BUILDING CONFIDENCE FOR LIFE

ANNUAL REPORT 2009

LIFE INSURANCE / PENSIONS / INVESTMENTS

AEGON

ABOUT AEGON

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

As an international life insurance, pension and investment company, AEGON has businesses in over twenty markets in the Americas, Europe and Asia. AEGON companies employ approximately 28,000 people and serve some 40 million customers across the globe.

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

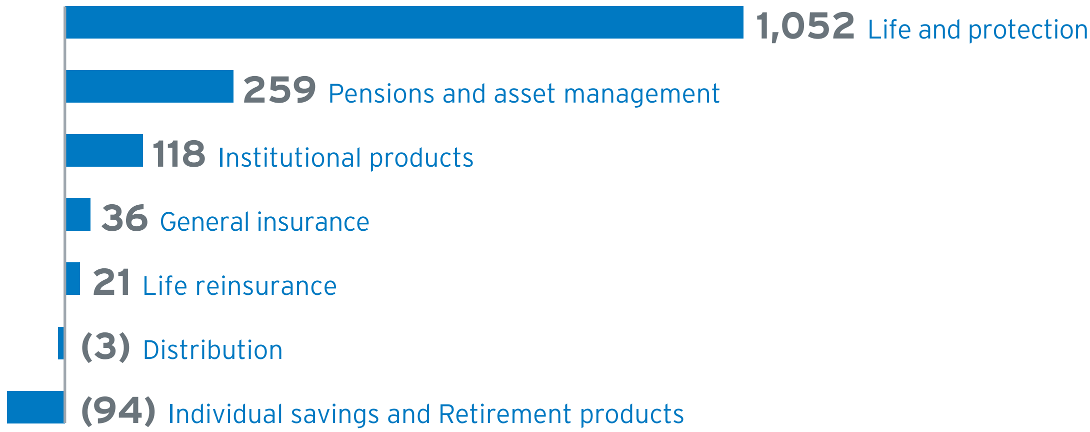
AEGON's ambition is to be a leading force in global financial services.

AT A GLANCE

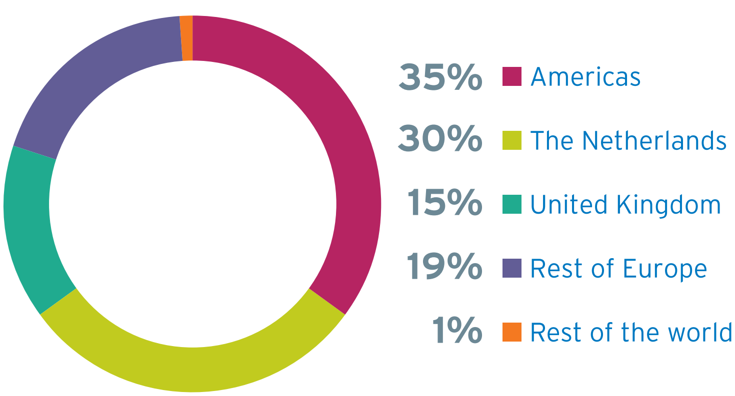
AEGON has businesses in more than twenty markets in the Americas, Europe and Asia, providing life insurance, pensions, savings and investment products for some 40 million customers around the world.

Underlying earnings before tax by line of business 2009

(in EUR million)



Shareholder base 2009



AEGON has shareholders all over the world, but 80% are located in the company's main markets in North America, the Netherlands and the United Kingdom. Another 19% of AEGON's shareholders are based elsewhere in Europe, mainly Germany, France, Norway and Switzerland.

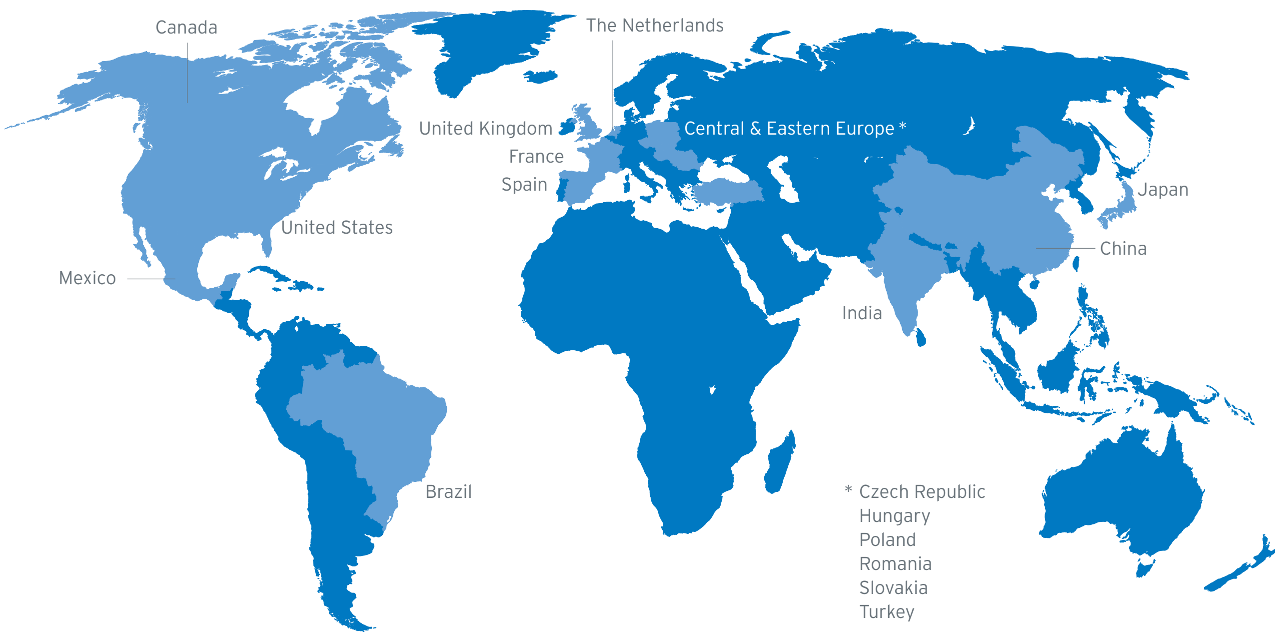
AEGON WORLDWIDE

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

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

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

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



HIGHLIGHTS

Excess capital

3.7 billion euro

At the end of 2009, AEGON had an excess capital of EUR 3.7 billion over and above AA-capital adequacy requirements.

Revenue-generating investments

361 billion euro

AEGON manages EUR 361 billion in revenue-generating investments – EUR 126 billion on behalf of policyholders.

Gross deposits

+6 %

Gross deposits, excluding institutional guaranteed products, increased by 6% in 2009 to just over EUR 23.6 billion.

Value of new business

767 million euro

AEGON generated EUR 767 million in new business in 2009 – an important indicator of the company's future profitability.

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HIGHLIGHTS 2009

26 JANUARY

Mark Mullin appointed President of AEGON Americas, with responsibility for operations in the United States, Canada and Latin America.

17 FEBRUARY

AEGON announces it is running off its institutional spread-based business in the United States, significantly reducing the company's overall credit risk.

22 APRIL

AEGON raises EUR 1 billion through launch of new three-year bond, further strengthening the company's financial position.

Jan Nooitgedagt takes over as Chief Financial Officer from Jos Streppel, who retires after 35 years with the company.

29 MAY

AEGON completes its 50% acquisition of Mongeral, Brazil's sixth largest independent life insurer.

02 JUNE

AEGON announces decision to withdraw from the group risk market in the United Kingdom in line with strategy to direct more resources to areas of higher growth and return prospects.

13 JULY

AEGON reaches final agreement with customer organizations to reduce charges on unit-linked insurance policies in the Netherlands.

13 AUGUST

AEGON completes EUR 1 billion equity issue; proceeds used to repay part of the EUR 3 billion in capital secured in 2008 from the Dutch State.

AEGON completes sale of life insurance operations in Taiwan, further lowering its long-term interest rate exposure and capital requirements.

13 OCTOBER

AEGON releases USD 650 million in additional capital for the company's US operations through capital management transaction.

12 NOVEMBER

Mark Mullin is named member of the Management Board and CEO for AEGON's operations in the Americas to succeed Pat Baird, who retires at the beginning of January 2010.

AEGON repays initial installment of EUR 1 billion to the Dutch State.

AEGON raises additional USD 500 million through issue of senior unsecured notes in the United States.

11 DECEMBER

AEGON issues GBP 400 million in senior 30-year unsecured notes; proceeds will be used for general corporate purposes and to repay some short-term debt.

AEGON's joint venture with Sony Life begins operations in Japan; joint venture will focus initially on variable annuities.

TO OUR CUSTOMERS

This past year, we have taken clear steps to safeguard your continued trust: steps to strengthen AEGON's balance sheet, reduce risk to financial markets, lower operating costs and to simplify our business and the products we provide. Your ongoing confidence has confirmed that our priorities are the right ones and we are grateful for your confidence.

Please be assured of our commitment to putting AEGON's considerable resources and expertise to work on your behalf as we further pursue our ambition of being a global leader in helping our customers secure their financial futures.

Alexander R. Wynaendts
Chairman of the Executive Board and CEO

LETTER OF ALEX WYNAENDTS, CEO

During 2009, AEGON implemented decisive measures to counter the effects of the severe market turmoil that undermined the world's financial institutions and threatened the confidence of their customers.

Our determined focus has enabled AEGON to emerge from the crisis with a stronger financial position, greater operational and cost efficiencies, reduced exposure to the volatility of financial markets, and importantly, the continued confidence of its customers, business partners and many stakeholders around the world. The fundamentals of AEGON's business remain sound and we are well-positioned for the future.

Shortly after taking over as CEO, I introduced a set of strategic priorities aimed at enhancing how we make use of AEGON's substantial resources. These priorities have served us well during these many months of unprecedented challenges to our business. During the year we worked diligently across our businesses to achieve greater efficiency and balance in how and where we put our capital to work. We are determined to make the most of those regions and market segments that offer higher growth and returns over the long-term. Toward this end, we have made considerable progress in strengthening our solid platforms in the developing markets of Central & Eastern Europe, where we are now present in six countries. At the same time, we continued to expand our distribution network in China's prosperous coastal provinces, and also in India, where we are positioning our company to serve a fast-developing and sizeable middle-income customer segment. Also during the year, we aqcuired a 50% stake in Mongeral, one of Brazil's leading life insurers; and in December, we began serving the world's second largest retirement market through our newly-formed company, AEGON Sony Life Insurance Company in Japan. A particular success has been our strategy to broaden our customer reach in Spain by partnering with regional savings banks. Our presence in more than 2,000 branches across the country led to particularly strong and profitable sales during the year.

