance Code that relate to the independence of supervisory board members. The sole member that does not qualify as independent within the meaning of these provisions is Mr. Storm who served as chairman of the Executive Board immediately prior to his appointment as a member of the Supervisory Board in 2002.

Expertise and composition

The members of the Supervisory Board are appointed by the General Meeting of Shareholders. For the purpose of making nominations to the Supervisory Board, including any nominations for reappointment, the Supervisory Board has drawn up a profile that specifies requirements for individual members as well as the desired composition and competences of the Supervisory Board as a whole. This profile also reflects the detailed composition requirements of the Dutch Corporate Governance Code.

Under the Code s composition profile, each member of the Supervisory Board is expected to be capable of assessing the broad outline of the overall policy, in addition to having the specific expertise required to fulfil his or her designated role. The profile also takes into account the nature of AEGON s business, the activities of the Supervisory Board, and the background of the Supervisory Board members. It is designed to ensure that the Supervisory Board as a whole is capable of the proper performance of its duties. The composition profile is available on AEGON s website, as is the prescribed information about each member of the Supervisory Board and the applicable retirement schedule.

AEGON offers its newly appointed members of the Supervisory Board an orientation program that provides general information about AEGON s financial affairs and facts regarding the insurance industry, AEGON s business within the industry, and general legal affairs of the Group. The Supervisory Board regularly discusses whether there are any areas in which its members require further training.

Several members of the Supervisory Board also serve as members of Supervisory Boards of other Dutch-listed companies. The Supervisory Board has concluded that none of these memberships unduly or negatively impacts the respective individual s performance of his or her duties as a member of AEGON s Supervisory Board.

In accordance with the Dutch Corporate Governance Code, the Supervisory Board Rules state that no member can serve on AEGON s Supervisory Board for more than three four-year terms. However, in 2005 in the interest of continuity, the Supervisory Board requested Mr. Olcay to complete his current term in office ending in 2008, despite the fact that he had served the maximum term allowed by the Code in 2005.

Role of the chairman of the Supervisory Board and the company secretary

According to the Supervisory Board Rules, the chairman is responsible for overseeing the day-to-day functions of the Supervisory Board and its committees, for keeping close track of the flow of information to the Supervisory Board, and for overseeing the consultation and decision-making processes within the Supervisory Board. The chairman is also responsible for initiating the performance evaluation of the individual members of the Supervisory and Executive Boards and for maintaining appropriate contact with the Executive Board and the Dutch Central Works Council.

The duties of the company secretary include assisting the Supervisory Board. In particular, the company secretary is responsible for the correct application of the statutory obligations under the Articles of Incorporation and the Supervisory Board Rules. The appointment of the company secretary is subject to the approval of the Supervisory Board.

Composition and role of the key committees of the Supervisory Board

In compliance with the applicable provisions of the United States   Sarbanes-Oxley Act 2002 and the Dutch Corporate Governance Code, the Supervisory Board maintains four standing committees that are comprised of its members. These committees are: the Audit Committee, the Compensation Committee, the Nominating Committee, and the Strategy Committee.

Each Committee reports its findings to the Supervisory Board and these findings are discussed in the plenary meetings of the Supervisory Board. Each of the Committees of the Supervisory Board has a charter in which the composition, duties, and internal procedures are defined. The Committee Charters are available on AEGON s website.

The Supervisory Board s yearly report, which is included in this annual report in Form 20-F, provides information on the activities of each its Committees. This report also lists the members of each Committee.

Audit committee

The Audit Committee is appointed by the Supervisory Board to assist the Supervisory Board in monitoring (1) the integrity of AEGON s financial statements, (2) the independent auditor s qualifications and independence, (3) the performance of AEGON s internal audit performance and that of the independent auditor, (4) AEGON s compliance with legal and regulatory requirements, and (5) AEGON s finances and the company s finance related strategies. The Audit Committee is chaired by Mr. Levy. The Audit Committee has determined that its group, which includes one financial expert, satisfies the criteria of independence specified by the New York Stock Exchange, the provisions of the Dutch Corporate Governance Code, and the United States Sarbanes-Oxley Act. The Executive Board members, the director of Group Finance, the Internal Auditor and the independent auditor periodically attend the meetings of the Audit Committee. In addition, at least once a year, or more often if necessary, the Audit Committee meets with the independent auditor without the presence of the Executive Board members.

Compensation Committee

The purpose of the Compensation Committee is to design, develop, implement, and review the Executive Board members   compensation and terms of employment and the Supervisory Board members   compensation to be adopted by the General Meeting of Shareholders. The Compensation Committee makes its recommendations to the Supervisory Board. The Compensation Committee is chaired by Mr. Dahan.