In AEGON's markets in the United States, the United Kingdom and the Netherlands, we are working to reorganize our businesses to be more responsive to the needs of our customers. The clear result has been that our customers have stayed with us, while at the same time we have attracted new customers who, in today's

environment, are even more discerning about the companies they rely on to provide them financial security. The financial crisis has led us to think differently about our obligation to provide customers with simple, need-specific products, delivered through cost-efficient and value-added channels. This has meant changing the way we are organized, as well as making considerable investments in our business to better serve our customers' broader needs. In the United States for instance, we are creating a more streamlined organization, consolidating twelve operational units into three customer-focused business divisions – Life & Protection, Individual savings & Retirement, and Employer solutions & Pensions. In the United Kingdom, we are positioning our business to make the most of new industry changes that will reduce the cost of delivering products to customers, while also introducing new value-added products designed to serve their financial needs into a longer retirement. Finally, in the Netherlands, we are working to improve customer service, reduce complexity of administrative processes, and ensure that we get right the first time what customers need and expect from a company which has as its mission to provide long-term financial security.

AEGON turned a decisive corner in the second half of 2009, when we were again in a position to report a net profit after four successive quarterly losses. This was a clear result of our determination to deliver on our strategic objectives to strengthen our balance sheet, reduce costs, and make the difficult decisions necessary to lessen AEGON's exposure to market risk. The actions we took during the year to better align AEGON's business portfolio with these objectives included the sale of AEGON's life insurance business in Taiwan; the run-off of our institutional spread-based business in the United States within our Institutional Markets Division; the withdrawal from the employee benefit market (group risk) in the United Kingdom, and most recently, the sale of our funeral insurance business in the Netherlands. These actions have significantly reduced AEGON's risk to financial markets, while at the same time lowering the economic capital required to sustain these businesses going forward.

During the year, reinforcing AEGON's capital position remained a central focus. This led to a strong excess capital position of EUR 3.7 billion at year-end, bringing the total of capital released from our businesses in 2009 to EUR 3.3 billion. We are convinced that our decision to maintain a larger capital buffer in the persistent economic uncertainty is not only necessary but prudent and in the interests of all our stakeholders.

At the end of November, we achieved an important milestone with the early repayment of EUR 1 billion of the capital AEGON obtained from the Dutch government at the height of the financial crisis. We were able to do so given AEGON's strong financial position and as a result of our successful equity offering in August, which raised EUR 1 billion from the capital markets. It continues to be our objective to complete full repayment of the remaining EUR 2 billion at the earliest opportunity, in line with the provisions of our agreement with the government and when it is most feasible to do so. Late last year, we also submitted a viability plan to the European Commission on Competiveness, detailing the steps we have taken to strengthen AEGON, as required with AEGON's participation in the Dutch government's capital support program. At the publication of this Annual Report, we await the Commission's response.

In 2009, we exceeded the EUR 150 million target we set for cost reduction measures by an additional EUR 100 million, resulting in a 5% reduction in AEGON's 2009 operating expenses on a comparable basis. We remain committed to identifying additional efficiencies aimed at lowering the costs associated with the development, delivery and administration of products and services, while at the same time improving our responsiveness to market opportunities and customer needs. Finally, AEGON generated EUR 767 million value of new business in 2009.

AEGON achieved substantial progress in 2009. Our customers, shareholders, business partners and employees can take confidence in knowing that the strategy we implemented to counter the worst financial crisis in nearly a century has delivered – enhancing AEGON's position to capture the clear opportunities before us. Thank you for your continued trust as we devote ourselves to further unlocking AEGON's global potential in the months and years ahead.

Alexander R. Wynaendts
Chairman of the Executive Board and CEO

AEGON'S MANAGEMENT BOARD

AEGON's Management Board works alongside the Executive Board, and helps oversee operational issues and the implementation of the company's strategy. Board members are drawn from AEGON's country and operating units, and have both regional and global responsibilities, ensuring that AEGON is managed as an integrated, international business.

Alexander R. Wynaendts (1960, Dutch)

Chief Executive Officer
Chairman of the Executive Board
Chairman of the Management Board

Jan J. Nooitgedagt (1953, Dutch)

Chief Financial Officer
Member of the Executive Board
Member of the Management Board

Mark Mullin (1963, US citizen)

Member of the Management Board, responsible for the Americas
President & CEO of AEGON Americas

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

Jan Nooitgedagt has worked in Europe's financial services sector for almost 30 years. Formerly with PriceWater-houseCoopers, he joined Ernst & Young in 1980, becoming a partner in the firm in 1989. Mr. Nooitgedagt headed Ernst & Young's financial services business in the Netherlands for five years until his appointment in 2005 to the firm's Executive Committee. A year later, Mr. Nooitgedagt was appointed Chairman of Ernst & Young in the Netherlands and became Managing Partner for the Netherlands and Belgium in July 2008. He was appointed AEGON's Chief Financial Officer in April 2009.

Mark Mullin became President & CEO of AEGON Americas and member of AEGON's Management Board in January 2010. Mr. Mullin began his career with AEGON in 1987, and has held various positions both in the United States and Europe. In 2002, he was appointed President & CEO of AEGON's US subsidiary Diversified Investment Advisors and has also served as head of AEGON's annuity and mutual fund businesses. In January 2009, he was named President of AEGON Americas and worked closely with his predecessor Pat Baird until his appointment as President & CEO twelve months later.

Patrick S. Baird (1954, US citizen), retired January 1, 2010

Member of the Management Board, responsible for the Americas and Asia-Pacific
Chief Executive Officer of AEGON USA

Pat Baird joined AEGON USA in 1976. Since then, he served as Executive Vice President and Chief Operating Officer, Chief Financial Officer and Director of Tax, before being appointed CEO of AEGON Americas in March 2002. Mr. Baird is also a member of the board of directors at Cedar Rapids Bank & Trust in Iowa in the United States. Mr. Baird retired from his position at AEGON at the beginning of January 2010 and was succeeded by Mark Mullin.

Marco B.A. Keim (1962, Dutch)

Member of the Management Board, responsible for the Netherlands, brand and corporate sustainability
Chief Executive Officer of AEGON The Netherlands

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

Otto Thoresen (1956, British)

Member of the Management Board, responsible for the United Kingdom, India and variable annuities in Europe
Chief Executive Officer of AEGON UK

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

Gábor Kepecs (1954, Hungarian)

Member of the Management Board, responsible for Central & Eastern Europe
Chief Executive Officer of AEGON Central & Eastern Europe

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

OUR STRATEGY

Building confidence for life: Our strategy is designed to deliver profitable and sustainable growth over the long term for the benefit of our customers, shareholders and business partners. We achieve this by making the most of AEGON's global resources and helping millions of people around the world secure their financial futures.

STRATEGY

AEGON is one of the world's leading providers of life insurance, pensions and investment products. The company has activities in more than twenty countries in the Americas, Europe and Asia, employing some 28,000 people and serving more than 40 million customers. AEGON's ambition is to be a global leader in helping its customers secure their financial futures and, in doing so, to grow its businesses profitably and sustainably.

AEGON: an international provider of life insurance, pensions and investments

AEGON was formed in 1983, the result of a merger between two Dutch insurance companies, AGO and Ennia. But AEGON's roots in the Netherlands can be traced back much further, to the first half of the nineteenth century. AEGON companies in the United States and the United Kingdom also have long histories. Monumental Life, one of AEGON's US subsidiaries, has been insuring people since 1858, while AEGON's history in the United Kingdom stretches back almost 180 years to the foundation of Scottish Equitable in 1831.

AEGON's main operations are located in the United States, the Netherlands and the United Kingdom. Traditionally, these markets have generated most of the company's earnings. In recent years however, AEGON has also expanded its presence elsewhere, establishing new businesses in growth markets in the Americas, Central & Eastern Europe and Asia.

AEGON's role in the world economy

AEGON believes that its main businesses – life insurance, pensions and investments – have significant potential for growth in the years ahead. AEGON also believes that the insurance industry as a whole has a vital economic and social role to play protecting living standards and ensuring the long-term viability of pension systems around the world.

In many countries – particularly in Western Europe, the United States and Japan – people are living longer, healthier lives. At the same time, workforces available to finance pension systems are shrinking and governments are increasingly shifting the burden of retirement funding to the individual and private sector providers like AEGON. By 2050, according to the latest estimates from the United Nations[1], more than one in five Americans will be over the age of 65. In Western Europe, that figure is higher – more than one in four – while in Japan, by the middle of the current century, those over 65 will account for nearly 40% of the country's total population.

At the same time, new markets are opening up, particularly in Asia, Central & Eastern Europe and Latin America. In many of these areas, economic growth and rising levels of personal wealth have resulted in an increase in long-term demand for pensions, life insurance and investment products. In Central & Eastern Europe, reforms have led to the widespread introduction of mandatory private pensions, while in both China and India economic growth in recent years has brought greater prosperity and a rapid expansion of the urban middle class in these countries. In 2010, India's middle class is expected to exceed 500 million people[2] – more than the combined populations of the United States, the Netherlands and the United Kingdom.

Over the past several years, AEGON has expanded its international presence to capitalize on opportunities for growth in these new markets. Currently, the company has operations in six countries in Central & Eastern Europe – Hungary, the Czech Republic, Slovakia, Poland, Romania and Turkey. In addition, AEGON has businesses in both France and Spain, as well as China, India and Japan in Asia, and Mexico and Brazil in Latin America. In China, AEGON has operations in provinces across the country, giving it access to a potential market of some 450 million people.

[1] Source: United Nations World Population Prospects.
[2] Source: PriceWaterhouseCoopers 'Entering the Indian Financial Services Market'.

A changing industry

The insurance industry is experiencing a period of considerable change. This is partly because of the effects of the global financial crisis, but also because of changing attitudes among customers and regulators.

In the short term, the **global financial crisis** presented significant challenges for the insurance industry, increased market volatility, and resulted in lower corporate bond and equity prices and a sharp downturn in the world's leading economies. Since the end of the first quarter of 2009, market conditions have begun to improve. Even so, the crisis has had a long-term effect on the business environment in which AEGON operates, particularly as customers have become more aware of financial risk.

As a result, many customers are demanding greater financial guarantees because of the increase in market volatility. At the same time, distribution patterns in many leading markets are changing, and products are being redesigned, becoming simpler and more transparent.

Insurance companies, meanwhile, are placing greater emphasis on the **importance of capital**. This is partly a consequence of the global financial crisis, and partly in anticipation of the European Union's Solvency II capital adequacy rules. In the years ahead, Solvency II will have a significant effect on the insurance industry, particularly in the way insurers manage both risk and capital. AEGON believes these changes, which are still under discussion, should help improve regulation of the insurance industry, and ultimately enhance the protection of policyholders and other beneficiaries.

Market conditions

Economic and financial market conditions continued to be extremely difficult during the first quarter of 2009. The remainder of the year, however, saw a significant improvement, particularly in higher equity markets and narrower corporate credit spreads. This had a positive effect on AEGON's earnings and capital position. Naturally, AEGON's underlying businesses were affected by the crisis, particularly as customer behavior changed. Sales volumes declined, but this decline was common to the entire insurance sector. Consequently, throughout the crisis, AEGON maintained a strong franchise and its share of leading markets.

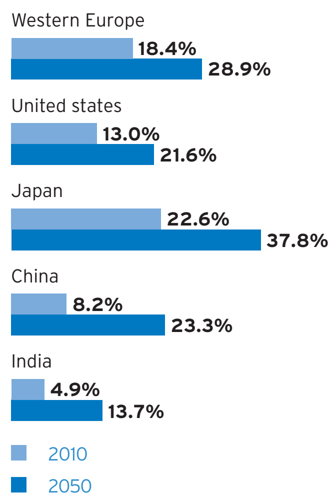
In some areas, the impact was more significant than others. Sales of unit-linked products, for example, decreased because of concerns over equity market volatility. Many customers switched to products offering greater financial guarantees, such as fixed annuities, or else chose to reduce their exposure to equity markets within existing products. During this process, AEGON benefited from its broad range of products. In certain cases, the company also took steps to modify existing products to take account of the change in customer behavior.

Despite the improvement after the first quarter of 2009, financial conditions remain uncertain, with unemployment continuing to rise and growth still hampered by higher corporate and household debt levels. AEGON expects market conditions to remain uncertain throughout 2010.

"We are working to reorganize our businesses to be more responsive to the needs of our customers. The result has been that our customers have stayed with us. At the same time, we have attracted new customers who in today's environment are even more discerning about the companies they rely on to provide them financial security. The financial crisis has led us to think differently about our obligation to provide customers with simple, need-specific products, delivered through cost-efficient and value-added channels."

Alex Wynaendts
Chief Executive Officer AEGON N.V.

Rising retirement populations
in %



Source: United Nations World Population Prospects.

AEGON's long-term strategy and the company's response to the financial crisis

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

1. To reallocate capital toward businesses with higher growth and return prospects.
2. To improve growth and returns from AEGON's existing businesses.
3. To manage AEGON as an international company.

As part of these objectives, AEGON's aim has been to further reduce risk and lessen the company's overall exposure to fluctuations in world financial markets.

In the second half of 2008, the global financial crisis led to a dramatic deterioration in market conditions. To counter the effects of this crisis, AEGON introduced a number of short-term measures, aimed at reducing financial risk, lowering operating costs and freeing up capital from the company's existing businesses. These short-term measures – known as 'The Three Cs' – **Capital, Cost and Contingency** – significantly strengthened AEGON's financial position, improved efficiency and ensured the company would be well placed to take advantage of future opportunities.

Capital

As part of its long-term strategy, AEGON set out measures to release between EUR 4 billion and EUR 5 billion in capital from the company's existing businesses by 2012. Given the global financial crisis, AEGON decided to bring forward these measures. Since the introduction of 'Unlocking the Global Potential' in June 2008, AEGON has freed up a total of EUR 4.9 billion.

This capital has been released through a combination of different measures, including risk reduction and a more active approach to capital management. AEGON's aim is to maintain a sufficient capital buffer to protect the company's long-term business and its credit and financial strength ratings. At the end of 2009, AEGON's excess capital – over and above what would be required to maintain AA capital adequacy requirements – totaled EUR 3.7 billion, a significant improvement from EUR 2.9 billion at the end of the previous year. For the time being, given the current uncertain environment, AEGON believes it necessary and prudent to maintain a substantial capital buffer.

Risk reduction

Even before the start of the crisis, AEGON had started taking steps to reduce financial risk and thereby free up additional capital. With the onset of the crisis, these steps were accelerated, helping protect the company from any further deterioration in market conditions. Over the longer term, reduced levels of financial market risk should also result in more stable earnings. The steps AEGON took included:

- Reducing the company's overall exposure to world equity markets.
- Structuring the company's investment portfolio more defensively, taking measures to reduce credit and interest rate risk and lowering financial guarantees on some products.
- Expanding AEGON's hedging programs, particularly in the United States and the Netherlands.
- Taking a more integrated, international approach to risk management and significantly increasing the resources committed to this area.

In addition, AEGON also took a number of strategic decisions during the year which had the effect of significantly reducing the company's overall financial risk position:

- Running off AEGON's institutional spread-based business in the United States.
- Sale of the company's life insurance activities in Taiwan.

More active approach to capital management

During 2009, AEGON also carried out a number of transactions designed to raise capital, further strengthen the company's overall capital position and enhance financial flexibility. These included:

- Strengthening AEGON's cash position by raising EUR 1 billion through the issue of a new three-year bond in April.
- Raising EUR 1 billion in August through the sale of a combination of new and existing shares. Proceeds from this sale were used to repay one third of the EUR 3 billion in additional core capital that AEGON secured from the Dutch State at the end of 2008.
- Raising USD 500 million in November in the United States and a further GBP 400 million in the United Kingdom in December with the issue of senior unsecured notes.

Cost
As part of its response to the financial crisis, AEGON announced that it would initiate cost reduction measures in 2009 of EUR 150 million – equivalent to 5% of the company's 2008 adjusted cost base. This target was achieved by the end of September 2009, three months ahead of schedule – largely through efficiency improvements, restructuring programs and expense reductions at AEGON's main operations in the United States, the Netherlands and the United Kingdom. In November, AEGON also announced a reorganization of its sales activities in the Netherlands, resulting in annual cost savings of an additional EUR 15 million.

In 2009, AEGON's cost reduction measures totaled EUR 250 million, EUR 100 million above the company's original target.

Contingency
Since the start of the financial crisis, AEGON has developed a number of 'contingency measures' aimed at protecting the company from further sharp declines in world financial markets. Despite the recovery in financial markets, some of these measures were put into place during 2009 as part of the company's broader efforts to reduce risk and release capital.

- In February, AEGON announced a decision to run off its institutional spread-based business in the United States. This will lead to a significant reduction in credit risk, as well as releasing approximately EUR 600 million in capital by 2010.
- The sale of AEGON's life insurance activities in Taiwan in April contributed to a decrease in the company's long-term interest rate exposure which, in turn, further lowered AEGON's capital requirements.
- AEGON also withdrew from the group risk market in the United Kingdom, a decision that is expected to release approximately EUR 55 million in additional capital by 2012.

Dutch government support
As part of its response to the financial crisis, AEGON secured EUR 3 billion in additional core capital in December 2008 from the Dutch State as a necessary precaution against a further possible deterioration in market conditions.

Thanks to the measures AEGON has taken to strengthen its overall financial position, the company in 2009 was in a position to begin repaying the Dutch State. AEGON's objective is to repay the Dutch State the full amount at the earliest opportunity. At the end of November 2009, AEGON repaid an initial installment of EUR 1 billion, in line with the terms of the company's agreement with the Dutch State. AEGON's priority is to repay the remaining EUR 2 billion as soon as it is feasible and responsible to do so.

In November 2009, AEGON also submitted a plan to the European Commission, via the Dutch Ministry of Finance, designed to demonstrate that the company's businesses are fundamentally sound and viable.

> "We have worked diligently over the past year to strengthen AEGON's balance sheet, reduce our risk to financial markets and achieve a broad range of cost and operational efficiencies that will serve to better align our businesses with today's market realities. Consequently, AEGON is in a better position to respond to the significant opportunities for the life, pensions and asset management sectors internationally."

Jan Nooitgedagt
Chief Financial Officer
AEGON N.V.

This plan was a requirement for all those EU companies, including AEGON, which received state support during the financial crisis. The European Commission is currently in the process of assessing the contents of this plan before deciding whether to approve a continuation of the Dutch State's support for AEGON.

Refining AEGON's long-term strategy

Since the second half of 2008, the short-term measures taken by AEGON to counter the effects of the global financial crisis have significantly strengthened the company's overall capital position and left the company well-placed to take advantage of future opportunities for growth. In addition, AEGON's long-term strategy – 'Unlocking the Global Potential' – has been refined to take into account the change in market conditions since the global financial crisis.

As part of this approach, AEGON intends to:

- Maintain efforts to direct capital to areas that offer higher returns and strong growth prospects. For the time being, AEGON will not enter new countries, but instead will concentrate efforts on strengthening its position in markets where the company already has developing operations.
- Focus on improving growth and returns from existing businesses, with an added emphasis on continuing measures to reduce risk and lower operating costs.
- Maintain the objective of managing AEGON as a single, international company.

Investment in existing businesses

AEGON continued to invest in its existing businesses, honoring commitments made before the onset of the financial crisis.

- In May, AEGON completed the acquisition of a 50% stake in Mongeral SA Seguros e Previdência, one of Brazil's largest independent life insurers.
- In June, AEGON completed the acquisition of Banca Transilvania's 50% stake in BT AEGON, the Romanian pension joint venture set up by the two companies in 2008.
- In December, AEGON's joint venture with Sony Life in Japan began operations. The joint venture, which was agreed in 2007, will initially focus on variable annuities.

As part of its long-term strategy, AEGON intends to direct more of its financial resources to growth markets in Central & Eastern Europe, Asia and Latin America. This will provide greater balance to AEGON's businesses and reduce the company's reliance on the US market.

Managing AEGON as a single international company

Considerable progress has been made toward the objective of managing AEGON as a single, international company:

- Members of AEGON's Management Board have been assigned global as well as national responsibilities. A more global approach both to risk and capital management has also been adopted[1].
- In October 2009, AEGON launched a new global organization for its asset management operations, designed to strengthen the company's market position and further improve products and services to customers in Europe, North America and Asia. AEGON Asset Management brings together businesses in the United States, the Netherlands, the United Kingdom and Central & Eastern Europe as well as the company's joint ventures in Asia.
- AEGON is currently using its expertise in the United States to expand its variable annuities business to markets in both Europe and Japan.
- A new European data center has been opened at the company's offices in Edinburgh, aimed at improving efficiency by bringing together systems in both the Netherlands and the United Kingdom. Operations in Central & Eastern Europe will be added at the earliest opportunity.

[1] For further details, please refer to the Risk and Liquidity and Capital Management sections of this report on pages 40 to 50.

AEGON AND THE INVESTMENT COMMUNITY

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

Importance of clear communication

AEGON endeavors to provide financial information that is clear, transparent, accurate and timely. The recent global financial crisis has underscored the importance of maintaining communications with investors and the broader financial community.

During 2009, in addition to quarterly earnings updates, AEGON organized a number of conferences, road shows and other events designed to communicate the company's strategy and performance directly to investors and the financial markets.

These events included:

- Presentations by senior executives to industry conferences around the world[1]. During the year, AEGON executives spoke at a number of important industry investor conferences organised by brokers, including Goldman Sachs, Citigroup , Bank of America-Merrill Lynch and UBS.
- Investor road shows in North America, Europe and Asia, with individual group meetings with shareholders and other potential investors.

In total, during 2009, there were meetings with approximately 600 institutional investors in 38 different locations.

AEGON's financial communications policy

AEGON has a clear, well-defined policy with regard to communications between the company and its investors.

This policy, formally adopted in February 2008, sets out rules and guidelines for interaction between AEGON and its investors in line with recommendations from the Monitoring Committee overseeing the Dutch Corporate Governance Code. A copy of this policy is available on www.aegon.com.