Nominating Committee

The purpose of the Nominating Committee is to advise the Supervisory Board on first-appointment candidates to fill Supervisory Board vacancies and member reappointments after each four-year term. The advice of the Nominating Committee shall be based on the profile for the Supervisory Board. In addition, the Nominating Committee advises on and proposes to the Supervisory Board candidates to be nominated for appointments as members or as chairman of the Executive Board. The Nominating Committee on a regular basis reviews the individual performance of Executive Board and Supervisory Board members, as well as the selection criteria for senior management within the AEGON Group. The Nominating Committee is chaired by Mr. Eustace.

Strategy Committee

The Strategy Committee is responsible for reviewing the major features of the strategy proposed by the Executive Board and preparing the presentation of the strategy for the Supervisory Board. The Strategy Committee also considers strategy options and alternatives in addition to considering the material aspects related to the implementation of the agreed strategy. Finally, the Strategy Committee acts as a consultative body for the Executive Board with its strategy development. The Strategy Committee is chaired by Mr. Eustace.

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Conflicts of Interest

Rules regarding conflicts of interest applicable to members of the Supervisory Board are included in the Supervisory Board Rules. These Rules are compliant with the relevant provisions of the Dutch Corporate Governance Code and have been posted on AEGON s website.

Remuneration of the members of the Supervisory Board

The remuneration of Supervisory Board members is determined by the General Meeting of Shareholders and is not dependent on AEGON s profit. The members of the Supervisory Board do not receive any shares or rights to shares by way of remuneration.

Members of the Supervisory Board are not eligible to receive any personal loans, guarantees, or similar benefits.

AEGON has detailed regulations applicable to members of the Supervisory Board concerning the ownership of and transactions in securities, other than AEGON shares. These regulations are in compliance with the regulations prescribed by the Dutch regulators and have been further refined in light of the more detailed best practice provisions of the Dutch Corporate Governance Code. Compliance with these regulations is supervised by the Group Compliance Officer, who acts alongside compliance officers appointed by country units and the business units. The regulations applicable to members of the Supervisory Board are posted on AEGON s website.

viii The shareholders and General Meeting of Shareholders

Powers

AEGON places a high level of importance on dialogue with its shareholders. For this purpose, AEGON has an active department on Group level: Group Corporate Affairs & Investor Relations. One of the key opportunities for dialogue with its shareholders is the General Meeting of Shareholders. AEGON has traditionally made an effort to maximize shareholder participation by allowing proxy voting, both in the United States (where AEGON has a significant shareholder base) and in the Netherlands through Stichting Communicatiekanaal Aandeelhouders. The Supervisory Board and the Executive Board welcome increased shareholder participation. According to the Articles of Incorporation resolutions of the Executive Board entailing significant changes to the identity or character of AEGON or its business are subject to approval of the General Meeting of Shareholders.

AEGON has preferred shares class A and preferred shares class B, all of which are held by Vereniging AEGON. The capital contribution made on the outstanding 211,680,000 preferred shares class A is reflective of the market value of AEGON s common shares at the time the capital contribution was made.

Currently, Vereniging AEGON holds 29,290,000 preferred shares class B, representing approximately 1.6% of voting shares under normal circumstances. The 1983 Merger Agreement (as amended) provides that additional preferred shares class B are to be issued by AEGON to Vereniging AEGON at the option of Vereniging AEGON in order to prevent Vereniging AEGON s voting power from being diluted as a result of issuances of common shares. In addition, AEGON and Vereniging AEGON have entered into a preferred shares voting rights agreement. Pursuant to this agreement, voting power attached to the preferred shares classes A and B is, under normal circumstances, limited to one vote per share. The preferred shares voting rights agreement allows Vereniging AEGON to exercise the full voting power on its preferred shares (25/12 votes per preferred share) in the event of a special cause (as defined in the preferred shares voting rights agreement) for up to six months. As a result of the foregoing and certain qualified majorities specified in AEGON s Articles of Incorporation, in the event of a special cause (as referred to above), for a period of six months Vereniging AEGON may effectively be in a position to temporarily block unfriendly actions by a hostile bidder or others. The Supervisory and Executive Board take the view that this arrangement is appropriate in the context of the 1983 Merger Agreement.

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AEGON s Articles of Incorporation provide that the General Meeting of Shareholders may cancel the binding character of nominations for the appointment of new members to the Supervisory Board and the Executive Board with a majority of two-thirds of the votes cast representing at least one-half of the issued capital. In addition, members of the Executive Board and members of the Supervisory Board can only be dismissed by the General Meeting of Shareholders with the same qualified majority, except if proposed by the Supervisory Board. These provisions were included at the time of the overall review of AEGON s corporate governance and were adopted at the extraordinary General Meeting of Shareholders on May 9, 2003. The qualified majority requirement was included in order to give AEGON a temporary protection against unfriendly actions by a hostile bidder, for example. Effectively, Vereniging AEGON may for a period of six months block unfriendly attempts to replace the Supervisory Board and the Executive Board.