AEGON's Analyst & Investor Conferences

AEGON hosted an Analyst & Investor Conference in London in June 2009, as well as a separate Investor Day in New York in December. In total, these two events attracted around 100 participants. Presentations by senior management addressed AEGON's strategy and the financial performance of both the company and its operating units.

> "What's important, particularly in uncertain times, is that we maintain a dialogue with our investors. That we're out there, providing investors with the information they need to make the right decisions at the right time. As a result, what we provide has to be clear, transparent, accurate and timely. And that's something that's more important today, given everything we've seen in the financial markets, than ever before."

Gerbrand Nijman
Senior Vice President,
Head of Investor Relations
AEGON N.V.

[1] All presentations are available online at www.aegon.com.

At the June meeting, presentations were given on:

- AEGON's strategy and approach to dealing with the effects of the global financial crisis.
- The company's strategy in its main markets – the United States, the Netherlands, the United Kingdom and Central & Eastern Europe.
- Measures to expand AEGON's position in the variable annuities market in Europe and Asia.
- AEGON's approach to general account investments in light of volatile world financial markets.

Annual General Meeting of Shareholders

AEGON held its annual General Meeting of Shareholders in The Hague on April 23, 2009. At the meeting 180 holders of common or preferred shares were present or represented. Together they accounted for 52.03% of AEGON's voting share capital. All resolutions presented to the meeting were adopted. During the meeting, AEGON's CEO Alex Wynaendts set out details of the company's long-term strategy as well as steps being taken to counter the effects of the global financial crisis.

Shareholding structure

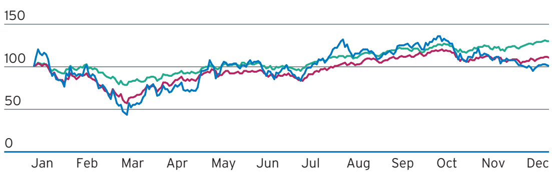
The vast majority of AEGON's shareholders are located either in North America or in Europe. Approximately 88% of the company's common shares are held by institutional investors such as pension and investment funds. These institutional investors include Vereniging AEGON[1], the company's single largest shareholder. Vereniging AEGON owns 22.8% of AEGON's issued shares.

Share listings

AEGON's common shares are listed on three stock exchanges. The primary listing is in Amsterdam, but the company's shares are also listed in London and New York[2]. These listings give AEGON access to global capital markets, and are a vital part of the company's overall corporate and financial management strategy. In addition, AEGON is also active on world debt markets, using its strong credit rating to issue debt instruments in various currencies.

AEGON share price development versus indices

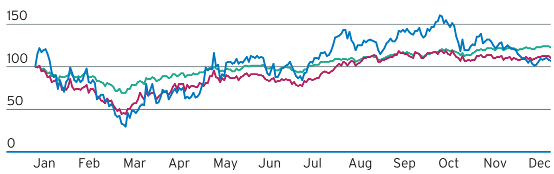
Rebased (in EUR)



■ AEGON ■ DJ Stoxx 600 Insurance Index ■ AEX Index

AEGON share price development versus indices

Rebased (in USD)



■ AEGON ■ S&P 500 ■ S&P 500 Insurance

Share price information

In EUR	2009	2008	2007	2006	2005
Price - high	6.17	11.98	16.06	15.56	14.25
Price - low	1.85	2.68	11.46	12.17	9.63
Price - year-end	4.54	4.525	12.09	14.44	13.75
Price/earnings ratio[1]	N.M.[2]	N.M.[2]	8.22	7.72	11.00

[1] 2005 -2007 based on adjusted data.
[2] Not measurable.

Share price information

In USD	2009	2008	2007	2006	2005
Price - high	9.23	17.52	21.90	18.97	16.78
Price - low	2.30	3.50	16.75	15.24	12.19
Price - year-end	6.41	6.05	17.53	18.95	16.32

[1] For further details of Vereniging AEGON's shareholding in AEGON, please refer to page 74 of this report.
[2] Please note that AEGON's common shares are scheduled to be delisted from the Tokyo Stock Exchange on March 27, 2010. The company's shares will continue to be traded in Amsterdam, New York and London.

Dividend policy

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

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

- An interim dividend, announced at the same time as the company's second quarter results in August.
- A final divided, proposed in March and voted on at the annual General Meeting of Shareholders, usually in April.

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

Though the company's capital position remains strong, cash flows during the year were adversely affected by higher than average impairments. As a result, AEGON did not declare either an interim or a final dividend for 2009.

Share price performance

AEGON's share price, like that of other international insurance groups, was adversely affected by the global financial crisis, particularly during the first quarter of the year. An improvement in business and financial conditions, however, led to a strengthening in the share price after the second quarter. Overall, AEGON's share on the Amsterdam stock exchange gained 0.3% in value during 2009. AEGON shares on the New York Stock Exchange, meanwhile, gained 6.0%.

The graphs on page 16 show the performance of AEGON shares on the Amsterdam and New York stock exchanges during 2009.

AEGON Investor Relations

Bezuidenhoutseweg 273
PO Box 85, 2501 CB The Hague, The Netherlands
Tel: + 31 70 344 8305
Toll free number: + 1 877 548 9668 (US only)
e-mail: ir@aegon.com

Financial calendar 2010

February 25

Earnings fourth quarter 2009

March 29

Annual Report 2009 available on aegon.com website

March 30

Record date for attending/voting at AEGON annual General Meeting of Shareholders, April 29

April 12

Announcement new financial reporting structure

April 29

AEGON annual General Meeting of Shareholders, The Hague, the Netherlands

May 12

Earnings first quarter 2010 and Embedded Value Report 2009

June 23

Analyst & Investor Day, London

August 12

Earnings second quarter 2010

November 11

Earnings third quarter 2010

December 7/8

Analyst & Investor Conference, New York

MARCO KEIM ON SUSTAINABILITY

Marco Keim, the Management Board member responsible for **Sustainability**, gives his view on the growing importance of environmental, social and governance issues to AEGON and the vital role customers are playing in helping shape the company's long-term strategy.

"We want to apply basic principles of responsible investment to our entire portfolio."

For a financial services company like AEGON, how important is sustainability?

Extremely important. It's about how you manage your business, and how you build trust not only among your customers and shareholders, but also in the wider community. These issues – how we treat our customers and employees, how we invest, how we protect the value of our brand – are becoming more and more important.

This is a very broad topic. What is AEGON's approach to sustainability?

We have businesses in more than twenty countries around the world – and something like 40 million customers. That's a big responsibility. Traditionally, we've always been a decentralized company. Now, we're moving toward a more integrated approach – in sustainability, as well as in other aspects of our activities. That means taking into account different cultures within the organization and finding a way of working more closely together, which admittedly won't always be easy. In my view, it's one of the big challenges for the next few years. It also means listening more to our stakeholders. That's why we now organize a regular stakeholder review; we want to hear what our shareholders, business partners and our customers have to say.

You mention customers. What role do they play in sustainability?

I think they're critical. What we've seen over the past several years is a very significant shift in behavior. People are having to take more responsibility for their pensions. And they're turning to the private sector – to companies like AEGON – for support. We have to make sure we're there to help them.

And that means not only providing long-term financial products that are effective, transparent and easy to understand, but also ensuring people have the information they need to make the right decisions for themselves and their families – particularly important during times of uncertainty, as we saw with the global financial crisis. We already help fund financial literacy and education programs in the Netherlands, the United Kingdom, the United States and elsewhere. This is an area directly related to our expertise, and we'd like to do a lot more.

AEGON is one of the world's largest institutional investors. With investments, there are always difficult choices to be made...

At the end of 2009, we had just over EUR 360 billion in revenue-generating investments. Part of that is for our own account, but most is invested on behalf of our customers and policyholders, so we take our responsibilities very seriously. This is an area where we think we can make a difference. We already have a number of successful funds – especially in the United Kingdom – that offer socially-responsible investments.

But now we want to go a step further. We want to apply basic principles of responsible investment to our entire portfolio. And we want to make sure we engage regularly and consistently with those companies in which we invest so that together we can tackle areas of concern – whether they're to do with the weapons industry, which has been a matter for discussion in the Netherlands in recent months, or child labor, or human rights, or pollution, or simply good governance.

Clearly, this is a very complex subject and we have to balance a number of often conflicting considerations, including the responsibility we have to our clients. Coming up with the right answers to questions might take some time, but we have now approved a plan to develop principles in this area that will eventually cover all our businesses.

What about the environment? This is one of the major issues of our time...

It is. And – though we are not a significant polluter – we recognize that we have a role to play, and that we must do what we can to lessen the impact of our operations on the environment. In many of our offices, we already have initiatives in place aimed at reducing our consumption of electricity, water and paper and, just as importantly, our business travel. In 2010, we'll be stepping up some of these efforts. Cutting back on unnecessary consumption not only helps the planet, it also reduces costs, which in turn benefits the company, its shareholders, its business partners – and, ultimately of course, its customers.

Marco Keim

Chief Executive Officer of AEGON The Netherlands and member of the Management Board

AEGON's sustainability strategy

AEGON believes that business success is not incompatible with respect for the environment, human rights and the broader communities in which it operates. Indeed, the company recognizes that creating a sustainable business means taking into account the interests of all its stakeholders, including customers, employees, business partners and investors.

AEGON also believes that it can make a valuable contribution to the communities in which it operates, not only as a provider of long-term financial products and services, but also as a responsible employer and investor. AEGON's long-term objective is to grow its businesses profitably and sustainably.

The global insurance industry plays an important role in helping communities around the world deal with some of the biggest economic and social challenges of the 21st century, including aging populations, climate change, sustainable development, the need for responsible investment and demand for greater financial literacy. AEGON's Sustainability strategy and initiatives help strengthen the company's reputation among customers, investors and the wider public, as well as supporting its business objectives and the value of the AEGON brand.

For more information about AEGON's Sustainability strategy and initiatives, please refer to the company's 2009 Sustainability Report, available online at www.aegon.com.

OUR BUSINESSES

Building confidence for life: Despite difficult business conditions, we took decisive measures in 2008 and 2009 to ensure continued customer confidence, and to position our company for new opportunities opening up in both our established and emerging markets.

JAN NOOITGEDAGT ON SOLVENCY II

New rules on solvency will bring changes to the way European insurers manage their risk and capital. Chief Financial Officer, Jan Nooitgedagt, explains why he believes **Solvency II** will benefit the insurance industry over the long term, and talks about his **first year** as AEGON's CFO – a year that saw the company further strengthen its financial position.

"This is a period of change for the insurance industry. If we manage this period well, there are opportunities not only to improve the way we run our companies, which will benefit our shareholders, but also to strengthen what we can do for our customers."

"There's no doubt the insurance industry is going through a period of change. It's not just the effects of the financial crisis. Proposed changes in rules governing capital will also have far-reaching consequences. However, if we manage these changes well, I'm convinced they'll be of enormous benefit not just to the industry, but also to our customers and shareholders as well.