The Supervisory Board and the Executive Board have evaluated the provisions in AEGON s Articles of Incorporation containing the qualified majority requirements in light of the provisions of the Dutch Corporate Governance Code. Given the absence of anti-takeover protection, they concluded that the qualified majority requirements (in light of the voting rights of Vereniging AEGON) are an integral part of AEGON s protection against unfriendly actions. Taken together, the qualified majority requirements and the voting rights of Vereniging AEGON constitute the only protection AEGON currently has in place. The protection thus accorded is in line with accepted market practice.

For the purpose of further mitigating the possible negative effects of the qualified majority requirements in the ordinary course of business, the Supervisory Board has decided that, absent unfriendly actions, it shall make nominations to the Executive Board and the Supervisory Board only on a non-binding basis. This will provide the shareholders the opportunity to decide on the nomination with a simple majority. Thus, for all practical purposes, AEGON complies with the relevant principle and the relevant best practice provision. The preferred shares voting rights agreement entered into between AEGON and Vereniging AEGON, as further described before and published on AEGON s website, clearly sets out those circumstances in which the protection may be invoked and a special cause may be declared.

In the event of a serious private bid for a business unit or a participating interest in excess of the threshold as referred to in article 2:107a.1 under c of the Netherlands Civil Code the Executive Board will make public its position on the bid and its reasons for its position.

Changes to AEGON s policy on profit appropriation (additions to reserves and on dividends) shall be discussed and accounted for as a separate item on the agenda of the annual General Meeting of Shareholders. Also, a resolution to pay a final dividend shall be dealt with as a separate item.

Release from liability of the members of the Executive Board for their management and of the members of the Supervisory Board for their supervision is separately voted upon in the annual General Meeting of Shareholders.

AEGON intends to continue its practice of providing for the determination of a registration date for the exercise of the voting rights and the rights relating to General Meetings of Shareholders.

Provision of information to and logistics of the general meeting of shareholders

AEGON attaches high importance to fair disclosure of information to its stakeholders and the financial markets in all relevant jurisdictions. The company applies the rules and regulations dealing with disclosure set by the various regulators and the stock exchanges on which AEGON is listed. Meetings with analysts, presentations to analysts, presentations to investors and press conferences shall be announced in advance on the company s website and by means of press releases. All presentations made on these occasions are posted on AEGON s website. In accordance with market practice, the company uses various press information services to distribute its press releases.

All communications and filings are supervised by the Disclosure Committee instituted by AEGON in compliance with the United States Sarbanes-Oxley legislation. These communications and filings are made available on AEGON s website.

AEGON refrains from any actions that may jeopardize the independence of analysts in relation to the company. Other than factually, analysts reports and valuations (including earnings estimates) are not assessed, commented upon or corrected by AEGON in advance of their publication and AEGON pays no remuneration of any kind to analysts in the context of preparing such reports or their publication.

The Executive Board and the Supervisory Board will provide the General Meeting of Shareholders with all requested information, unless overriding interests of AEGON are better served by not providing the requested information. If such overriding interests are invoked, those reasons will be substantiated.

AEGON uses shareholders circulars to inform the shareholders about the facts and circumstances relevant to upcoming proposals. Shareholders circulars may take the form of an appropriate written explanation in the agenda of the General Meeting of Shareholders. Shareholders circulars are published in those instances where shareholders approval is prescribed (including delegations or authorizations requested from the General Meeting of Shareholders).

As a general rule, the report of the General Meeting of Shareholders shall be made available, upon request, to the shareholders no later than three months after the meeting. Shareholders are given three months to react to the report prior to its adoption in accordance with the Articles of Incorporation. Such reaction is channeled through the chairman of the General Meeting of Shareholders and the secretary appointed by the chairman for that purpose. The report is posted on AEGON s website.

Responsibility of institutional investors

In addition to AEGON s responsibility to its shareholders and other stakeholders, the company also is an institutional investor. As such, in deciding whether to exercise its rights as a shareholder of other listed companies, AEGON acts primarily in the interest of its policyholders and other ultimate beneficiaries of its products while also honoring the responsibility to the ultimate beneficiaries and investors in the companies in which it has invested. In compliance with local Codes of Conduct applicable to institutional investors, AEGON s country units in the United States and the United Kingdom have detailed policies in place in relation to their exercise of the voting rights attaching to the shares held by them. AEGON Nederland N.V. has published on its Dutch website, www.aegon.nl, its existing policies regarding the exercise of the voting rights attaching to the shares held by AEGON Nederland N.V. in Dutch-listed companies. In addition, a report on how this policy was implemented in 2006 is published on the website of AEGON Nederland N.V. A record of whether, and if so, how AEGON Nederland N.V. has voted as shareholder in General Meetings of Shareholders of Dutch listed companies is also published on its website. At a minimum, this record is updated on a quarterly basis.

ix Audit of the financial reporting and the position of the internal auditor function and the independent auditor

Financial reporting

AEGON, on a ongoing basis, reviews its internal procedures relating to the composition, preparation, and publication of its financial reporting. The Executive Board has instituted procedures aimed at ensuring that major financial information is delivered to the Executive Board in an orderly and timely fashion. The Executive Board receives the financial information from the country units directly. The Supervisory Board, acting primarily through the Audit Committee, supervises the compliance with these internal procedures and the external information. Specific regulations dealing with the internal control function have been documented in the Audit Committee Charter and accompanying attachments.

Role, appointment, remuneration and assessment of the functioning of the independent auditor

Based on its Charter, the Audit Committee of the Supervisory Board has determined the extent of the involvement of the independent auditor in the preparation and publication of financial reports (other than the annual accounts) in addition to setting up a Pre-approval Policy for any additional (non-audit) services that may be rendered by the independent auditor to the company.

The independent auditor is appointed annually by the shareholders at the annual General Meeting of Shareholders. The shareholders will be given the opportunity to question the independent auditor at the General Meeting of Shareholders in relation to his or her statement on the fairness of the annual accounts. The Executive Board and the Audit Committee report annually to the Supervisory Board on their dealings with the independent auditor, particularly with regard to assessing its independence.

At least every four years the Audit Committee and the Supervisory Board conduct a thorough assessment of the functioning of the independent auditor. The findings of this assessment will be shared with the General Meeting of Shareholders for the purposes of its deliberations on the annual appointment of the independent auditor.

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Internal auditor function

AEGON has an internal auditor on Group level who reports directly to the Executive Board. This is in addition to the internal auditors that have been appointed on the level of AEGON s country units. The work schedule for the Group Internal Auditor was determined with the involvement of the Audit Committee and the independent auditor. The findings of the internal auditor are made available to the Executive Board, the Audit Committee as well as the independent auditor.

Relationship and communication of the external auditor with the Supervisory Board and the Executive Board

The Supervisory Board meets with the independent auditor at least once a year on the occasion of the discussion of the annual accounts that are to be submitted for adoption to the General Meeting of Shareholders. As part of standing procedures, the independent auditor receives the information underlying the annual accounts and the quarterly figures and is given ample opportunity to respond to all information. Reports by the independent auditor of his findings in relation to the audit of the annual accounts are made to the Supervisory Board and the Executive Board simultaneously.

The independent auditor may request the chairman of the Audit Committee to call a meeting of the Audit Committee. The independent auditor customarily attends the meetings of the Audit Committee. In accordance with applicable laws, the independent auditor reports on his activities to the Executive Board and the Supervisory Board, raising issues in relation to his audit that require the attention of management. Pursuant to the Audit Committee Charter such issues include significant financial reporting issues and judgments made in connection with the preparation of the financial statements, including the quality of earnings, significant deviations between planned and actual performance, the selection or application of accounting principles (including any significant changes with respect thereto), any major issues as to the adequacy of its internal controls, and any special steps adopted in light of material control deficiencies.

x Conclusions

From the foregoing it follows that AEGON complies with the principles of the Dutch Corporate Governance Code. Moreover, AEGON generally also applies the best practice provisions of the Code. Where AEGON does not apply the best practice provisions, the reasons have been stated at the appropriate places. In those limited cases where AEGON does not apply the best practice provisions, AEGON follows the spirit of the Dutch Corporate Governance Code as much as possible.

In summary:

II.2.7: this best practice provision provides that the maximum remuneration in the event of dismissal is one-year s salary. AEGON will apply this best practice provision to any future appointments to the Executive Board. The existing employment agreements with the current members of the Executive Board, and more in particular the severance arrangements to which current members of the Executive Board are entitled, are not in line with this best practice provision.

II.3.3: this best practice provision provides that a member of the Executive Board may not take part in discussions and decision-making that involves a subject or transaction in relation to which he or she has a conflict of interest. Given the position of AEGON s CEO and CFO on the Executive Committee of AEGON s largest shareholder, Vereniging AEGON, this could technically give rise to a deemed conflict of interest. The Supervisory Board has determined that, also given the historic relationship with Vereniging AEGON, it is not in the best interests of AEGON to preclude the CEO and CFO from participating in discussions and decision-making relating to Vereniging AEGON. For this reason a protocol was drafted authorizing the CEO and CFO to continue the existing practice in dealing with Vereniging AEGON.

III.3.5: this best practice provision provides that a person may be appointed to the Supervisory Board for a maximum of three four-year terms. The Supervisory Board has asked Mr. Olcay to complete his current term, thus exceeding the maximum stated in the code.

IV.1.1: this best practice provision provides that the General Meeting of Shareholders may pass a resolution canceling the binding nature of a nomination for appointment of a member of the Executive Board or the Supervisory Board by an absolute majority and a limited quorum. AEGON s current Articles of Incorporation provide for a larger majority and a higher quorum than prescribed by the Code. As indicated before, the Supervisory Board takes the view that in light of the absence of any anti-takeover measures, the current text of the Articles of Incorporation is appropriate in the context of the 1983 Merger Agreement. For the purpose of further mitigating the possible negative effects of these provisions, the Supervisory Board has decided that, absent unfriendly actions, it shall make nominations to the Executive Board and the Supervisory Board only on a non-binding basis.