Over the past year, we've seen a considerable improvement in market conditions. Through the year, our quarterly earnings have steadily increased, and for 2009 we returned to a net profit. More importantly perhaps, our revenues have also held up well – an indication of continued customer confidence in AEGON.

We've also pressed ahead with measures to reduce risk, particularly related to equity and credit markets, and to free up more capital from our businesses. These measures have significantly strengthened our overall financial position, and we were able last November to repay a first installment of the EUR 3 billion the Dutch State provided to AEGON at the end of 2008.

There are lessons to be learned from the global financial crisis. The importance of strong risk management. The importance of customer loyalty and trust. And the paramount importance of capital. This, of course, is where Solvency II comes in.

We've known for some time that Europe's rules on capital haven't been adequate. They produced a very arbitrary system of regulation. What the European Commission is now doing is developing a much more modern approach, where the amount of capital an insurance company has to hold at any one time is linked directly to the risks it has, and the nature of those risks.

This is a very important principle. It should mean a more efficient system for insurers – one that will reward strong risk management. We believe that Solvency II will lead to greater transparency and enable customers, shareholders and other stakeholders to compare insurers more easily. Ultimately, it should also result in greater security for customers and policyholders who invest their money with us. That's very important, particularly at a time of such economic uncertainty.

For AEGON, Solvency II is very much a step in the right direction. We are already managing our business within a risk-based framework. In effect, Solvency II will change the regulatory framework in Europe into a system based consistently on risk and insurance companies' appetite for risk. In turn, this should lead to fewer constraints when it comes to managing our combined risk and capital position.

Of course, Solvency II won't come into effect for a while – not until October 2012 at the earliest. At the moment, there is broad agreement on the basic principles behind the system, but a lot still has to be ironed out. In particular, how you treat businesses in countries outside the European Union is still an area of substantial uncertainty both for regulators and companies.

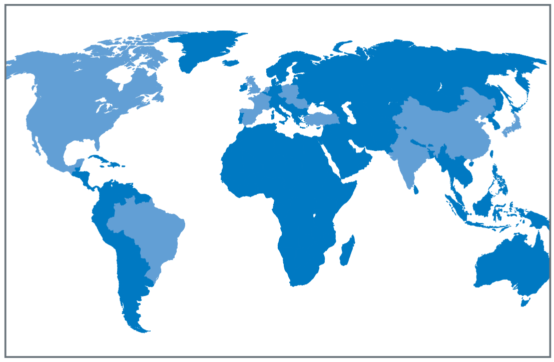
This is a crucial moment for the insurance industry. We're only just emerging from the financial crisis, and still digesting some of the lessons that have to be learned from the past two years. Here we have an opportunity in Europe to increase public trust, and put in place a modern, effective system of regulation, which will help improve the way we run our companies, benefit our shareholders, and strengthen what we can do for our customers."

Jan Nooitgedagt

Chief Financial Officer and Member of AEGON's Executive Board

"The measures we have taken have significantly strengthened our overall financial position, and we were able last November to repay a first installment of the EUR 3 billion the Dutch State provided to AEGON at the end of 2008."

In the wake of the global financial crisis, AEGON companies around the world saw a substantial improvement in market conditions in 2009.



Overview

Throughout 2009, AEGON saw a steady improvement in its quarterly earnings. However, annual earnings figures were adversely affected by losses sustained during the first three months of the year.

Part of the increase in earnings during the year was due to a substantial improvement in market conditions after the end of the first quarter. Measures designed to reduce costs, lower financial risk and free up capital from existing businesses, meanwhile, further strengthened AEGON's financial position.

Underlying earnings before tax

Underlying earnings before tax declined 26% in 2009 to EUR 1.2 billion, a reflection primarily of lower investment income as a result of increased cash balances following AEGON's decision during the year to run off its institutional spread-based business in the United States. Earnings were also affected by higher employee benefit expenses, and lower fee income. These factors were partly offset by lower charges related to the amortization of deferred policy acquisition costs and reserve strengthening in the United States. AEGON's operations in the Americas and the United Kingdom reported lower year-on-year underlying earnings; earnings from the Netherlands and Central & Eastern Europe, meanwhile, were slightly higher.

By line of business, AEGON reported a 15% increase in earnings from its Life & Protection activities in 2009, helped by a substantial rise in earnings in the Netherlands. Earnings from Pensions & Asset Management were lower year-on-year, while Institutional Products also declined, the result of AEGON's decision to run off its spread-based institutional business in the United States. Life Reinsurance returned to profit in 2009 after a loss the previous year, while losses from Individual Savings & Retirement Products declined significantly as a result of improved market conditions.

Net income

AEGON's net income for 2009 totaled EUR 204 million, compared with a loss for the previous year of nearly EUR 1.1 billion. Most of the turnaround was attributable to an improvement in world financial markets, which led to a better performance from AEGON's fair value items and an income tax credit. The sale of AEGON's life insurance business in Taiwan in August, meanwhile, resulted in a one-off loss of EUR 385 million.

AEGON booked an income tax credit in 2009 of EUR 668 million, related primarily to intercompany reinsurance treaties between the United States and Ireland. The credit was a partial reversal of tax losses incurred the previous year.

Losses on fair value items amounted to EUR 460 million in 2009, a significant improvement from losses in 2008 of EUR 1.6 billion.

Net impairments in 2009 totaled EUR 1.3 billion. Of this amount, EUR 678 million were associated with US housing and mortgage-related securities. A further EUR 501 million related to corporate bonds, most in the United States and the United Kingdom. Impairments showed a steady improvement during the year, but remained above AEGON's long-term expectations.

Commission and expenses

AEGON introduced a number of cost reduction measures in 2009, saving a total of EUR 250 million, well ahead of the company's target for the year of EUR 150 million. Most of these savings were achieved through efficiency improvements, restructuring programs and expense reductions at AEGON's main operations in the United States, the Netherlands and the United Kingdom. Total commissions and expenses declined by 2% in 2009 to EUR 6.0 billion. Overall operating expenses in 2009 totaled EUR 3.3 billion, more or less unchanged from the previous year however, as inflation and an increase in employee benefit expenses offset the company's cost reduction initiatives and the sale of AEGON's life insurance business in Taiwan. On a comparable basis[1], operating expenses declined by 5% in 2009.

During 2009, AEGON's total workforce, excluding agents, declined by 7% to just over 25,000 employees. Most of the decline was due to restructuring in the United States and the United Kingdom, as well as the sale of AEGON's realtor activities in the Netherlands and the company's life insurance operations in Taiwan.

New life sales

AEGON's new life sales remained strong, despite difficult market conditions, totaling EUR 2.0 billion in 2009. Sales across the company showed a gradual improvement after the first quarter. During the year as a whole, significant growth in the Netherlands and Spain was offset by lower sales in the Americas and Central & Eastern Europe, a consequence of continued weak economic conditions. AEGON's businesses in the United Kingdom also saw lower life sales following a decision to adjust the company's pricing policy.

Deposits

Excluding institutional guaranteed products, AEGON's gross deposits rose 6% in 2009 to EUR 23.6 billion. Most of the increase was due to growth in pension deposits and the company's variable annuities business in both the Americas and Europe. Savings deposits in the Netherlands also showed an increase, as did retail mutual fund deposits in China. Gross deposits of fixed annuities decreased 17% however, as AEGON decided to lower crediting rates to preserve margins on these products.

Including institutional products, gross deposits declined 31% in 2009 to EUR 28.0 billion, following the decision to run off AEGON's institutional spread-based business in the United States.

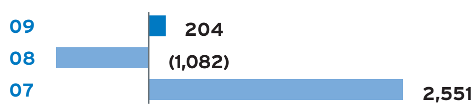
Value of new business

Despite difficult market conditions, AEGON's value of new business decreased by just 8% to EUR 767 million, evidence of continued customer confidence and AEGON's focus on profitability. AEGON's operations in the Netherlands and Spain both reported strong VNB figures for the year, offset by declines in the United States and the United Kingdom.

Measures to reduce costs, lower risk and free up capital further strengthened AEGON's financial position in 2009.

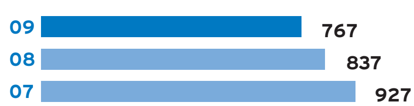
Internal rate of return
(in %)

Net income
(in EUR million)



New life sales
(in EUR million)

Value of new business (VNB)
(in EUR million)



[1] Excluding the impact of restructuring charges, increased employee benefit expenses in the United States and currency movements.

Revenue-generating investments

At the end of 2009, AEGON's revenue-generating investments totaled EUR 361.0 billion, an increase from EUR 331.8 billion a year before. The increase was due to new business growth and stronger financial markets during the year, which more than offset the adverse effects of currency movements, the run off of AEGON's institutional spread business in the United States and the sale of the company's life insurance operations in Taiwan.

Capital position

At the end of 2009, AEGON's excess capital above AA capital adequacy requirements totaled EUR 3.7 billion. During the year, AEGON released a total of EUR 3.3 billion in capital from its existing businesses. This amount was partly offset by impairments and the adverse effect of credit rating downgrades on the company's bond portfolio. AEGON's solvency ratio under the EU Insurance Group Directive improved to 204%[1].

AEGON's core capital rose significantly during the year to EUR 15.9 billion, up from EUR 9.1 billion at the end of 2008, as a result of a substantial increase in the value of the company's investments, a EUR 1 billion equity issue and the inclusion of 2009 net income. These factors were offset in part by the repayment of EUR 1 billion in core capital to the Dutch State, as well as coupon, premium and dividend payments on AEGON securities.

Earnings overview AEGON worldwide

Amounts in EUR million	2009	2008	year-on-year comparison
Underlying earnings before tax			
Life and protection	1,052	911	141
Individual savings and retirement products	(94)	(146)	52
Pensions and asset management	259	508	(249)
Institutional products	118	405	(287)
Life reinsurance	21	(63)	84
Distribution	(3)	1	(4)
General insurance	36	45	(9)
Interest charges and other	(252)	(112)	(140)
Share in net results of associates	23	24	(1)
Underlying earnings before tax	**1,160**	**1,573**	**(413)**
Over/(under) performance of fair value items	(460)	(1,619)	1,159
Operating earnings before tax	**700**	**(46)**	**746**
Gains/(losses) on investments	432	35	397
Impairment charges	(1,273)	(1,038)	(235)
Other income/(charges)	(323)	(12)	(311)
Income before tax	**(464)**	**(1,061)**	**597**
Income tax	668	(21)	689
NET INCOME	**204**	**(1,082)**	**1,286**

[1] The calculation of the IGD capital surplus and ratio are based on Solvency I capital requirements on IFRS for entities within the European Union (Pillar I for AEGON UK), and local regulatory solvency measurements for non-EU entities. Specifically, required capital for the life insurance companies in the United States is calculated as two times the upper end of the Company Action Level range (200%) as applied by the National Association of Insurance Commissioners in the United States. The calculation of the IGD ratio excludes the available and required capital of the UK With-Profit funds. In the UK solvency surplus calculation the local regulator only allows the available capital number of the With-Profits funds included in overall local available capital to be equal to the amount of With-Profits funds' required capital.