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6.7 Executive Board

i Members

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

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

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

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ii Ownership of AEGON N.V. shares

At December 31, 2006, members of the Executive Board held an aggregate number of 493,614 AEGON common shares and 440,000 options and share appreciation rights on AEGON common shares. Refer to Note 18.53 of the notes to our consolidated financial statements in Item 18 of this Annual Report on Form 20-F.

Share options, including share appreciation rights, and interests in AEGON held by active members of the Executive Board are provided in the following table:

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

1 Share appreciation rights.
2 The share appreciation rights were granted before becoming a member of the Executive Board.

The above rights have been granted under the LTI plan in force until December 31, 2003. Details of the exercise period is provided in note 18.40 of the notes to our consolidated financial statements in Item 18 of this Annual Report on Form 20-F.

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. The shares held by Executive Board members do not have different voting rights than the other shares outstanding in the same class.

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6.8 Supervisory Board

i Members

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

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

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

Willem F.C. Stevens (1938, Dutch nationality) is a retired partner of Baker & McKenzie and was a senator in the Dutch Parliament until June 2003. He was appointed to AEGON s Supervisory Board in 1997 and his current term will end in 2009. He is also a member of the Supervisory Boards of N.V. Luchthaven Schiphol, TBI Holdings B.V., AZL N.V., Goedland N.V., and Ermenegildo Zegna International N.V. He is currently a member of the Supervisory Board Audit and Compensation Committees.

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

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

Toni Rembe (1936, American nationality) is a retired partner/senior advisor of Pillsbury Winthrop LLP (San Francisco, USA). She was appointed to AEGON s Supervisory Board in 2000 and her current term will end in 2008. She is also a member of the Board of Directors of AT&T, Inc. (USA). She is currently a member of the Supervisory Board Audit Committee.

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

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

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ii Ownership of AEGON N.V. shares

Stock options, including stock appreciation rights, of active members of the Supervisory Board

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

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

Common shares held by Supervisory Board members

Shares held in AEGON at December 31

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

The shares held by Supervisory Board members have the same voting rights as the other shares outstanding in the same class.

6.9 Supervisory Board Committees

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

i Audit Committee

The Audit Committee held seven regular meetings during 2006, which also were attended by the CFO and, if required appropriate, other members of the Executive Board, the director Group Finance & Information and representatives of Ernst & Young, AEGON s independent auditor. The Group Internal Auditor, the Chief Risk Officer and the Group Actuarial Officer also periodically attended Audit Committee meetings. Discussions regarding the following dominated the meetings permanent agenda: the quarterly results; the annual accounts and the auditing of those by Ernst & Young; actuarial analyses; accounting principles according to IFRS and US-GAAP; financial reports as filed with the SEC; AEGON s Capital Plan; reports on currency exposure; internal control systems; as well as risk management and Ernst & Young s engagement letter for 2006 and its report on independence, the firm s fee structure and the integrated Audit Plan for 2006. The Audit Committee advised the Supervisory Board to recommend to shareholders that Ernst & Young be reappointed as the independent auditor for the financial year 2006.

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The Committee also discussed the consequences of SOX and the Dutch Corporate Governance Code, as well as the role of the independent auditors. The Committee confirmed that Mr. Levy qualifies as financial expert within the meaning of the relevant provisions of SOX and the Dutch Corporate Governance Code. In accordance with legal requirements, the Audit Committee approved and recommended to the Supervisory Board the adoption of the Pre-approval Policy for 2006. Two meetings, in March and September, were devoted to AEGON s filings with the SEC, the annual report 2005 (Form 20-F), and the results for the first six months 2006 (Form 6-K).

The Audit Committee was updated each quarter on the activities of the Group Internal Auditor and on AEGON s worldwide compliance with SOX 404, as well as on fraud and general compliance issues. During these meetings, the Audit Committee held separate sessions with the internal auditor as well as with the external auditors, in order to discuss their findings outside the presence of the Executive Board. During its meeting in December, the Audit Committee engaged in a discussion on AEGON s Risk Management Report as presented by the Chief Risk Officer. It also conducted a review and discussion of the budget for 2007, the budgeted Capital Plan for 2007 and the Value of New Business targets for later years until 2010 and advised the Supervisory Board accordingly. The Committee also advised the Supervisory Board to authorize the Executive Board to fill AEGON s funding needs as budgeted for 2007.