BUILDING CONFIDENCE AMONG AEGON'S CUSTOMERS

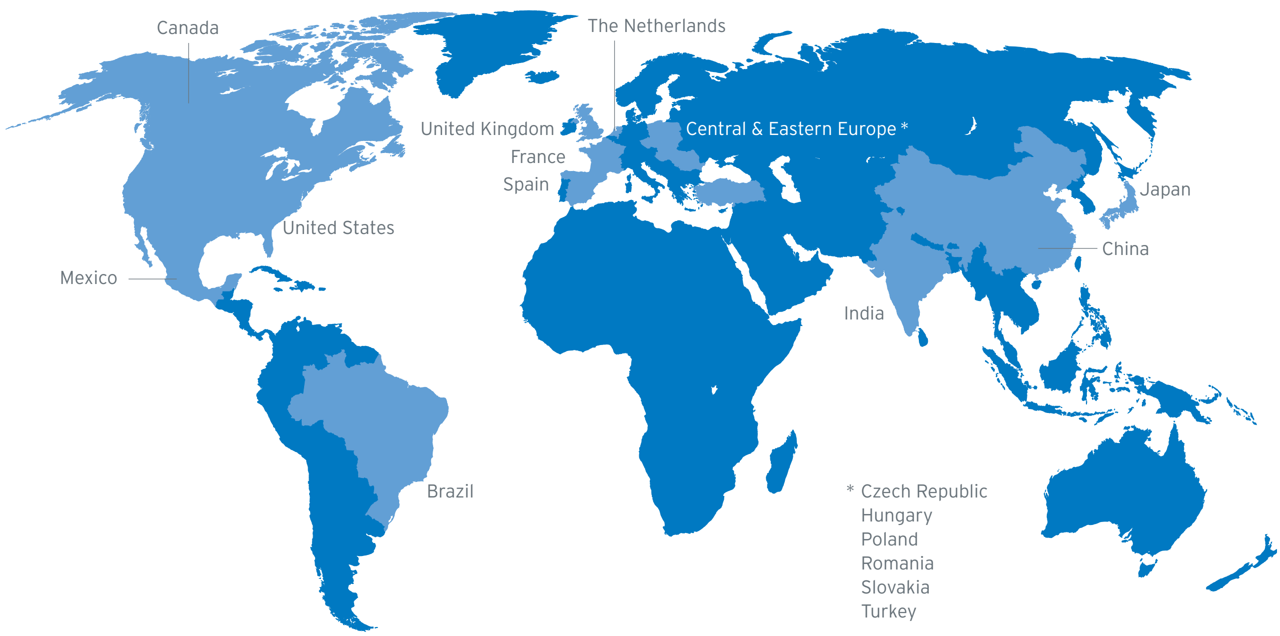
Throughout the financial crisis and beyond, AEGON companies around the world have helped their customers adapt to changing economic circumstances.

AEGON serves approximately 40 million customers in the Americas, Europe and Asia. Over the past year, AEGON companies have helped customers adjust to today's uncertain, more difficult economic climate. In some cases, new products have been launched; in others, AEGON has taken steps to improve customer service. In the wake of the global financial crisis, AEGON realizes more than ever that earning and building the trust of its customers is vital to the long-term success of the company.

- In the United States, Transamerica Retirement Services developed a 'Recover Plan', designed to help existing customers manage their investments during the downturn.
- Transamerica also launched 'TransSecurity', a product that helps life insurance professionals make it easier for their clients to pass on wealth to future generations.
- In Poland, a special low-cost savings program and pension product was introduced.
- In the Netherlands, steps were taken to further improve customer service, including an information campaign with the slogan 'eerlijk over…', or 'honest about…', aimed at explaining sometimes complex financial products in clear, straightforward language.
- In China, AEGON strengthened communication with its customers, simplified the language the company uses in product brochures and extended the terms and conditions of its protection policies to meet customers' needs.
- In Turkey, a new system was set up to keep customers informed by SMS, while in the United Kingdom AEGON further improved the way it handles telephone calls, resulting in a 16% increase in customer satisfaction in this area.

AEGON WORLDWIDE

AEGON was formed in 1983, but the company's history stretches back to the early years of the nineteenth century. Today, AEGON has operations in more than twenty countries around the world and employs approximately 28,000 people. AEGON's main businesses are in the United States, the Netherlands and the United Kingdom, but the company also has operations in six countries in Central & Eastern Europe as well as in Spain and France. In recent years, AEGON has also built businesses in the growth markets of Asia and Latin America.



Key facts

40 million Customers worldwide	**361** billion euro Revenue-generating investments	**28,382** Number of employees
23.6 billion euro Total gross deposits	**1.2** billion euro Underlying earnings before tax	

Lines of business

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

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

Pensions & Asset management
With people living longer lives and governments increasingly shifting responsibility for retirement provisioning to the private sector, AEGON believes demand for pensions will continue to grow in the years ahead. AEGON has strong pension businesses not only in its main markets – the United States, the Netherlands and the United Kingdom – but also in new, emerging markets like Central & Eastern Europe.

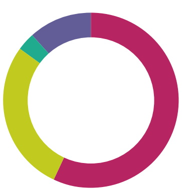
Institutional products
AEGON's businesses cater to the needs not only of individuals, but also of institutional customers, such as banks, pension funds, municipalities and private companies. AEGON announced in February 2009 it is running off its institutional spread-based business in the United States.

Life reinsurance
AEGON provides a range of life and annuity reinsurance products. The company's core product – mortality risk transfer – is offered primarily through coinsurance, but is also available under yearly renewable term arrangements. AEGON offers life reinsurance services in the United States and Asia.

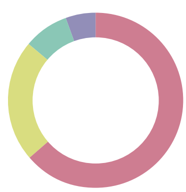
General insurance
Generally, AEGON offers non-life insurance cover only when it serves the company's distribution objectives to do so. The company offers some limited general insurance in the Netherlands and in Hungary – primarily car, liability, household and fire insurance.

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

Underlying earnings before tax by geographical area
In EUR million



	2009
Americas	**805**
The Netherlands	**398**
United Kingdom	**48**
Other countries	**161**
Total [1]	**1,160**



	2008
Americas	1,073
The Netherlands	378
United Kingdom	141
Other countries	93
Total [1]	1,573

[1] Including Holding and other.

AMERICAS

AEGON is one of the largest providers of life insurance, pensions and investments in the United States. The company employs over 14,000 people in locations across the country.

Outside the United States, AEGON has operations in Canada and in Mexico, and in 2009 signed a joint venture agreement with Mongeral Seguros e Previdênica, one of Brazil's leading independent life insurers.

Lines of business

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

Market share AEGON Americas[1]

- 1st in synthetic guaranteed investment contracts (GICs)
- 3rd in equity indexed universal life sales
- 4th in individual universal life sales
- 5th in individual term life sales
- 6th in fixed annuity sales
- 11th in variable annuity sales

50% Share of global workforce

1.1 billion US dollars Share of global underlying earnings before tax

307 billion US dollars Share of global revenue-generating investments

THE NETHERLANDS

AEGON's roots in the Netherlands can be traced back to the first half of the nineteenth century. Today, AEGON is one of the country's leading financial services companies and provides a wide range of life insurance products, pensions, mortgages and general insurance. AEGON employs just over 5,000 people in the Netherlands.

Lines of business

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

Market share AEGON The Netherlands[1]

- 2nd in group pensions
- 5th in individual life
- 5th in accident & health
- 7th in property & casualty

19% Share of global workforce

398 million euro Share of global underlying earnings before tax

71 billion euro Share of global revenue-generating investments

[1] Market shares based on various external sources and company estimates.

UNITED KINGDOM

AEGON can trace its origins in the United Kingdom back to the first half of the nineteenth century. Today, AEGON UK employs nearly 5,000 people.

Over the years, AEGON UK has built up a reputation as one of the United Kingdom's leading providers of pensions.

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

Market share AEGON UK [1]
- 2nd in group pensions
- 3rd in annuities
- 4th in individual pensions
- 6th in individual protection

17% Share of global workforce

43 million UK pounds Share of global underlying earnings before tax

56 billion UK pounds Share of global revenue-generating investments

OTHER COUNTRIES

In recent years, AEGON has built up significant operations in both Central & Eastern Europe and Asia. AEGON's first business in Asia was opened in 1993. Since then, the company has expanded across the region. Today, AEGON has operations in both China and India, as well as a joint venture with Sony Life in Japan.

AEGON also offers life insurance and pension products to millions of customers in six countries across Central & Eastern Europe (CEE). In Spain, AEGON is the country's sixth largest provider of life insurance and in France AEGON has had a partnership with pension and life insurance company La Mondiale for the past seven years.

Lines of business
- Life & Protection (CEE, France, Spain, Asia)
- Individual savings & Retirement products (CEE, Asia)
- Pensions & Asset management (CEE, France, Spain, Asia)
- General insurance (CEE)

Market share AEGON in CEE [1]
- 2nd in life in Hungary
- 2nd in pensions in Hungary
- 4th in property & casualty in Hungary
- 4th in life in Poland

Market share AEGON in Asia [1]
- 6th of foreign-owned life insurers in China

13% Share of global workforce

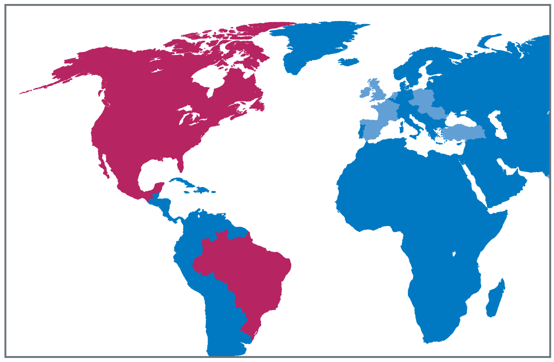
161 million euro Share of global underlying earnings before tax

12 billion euro Share of global revenue-generating investments

[1] Market shares based on various external sources and company estimates.

AMERICAS

While business conditions in the Americas remained uncertain, AEGON took steps to reduce risk, lower costs and free up more capital.



Overview

AEGON Americas returned to profit in 2009 as market conditions improved and measures to reduce costs had a positive effect on the overall financial position. As part of these measures during the year, AEGON placed its US automotive credit and its institutional spread-based businesses in run-off. Earnings in 2009 were further helped by a partial reversal of tax losses incurred the previous year, and a return to profit at AEGON's Life reinsurance and Individual savings & Retirement businesses. These factors were partly offset, however, by lower investment income as a result of increased cash balances following AEGON's decision during the year to run off its institutional spread-based business. Earnings for 2009 were also impacted by impairments, a rise in employee benefit plan expenses and the impact of measures to release capital and reduce financial risk.