As required by the Audit Committee Charter, the proceedings of the meetings of the Audit Committee were reported to the Supervisory Board, and these minutes were a regular item on the agenda of the Supervisory Board meetings.

ii Strategy Committee

The Strategy Committee held two meetings in 2006, which were also attended by the Executive Board members. The purpose of the Strategy Committee is to review the major features of AEGON s business strategy, in addition to considering alternative strategies and material aspects relating to the implementation of the strategy. The Strategy Committee discussed AEGON s business strategy and prepared a framework for the agenda for the Supervisory Board meeting held in Budapest in May 2006. As required by the Strategy Committee Charter, the proceedings of the meetings of the Strategy Committee were reported to the Supervisory Board, and these minutes were a regular item on the agenda of the Supervisory Board meetings.

iii Nominating Committee

The Nominating Committee held two meetings in 2006. The Executive Board s chairman attended these meetings. The Nominating Committee discussed the composition of the Supervisory Board and its committees as well as existing and forthcoming vacancies and it advised the Supervisory Board on nominations for two appointments and one reappointment in 2007. In addition, the Nominating Committee evaluated the composition of the Executive Board and the institution of a Management Board and subsequently advised the Supervisory Board on the nomination for reappointment of Mr. Wynaendts to the Executive Board in 2007. The proceedings of the Nominating Committee meetings were reported during subsequent Supervisory Board meetings.

iv Compensation Committee

The Compensation Committee held four meetings in 2006, which were from time to time also attended by the chairman or the CFO of the Executive Board. The Compensation Committee discussed the Executive Board s Short-term and Long-term Incentive Plans and advised the Supervisory Board on those incentives payable in 2006. The main item of discussion during the meetings in 2006 concerned the preparation of a new Remuneration Policy for the Executive Board. This new Remuneration Policy will be put to shareholders for adoption during the 2007 Annual General Meeting of Shareholders (AGM) and, if adopted, will be retroactively effective as from January 1, 2007. The Committee also discussed the worldwide stock option plans within AEGON and reconfirmed that exercise prices will not be changed once they have been set at the date of grant of stock options, except in case of dilution of the AEGON share price as expressly stated in the rules of the Option Plans. The proceedings of the Compensation Committee meetings were reported during subsequent Supervisory Board meetings.

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v Supervisory Board Composition

In the Supervisory Board s opinion, best practice provision III.2.1 of the Dutch Corporate Governance Code has been fulfilled because all but one Supervisory Board members are independent as defined by best practice provision III.2.2 of the Dutch Corporate Governance Code. Mr. Storm is not considered to be independent within the meaning of the Code due to the fact that 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.

Mr. Storm s four-year term of office expired in 2006. The Supervisory Board nominated him for reappointment for another term, and he was subsequently reappointed by shareholders during the AGM in 2006.

Mr. Sobel, as nominated by the Supervisory Board, was appointed by shareholders during the AGM in April, 2006 as a member of the Supervisory Board. However, he was required to submit his resignation as a Supervisory Board member in July 2006, following his appointment as the United States ambassador to Brazil. His resignation also left a vacancy in the Audit Committee. The Supervisory Board, following the recommendation of the Nominating Committee, appointed Mr. Bailey as a member of the Audit Committee, effective per August 1, 2006.

Following the advice of the Nominating Committee, the Supervisory Board has decided to nominate Mrs. Peijs and Mr. Burgmans for appointment by shareholders during the AGM on April 25, 2007. Their biographies will be provided together with the agenda for the 2007 AGM.

Mr. Van Wijk s four-year term of office will expire in 2007. He is eligible for reappointment and the Supervisory Board, following the advice of the Nominating Committee, has decided to nominate him for reappointment for another term by shareholders during the AGM in 2007.

vi Executive Board composition

In compliance with the Dutch Corporate Governance Code, the members of the Executive Board are appointed by shareholders for a term of four years, with the possibility of being reappointed for additional four-year terms. According to the schedule (which is included in the Executive Board Rules and has been posted on AEGON s corporate website), the term of office for Mr. van der Werf expired in 2006. Although he was reappointed by shareholders during the 2006 AGM, Mr. Van der Werf submitted his resignation as an Executive Board member, effective December 31, 2006, because he was appointed at the Management Board of AEGON N.V. per January 1, 2007.

In 2007, Mr. Wynaendts four-year term will expire. His performance was discussed in the Nominating Committee and the Supervisory Board. Following the recommendation of the Nominating Committee, the Supervisory Board has decided to nominate Mr. Wynaendts for reappointment to the Executive Board for another four-year term. This nomination will be proposed to shareholders during the AGM in 2007.

In 2006, the Supervisory Board decided, on a proposal from the Executive Board and recommended by the Nominating Committee, to establish a Management Board in order to enhance the coordination and management of AEGON s business activities worldwide. The Management Board became effective on January 1, 2007. In this new management structure the Executive Board continues to be the statutory executive body and legal representative of AEGON N.V. entrusted with the management of the company, while the Management Board will oversee a broad range of management issues that impact AEGON s business and growth objectives internationally. The Management Board consists of the Executive Board members, Messrs. Shepard, Streppel and Wynaendts, and the CEOs of AEGON USA, AEGON The Netherlands and AEGON UK, respectively Messrs. Baird, Van der Werf and Thoresen. The Chairman of the Executive Board will be the Chairman of the Management Board.

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6.10 Compensation of Directors and Officers

i General

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

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

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

ii Remuneration policy

Supervisory Board remuneration

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

Base fee per annum, for membership of the supervisory board, in EUR

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

Fee per annum, for membership of a committee, in EUR

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

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

Audit Committee	3,000
Other Committees	1,250*

* in case of intercontinental travel this fee will be EUR 2,500 per face-to-face meeting.

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

Executive Board remuneration

Aims and Objectives

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

The remuneration structure should enable the company to attract and retain highly qualified, expert members for its Executive Board by providing well-balanced and performance-related remuneration.

The structure should ensure the interests of Executive Board members are closely aligned with those of shareholders by linking Executive Board remuneration directly to company performance.

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Target Total Compensation of Executive Board members should be based on market standards for executives from selected peer companies and should consist of a fixed component and a variable component. Actual Variable Compensation will be based on company performance.

Policy term

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

Term of appointment

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

Remuneration components

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

Fixed compensation

Levels for Fixed Compensation reflect the requirements and responsibilities of an Executive Board position. The Compensation Committee ensures that these levels are realistic and competitive, taking into account individual roles and responsibilities of Executive Board members and benchmark information provided by independent external advisors.

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

Variable compensation

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

Short-term incentive plan

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

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

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

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STI Plan Bonus (% of base salary)

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

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

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

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

Long-term incentive plan

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

Each year, a LTI grant is determined to serve as a basis for the calculation of the achievable bonus under the LTI Plan. The LTI grant is calculated as a fixed percentage of the base salary of the Executive Board members. The grant is a 50/50 combination of the value of performance shares and performance options. For each year, the value (amount) of the grant is determined, as is the related number of shares and options granted. After three financial years, starting with the grant year, vesting of the granted shares and options is subject to AEGON s TSR performance relative to that of a select peer group. This peer group comprises companies that are comparable in type of business, size, geographical presence, and that are generally recognized as the most appropriate reference group. The reference group consists of Allianz, Aviva, AXA, Fortis, Generali, ING, Lincoln National, Metlife, Nationwide Financial Services, Prudential Financial, and Prudential PLC. Should AEGON rank nine through twelve within this group (after three years), the granted shares and options will not vest. The granted shares and options will only vest if AEGON achieves a number eight position or better, with an increasing percentage according to the following schedule.

Vesting schedule

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

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Shares granted to Executive Board members under the LTI Plan shall be retained for a period of at least five years from the grant date or at least until the end of the employment if this latter period is shorter. Neither the exercise price nor other conditions regarding the granted share options shall be modified during the term of the options, except in the case that such modification is prompted by structural changes in the company or its shares in accordance with established market practice. For more information on the share options granted under the LTI Plan, please refer to Note 18.53 of the notes to our consolidated financial statements in Item 18 of this Annual Report on Form 20-F.

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

Pension arrangements

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

Mr. Shepard s benefits would be based on 55% of his final average earnings calculation (his five highest complete and consecutive calendar years of pensionable earnings). For Messrs. Streppel, Van der Werf and Wynaendts, their benefits are 70% of their final salary, provided they have completed 37 years of service. In addition, the arrangements include entitlements to a pension in the event of disability and a pension for spouse or dependent in the event of the participant s death. For more information on the costs of the pension arrangements, please refer to Note 18.53 of the notes to our consolidated financial statements in Item 18 of this Annual Report on Form 20-F.

Perquisites

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

Termination of employment

Termination of the employment contracts requires a three-month notice period for the current members of the Executive Board. In the event of contract termination by AEGON, the company must adhere to a notice period of six months and, unless terminated for urgent cause, the members of the Executive Board would be entitled to a severance arrangement**.**

Under his employment agreement, Mr. Shepard will be entitled to a specified amount of severance upon termination of his employment for reasons specified in the employment agreement. Under his employment agreement, Mr. Shepard shall be entitled to severance in the amount of three years base salary and the aggregate short-term incentive compensation he received during the three years prior to the termination in the event that Mr. Shepard s employment is terminated (a) by AEGON other than for urgent cause, death, disability, voluntary resignation or retirement, (b) by AEGON in connection with a merger, take-over or fundamental changes of policy and related organizational amendments, or (c) by Mr. Shepard in the event that his responsibilities or position are diminished by such circumstances. Any such severance payments received by Mr. Shepard shall be taken into account in determining the amounts payable to him under his AEGON USA Supplemental Executive Retirement Plan (SERP). In addition, three additional years of service will be credited for the purpose of calculating his benefits under the SERP.

Mr. Streppel would be entitled to compensation according to the Zwartkruis formula , which means that the severance payment would be calculated on the basis of and depending on age, years of service, functional level, and the probability of finding an equivalent position.

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

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

ii Remuneration report

Supervisory Board remuneration

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

Executive Board remuneration

Terms of appointment

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

Total compensation

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

For more information on the remuneration of members of the Executive Board, please refer to Note 18.53 of the notes to our consolidated financial statements in Item 18 of this Annual Report on Form 20-F.