Underlying earnings before tax

Underlying earnings before tax declined 26% during the year to USD 1.3 billion. Earnings from Life & Protection decreased by 15%, mainly because of a rise in employee benefit expenses, reserve strengthening in the US life business and restructuring charges. Earnings from Pensions & Asset management also declined as a result of lower fee income during the year. AEGON's Life reinsurance business in the Americas returned to profit, while the company's Individual savings & Retirement operations also reported a sharp turnaround in earnings as capital markets improved.

Net income

AEGON Americas reported net income for 2009 of USD 697 million, compared with a loss for the previous year of USD 2.0 billion, due primarily to market conditions during the year. AEGON also booked a tax credit in 2009 of USD 590 million related to cross-border intercompany reinsurance treaties, a partial reversal of tax losses incurred the previous year. Fair value items also showed a strong improvement during 2009, offset partly by losses relating to a hedge on financial guarantees. Though impairments declined during the course of the year, they were higher than in 2008, at USD 1.1 billion, a reflection primarily of continued poor conditions in the US housing market.

Commissions and expenses

Total commissions and expenses rose 1% in 2009 to USD 5.0 billion. Operating expenses were 3% higher as significant cost reductions during the year were more than offset by restructuring charges and an increase in employee benefit plan expenses. On a comparable basis, operating expenses decreased in 2009 by 6%.

New life sales

AEGON experienced a gradual improvement in sales in the Americas during the course of 2009. Overall however, sales continued to be adversely affected by uncertain economic conditions. Despite this, AEGON was able to maintain a robust franchise in its main markets. New life sales declined 18% to USD 776 million, partly as a result of tighter credit markets and reduced lending. AEGON's decision to run off its automotive credit business in the United States also led to a 13% decline in accident and health sales.

Deposits

Gross deposits – excluding institutional guaranteed products – declined 10% to USD 22.9 billion in 2009. Variable annuity deposits continued to grow, but this growth was offset by a managed decline in fixed annuity deposits. Net pension deposits showed a strong improvement to USD 4.6 billion during the year.

AEGON experienced a gradual improvement in sales in the Americas during the course of 2009, despite uncertain economic conditions.

Including institutional guaranteed products, gross deposits declined 45% in 2009 to USD 29.0 billion, primarily the result of AEGON's decision during the year to run off its US institutional spread-based business.

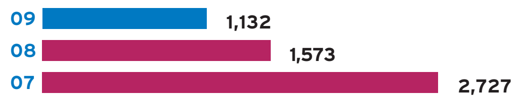
Value of new business

Value of new business in the Americas declined 32% in 2009 to USD 412 million. The decline was due mostly to lower sales of life insurance and the closure of the spread-based institutional business.

Revenue-generating investments

Revenue-generating investments increased 7% to USD 307.4 billion as improved financial market conditions during the year were offset by net outflows, the result of running off the company's institutional spread-based business.

Underlying earnings before tax
(in USD million)



New life sales
(in USD million)

Value of new business (VNB)
(in USD million)

Revenue-generating investments
(in USD billion)

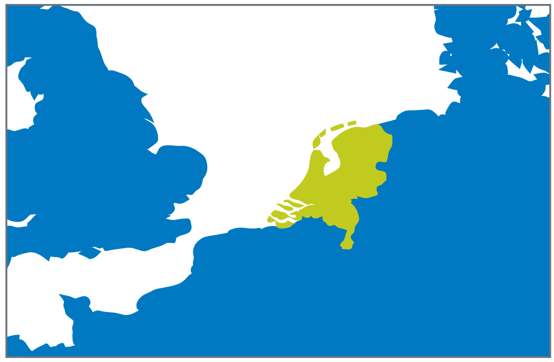
Internal rate of return
(in %)

Earnings overview AEGON Americas

Amounts in USD million	2009	2008	year-on-year comparison
Underlying earnings before tax			
Life and Protection	967	1,132	(165)
Individual savings and Retirement products	(84)	(211)	127
Pensions and Asset management	59	150	(91)
Institutional products	166	594	(428)
Life reinsurance	29	(93)	122
Share in net results of associates	(5)	1	(6)
Underlying earnings before tax	**1,132**	**1,573**	**(441)**
Over/(under) performance fair value items	(42)	(2,434)	2,392
Operating earnings before tax	**1,090**	**(861)**	**1,951**
Gains/(losses) on investments	8	(103)	111
Impairment charges	(1,337)	(1,138)	(199)
Other income/(charges)	(4)	6	(10)
Income before tax	**(243)**	**(2,096)**	**1,853**
Income tax	940	74	866
NET INCOME	**697**	**(2,022)**	**2,719**

THE NETHERLANDS

Despite strong competition in the Dutch market, AEGON The Netherlands reported a significant rise in net income, helped by stronger earnings from the company's Life & Protection business.



Overview

AEGON The Netherlands reported a sharp increase in net income for 2009 as a result of improved market conditions and stronger earnings from the company's Life & Protection business. Lower impairment charges and an increase in gains on investments also contributed to net income for the year, though markets in the Netherlands remained competitive and a reorganization of the company's sales operations led to additional restructuring charges.

Underlying earnings before tax

Underlying earnings before tax increased 5% in 2009 to EUR 398 million due mainly to higher earnings from the company's Life & Protection business. Earnings from Life & Protection rose sharply to EUR 262 million in 2009 as higher investment income, lower costs and an increase in earnings from mortgages offset charges related to a reorganization of the company's sales operations. Earnings from AEGON's Distribution business in the Netherlands also improved as 2008 had included a substantial restructuring charge. Earnings from Pensions & Asset management meanwhile declined. In 2008, earnings from this line of business had included exceptional technical results and non-recurring dividend income of EUR 75 million. AEGON The Netherlands' Savings business reported an underlying loss for the year of EUR 54 million as a result of low interest margins, charges related to sales restructuring and the failure of banks Icesave and DSB.

Net income

Net income rose sharply to EUR 241 million, up from EUR 94 million the year before. This improvement was due mainly to higher underlying earnings, lower impairment charges and an increase in gains on investments, offset partly by an underperformance in fair value items. Gains on investments during the year totaled EUR 224 million, mainly from adjustments in the bond portfolio as part of the company's asset and liability management.

Commissions and expenses

Commissions and expenses declined 7% during the year to EUR 1.2 billion. Operating costs were also down 7% to EUR 873 million. The decline was due to the impact of cost saving measures, as well as a reduction in staff and project-related expenses.

New life sales

Despite difficult market conditions, total new life sales in the Netherlands rose 9% in 2009 to EUR 239 million, due mainly to a strong increase in demand for pensions and improved customer service and satisfaction. Life sales, however, declined 15% to EUR 82 million. Sales of both individual life single and recurring premium products were down compared with 2008, because of increased pricing competition in the immediate annuity market, as well as lower demand for regular premium products.

Deposits

AEGON The Netherlands reported gross deposits for 2009 of EUR 3.4 billion, an increase of 28% compared with the previous year. Net deposits amounted to EUR 771 million as a result of a substantial rise in savings deposits during the year.

Earnings from AEGON's Life & Protection business in the Netherlands rose sharply in 2009.

Value of new business
Value of new business in 2009 increased significantly to EUR 184 million, up from EUR 43 million the year before. This increase was attributable to increased demand for pensions and higher margins on mortgages during the year.

Revenue-generating investments
Revenue-generating investments increased 12% to EUR 70.9 billion in 2009, due mainly to an improvement in market conditions.

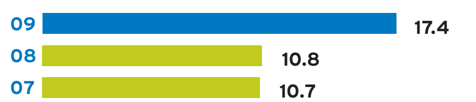
Underlying earnings before tax
(in EUR million)

New life sales
(in EUR million)

Value of new business (VNB)
(in EUR million)

Revenue-generating investments
(in EUR billion)

Internal rate of return
(in %)

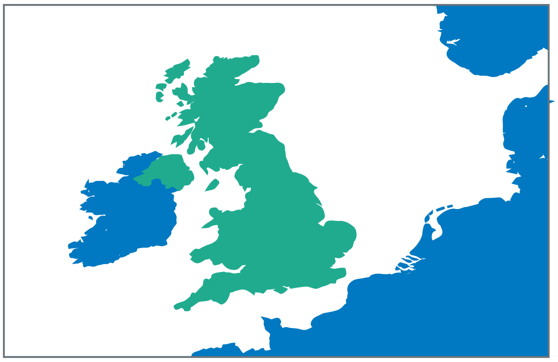


Earnings overview AEGON The Netherlands

Amounts in EUR million	2009	2008	year-on-year comparison
Underlying earnings before tax			
Life and Protection	262	66	196
Individual savings and Retirement products	(54)	(14)	(40)
Pensions and Asset management	174	308	(134)
Distribution	16	3	13
General insurance	1	8	(7)
Share in net results of associates	(1)	7	(8)
Underlying earnings before tax	**398**	**378**	**20**
Over/(under) performance fair value items	(247)	(165)	(82)
Operating earnings before tax	**151**	**213**	**(62)**
Gains/(losses) on investments	224	20	204
Impairment charges	(111)	(138)	27
Income before tax	**264**	**95**	**169**
Income tax	(23)	(1)	(22)
NET INCOME	**241**	**94**	**147**

UNITED KINGDOM

Difficult conditions in the equity and corporate bond markets led to lower earnings from the United Kingdom in 2009.



Overview

AEGON UK saw a decline in net income for 2009, mainly the result of higher impairments and lower underlying earnings from the company's main businesses. Difficult conditions in equity and corporate bond markets, in particular, had an adverse effect on the company's earnings during the year. Operating costs were higher in 2009 due to higher restructering costs and costs associated with adapting the businesses to the changing regulatory environment.

Underlying earnings before tax

Underlying earnings declined to GBP 43 million in 2009 as lower equity markets led to a decrease in fee income in AEGON's unit-linked pension business in the United Kingdom. Earnings were also affected by an exceptional charge of GBP 38 million relating to a program to improve the consistency of AEGON's customer records in the United Kingdom. Life & Protection reported a decline in its underlying earnings as the impact of charges associated with the company's withdrawal from the group employee benefit business offset further growth in annuities and protection. Earnings from Pensions & Asset management also declined due mainly to the program to improve the consistency of customer records. AEGON's Distribution operations in the United Kingdom, meanwhile, recorded a loss for the year of GBP 16 million, the result of adverse market conditions and costs associated with adapting the business to a new environment.

Net income

AEGON UK reported net income for 2009 of GBP 5 million, a significant decline compared with GBP 64 million the previous year. Gains on investments and a tax credit during the year were more than offset by lower underlying earnings and an increase in impairments. Impairments rose to GBP 163 million, most related to hybrid securities issued by UK and Irish banks.

Commissions and expenses

Total commissions and expenses rose 4% to GBP 687 million in 2009 as a result of a lower deferral of expenses and higher operating expenses. Operating expenses were 3% higher at GBP 428 million, due to additional restructuring costs and a one-off release of reserves related to an employee incentive scheme.