Fixed compensation

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

BASE SALARY 2006 [1]

Shepard	USD	1,000,000
Streppel	EUR	679,409
Van der Werf	EUR	575,086
Wynaendts	EUR	575,086

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

Short-term incentive, 2005 plan

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

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STI bonuses for the 2005 plan[1,2]

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

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

2 The reported STI bonus percentages have been rounded off.

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

Short-term incentive, 2006 plan

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

Long-term incentive, 2006 plan

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

In accordance with the 2006 LTI Plan, non-vested (conditional) AEGON common shares and options have been granted to each of the Executive Board members. Vesting of these rights is conditional upon AEGON s TSR performance relative to that of the peer group over a three-year period. The date of grant for the 2006 LTI Plan was April 26, 2006 and the closing share price of that day was EUR 14.55. The grant is a 50/50 combination of the value of the performance shares and performance options. Vesting of these rights will take place after three years, in accordance with the aforementioned LTI vesting schedule.

LTI Bonuses for the 2006 Plan[1]

	Target LTI value (% of base pay)	EUR	Number of shares	Number of options
Shepard[2]	95%	762,807	26,213	150,989
Streppel	60%	407,747	13,909	80,115
van der Werf	60%	342,478	11,769	67,789
Wynaendts	60%	342,478	11,769	67,789

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

2 Calculation example Mr. Shepard: EUR 762,807 ÷ 2 = 381,403.50 ÷ 14.55 = 26,213 shares

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Pension arrangements

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

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

Other arrangements

Mr. Wynaendts was seconded to AEGON USA for 12 months, from August 2005 to September 2006. In determining the specific provisions of the secondment, AEGON engaged independent advisors to ensure that the arrangements were in line with customary practices. The Compensation Committee reviewed and approved these provisions.

6.11 Employees and labor relations

At the end of 2006, AEGON had 28,726 employees of which were 5,150 agent-employees. Approximately 50% are employed in the Americas, 23% in the Netherlands, 16% in the United Kingdom and 11% 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:

	2006	2005	2004
Americas	14,104	14,139	14,773
The Netherlands	5,908	5,962	5,940
United Kingdom	4,553	4,520	4,620
Other countries	2,894	2,597	2,573
	27,459	27,218	27,906
Of which agent-employees	5,057	5,323	5,146

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, 2006, 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 1,622,927,058 common shares, 211,680,000 class A preferred shares and 29,290,000 class B preferred shares issued. Of the issued common shares 37,723,865 common shares were held by AEGON N.V. as treasury shares and 3,085,845 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, 2006, 220 million common shares were held in the form of New York Registry shares. As of December 31, 2006, there were approximately 25,000 record holders, resident in the United States, of our New York Registry.

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 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%.

In 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:

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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. 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 2005 23,850,000 class B preferred shares were issued under these option rights. In 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.

Development of shareholding in AEGON N.V.

Number of shares	**Common**	**Preferred A**	**Preferred B**
At January 1, 2006	171,974,055	211,680,000	23,850,000
Exercise option right Preferred B shares			5,440,000
At December 31, 2006	**171,974,055**	**211,680,000**	**29,290,000**

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, 2006, amounts to approximately 22.61%. In the event of a special cause , Vereniging AEGON s voting rights will increase, currently to 32.29%, for up to six months per special cause .

At December 31, 2006, the General Meeting of Members of Vereniging AEGON consisted of eighteen members. The majority of the voting rights is with the sixteen 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.

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ii Other major shareholders

Based on publicly available information, there are no other major shareholders exceeding 5% participation.

7B Related party transactions

Related party transactions for the period under review include transactions between AEGON N.V. and Vereniging AEGON, as well as selling a 100% subsidiary to the associate La Mondiale Participations S.A.

On November 24, 2006, Vereniging AEGON exercised its option rights to purchase in aggregate 5,440,000 class B preferred shares at par value to correct dilution caused by AEGON s stock dividend issuances during the year.

On December 21, 2006, Vereniging AEGON sold at intrinsic value and transferred to AEGON International N.V. all shares of its subsidiary company Albidus B.V. for an immaterial amount.

In both 2001 and 2002, AEGON N.V. entered into total return swaps with Vereniging AEGON in order to hedge the share option plan for each respective year. On April 15, 2005, these total return swaps were terminated, resulting in a positive impact on shareholders equity of EUR 115 million. The amount has been added to retained earnings.

On May 17, 2005, AEGON N.V. purchased 3,821,645 of its common shares from Vereniging AEGON at a purchase price of EUR 9.847 million. On December 5, 2005, Vereniging AEGON exercised its option rights to purchase in aggregate 6,950,000 class B preferred shares at par value to correct dilution caused by AEGON s stock dividend issuances and treasury stock sales during the year.

AEGON provide 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 2006, AEGON sold its 100% interest in Scottish Equitable International SA for EUR 29 million to La Mondiale Participations S.A., a 35% associate. Details of the transaction are provided in Note 18.51 of the notes to our consolidated financial statements in Item 18 of this Annual Report on Form 20-F.

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 had a 5% mortgage loan of EUR 608,934; Mr. Van der Werf had a mortg