New life sales

Compared with 2008, sales of most products in the United Kingdom showed a decline. Sales of annuities were lower as planned following repricing, while difficult economic conditions continued to affect sales of group pensions. Sales of investment bonds, meanwhile, were impacted by changes to tax rules and the economic environment.

Difficult conditions in equity and corporate bond markets had an adverse effect on AEGON's 2009 earnings in the United Kingdom.

Value of new business

AEGON UK's value of new business declined 18% in 2009 to GBP 152 million, due to lower sales volumes.

Revenue-generating investments

As a result of the recovery of the financial markets and net inflows, revenue-generating investments increased 18% in 2009 to GBP 55.8 billion at the end of December 2009.

Underlying earnings before tax
(in GBP million)

New life sales
(in GBP million)

Value of new business (VNB)
(in GBP million)

Revenue-generating investments
(in GBP billion)

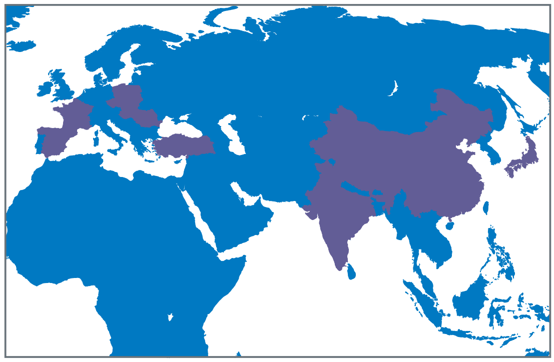
Internal rate of return
(in %)

Earnings overview AEGON United Kingdom

Amounts in GBP million	2009	2008	year-on-year comparison
Underlying earnings before tax			
Life and protection	38	46	(8)
Pensions and asset management	21	68	(47)
Distribution	(16)	(1)	(15)
Underlying earnings before tax	**43**	**113**	**(70)**
Over/(under) performance fair value items	5	(15)	20
Operating earnings before tax	**48**	**98**	**(50)**
Gains/(losses) on investments	90	(17)	107
Impairment charges	(163)	(18)	(145)
Other income/(charges)	59	(14)	73
Income before tax	**34**	**49**	**(15)**
Income tax attributable to policyholder return	(59)	14	(73)
Income before income tax on shareholders return	**(25)**	**63**	**(88)**
Income tax on shareholders return	30	1	29
NET INCOME	**5**	**64**	**(59)**

OTHER COUNTRIES

Earnings from AEGON's 'Other Countries' rose significantly on further growth in Central & Eastern Europe and an improved performance from the company's joint ventures in Spain.



Overview

AEGON's Other Countries operations reported a sharp increase in underlying earnings in 2009, largely because of further growth in Central & Eastern Europe and an improved performance by the company's joint ventures in Spain. A one-off charge of EUR 385 million relating to AEGON's sale of its life insurance business in Taiwan resulted in a net loss for the year, despite lower impairments and an increase in investment gains.

Underlying earnings before tax

Underlying earnings from Other Countries totaled EUR 161 million in 2009, up 73% from EUR 93 million the year before. This increase was due to a significant rise in earnings from AEGON's Life & Protection business as a result of further growth in Central & Eastern Europe and an improved performance in Spain. In addition, earnings in 2008 had been adversely affected by an acceleration in deferred policy amortization costs in Taiwan, amounting to EUR 43 million. Earnings from Individual savings & Retirement products also increased, a reflection primarily of the recovery in the Chinese equity market. Pensions & Asset management earnings rose, while General insurance earnings remained stable. Earnings from AEGON's associates increased as a result of improved performance from both the company's joint ventures in Spain and La Mondiale, AEGON's partner in France.

Net income

AEGON Other Countries reported a net loss for 2009 of EUR 285 million, the result of a one-off charge of EUR 385 million from the sale of the company's life insurance activities in Taiwan. This charge more than offset higher underlying earnings for the year, as well as gains on investments and lower impairments.

Commissions and expenses

Total commissions and expenses decreased 31% in 2009 to EUR 340 million. Operating costs were down 8% at EUR 195 million, due mainly to the impact of cost reduction measures during the year and the exclusion of the company's life insurance business in Taiwan, which was sold in August 2009.

New life sales

New life sales from Other Countries declined 16% to EUR 195 million, reflecting AEGON's withdrawal from the life insurance market in Taiwan. Excluding Taiwan, sales rose during the year as increases in both Spain and China more than offset a decrease in Central & Eastern Europe. Sales in Central & Eastern Europe were mixed as strong performances in Slovakia and the Czech Republic were offset by declines in sales of recurring premium life insurance in Hungary and Poland. Poland also experienced a steep decline in single premium sales, because of continued market turmoil. In Spain, new life sales rose because of the inclusion of new joint ventures, while China also showed an increase, the result of stronger demand for recurring premium life insurance. Gross deposits increased sharply in 2009 to nearly EUR 2.7 billion, due primarily to higher retail mutual funds and the introduction of new funds in China. Deposits were also helped by the continued growth in 2009 of AEGON's pension business in Central & Eastern Europe.

> Earnings from Other Countries were strong in 2009 thanks to further growth in Central & Eastern Europe and an improved performance in Spain.

Value of new business

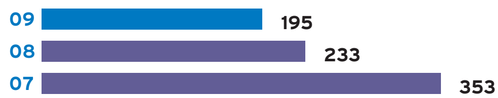
Value of new business declined 19% to EUR 120 million, due mainly to a narrowing in margins for some products and the sale of AEGON's life insurance operations in Taiwan.

Revenue-generating investments

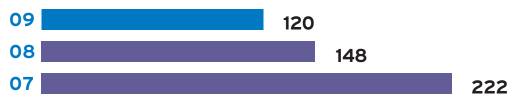
Revenue-generating investments in Other Countries decreased 11% in 2009 to EUR 12.3 billion, due to the sale of AEGON's Taiwanese life insurance operations.

Underlying earnings before tax
(in EUR million)

New life sales
(in EUR million)



Value of new business (VNB)
(in EUR million)



Revenue-generating investments
(in EUR billion)

Internal rate of return
(in %)

Earnings overview AEGON Other Countries

Amounts in EUR million	2009	2008	year-on-year comparison
Underlying earnings before tax			
Life and Protection	60	16	44
Individual savings and Retirement products	19	12	7
Pensions and Asset management	19	12	7
General insurance	35	37	(2)
Share in net results of associates	28	16	12
Underlying earnings before tax	**161**	**93**	**68**
Over/(under) performance fair value items	–	–	
Operating earnings before tax	**161**	**93**	**68**
Gains/(losses) on investments	7	(10)	17
Impairment charges	(23)	(68)	45
Other income/(charges)	(387)	1	(388)
Income before tax	**(242)**	**16**	**(258)**
Income tax	(43)	(25)	(18)
NET INCOME	**(285)**	**(9)**	**(276)**

RISK MANAGEMENT

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

For AEGON, risk management involves:

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

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

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

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

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

Types of risk

As an international provider of life insurance, pensions and other long-term investment and savings products, AEGON faces a number of risks, including underwriting, operational and financial. Some of these risks may arise from internal factors, such as inadequate compliance systems. Others, such as movements in interest rates or unexpected changes in longevity trends, are external in nature.

AEGON's most significant risk is to changes in financial markets, related particularly to movements in interest rates, equity and credit markets. These risks, whether internal or external, may affect the company's operations, its earnings, its share price, the value of its investments, or the sale of certain products and services.

Risk management in 2009

The effects of the global financial crisis that began in 2008 continued to be felt in 2009. Equity markets showed a recovery after the first quarter, but remained depressed for much of the year. Similarly, credit spreads and bond default rates peaked in the first quarter, but both eased significantly afterwards. During 2008, the official base rates of leading industrial nations were reduced to record low levels, and remained at these levels for the whole of 2009. Economic conditions remained difficult, causing companies to fail or scale back their operations. These factors had implications not only for AEGON's sales and earnings, but also for the company's capital and liquidity position. AEGON regularly carries out sensitivity analyses to determine the impact of different scenarios (including extreme event scenarios) – particularly on the company's earnings and capital position[1].

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

[1] Please note that the information here is intended as an overview only. A more detailed explanation of credit risk, equity and other investment risk, interest rate risk, currency exchange rate risk, liquidity risk, underwriting risk and operational risk, as well as other company-wide risk management policies may be found on pages 118 to 142 of this report. Further information on sensitivity analyses may also be found on these pages.

Overview	
Credit risk	AEGON's fixed income assets recovered a significant part of their value during 2009, though credit spreads, on an historical basis, remained relatively high. Meanwhile, defaults and downgrades both reached historical highs during 2009. AEGON's strong liquidity management, however, ensured that the company would not be a forced seller of such assets. Because AEGON invests for the long term, the company is able to retain investments until they mature or recover their value. AEGON announced in February 2009 that the company would run off its institutional spread-based business in the United States, significantly reducing credit risk.
Equity market risk and other investment risks	Equity markets remained depressed during the first part of 2009, though they rallied later in the year. AEGON had already sold most of its direct equity market exposure in the Netherlands and the United States before financial markets began to decline. During 2009, AEGON further extended its program of hedging equity risk at its US, Dutch and Canadian operations to protect itself against a possible deterioration in equity markets.
Interest rate risk	Interest rates remained at low levels during 2009. This had important consequences, particularly for investment income and for the margins on financial guarantees included in certain policies. During the year, AEGON took further steps to reduce such guarantees. AEGON's operations in Taiwan, which carried significant long-term interest rate risk, were sold in August 2009. Continued low interest rates in 2010 may however have an adverse effect on new business rates and lead to lower lapse rates.
Currency exchange rate risk	As an international company, AEGON is exposed to movements in currency rates. However, AEGON does not consider this exposure to be material. The company holds its capital base in various currencies in amounts that correspond to the book value of individual country units, thus mitigating currency risk. AEGON does hedge cash flows from operating subsidiaries as part of its broader liquidity and capital management.
Liquidity risk	AEGON has a strong liquidity management strategy in place. Since the early 1990s, AEGON has been constantly refining and developing its approach to liquidity management. As part of this approach, AEGON regularly considers the most extreme liquidity stress scenarios, including the possibility of prolonged 'frozen' capital markets, an immediate and permanent rise in interest rates, and policyholders withdrawing liabilities at the earliest conceivable date. In addition, the company has highly developed liquidity stress planning in place. In 2009, AEGON built up its holdings of cash and highly liquid assets as a further precaution against liquidity risk. AEGON's liquidity management strategy ensures the company is not a forced seller of assets even in a severe stress scenario. Current tests show that available liquidity would more than match the company's requirements for at least the next two years, even if already poor market conditions were to deteriorate further or capital markets were to close completely.
Underwriting risk	AEGON's earnings depend, to a significant degree, on the extent to which claims experience is consistent with assumptions used by the company to price products and establish technical liabilities. Changes in, among other things, morbidity, mortality, longevity trends and policyholder behavior could have a considerable impact on AEGON's income. AEGON believes it has the capacity to take on more underwriting risk (providing of course it is correctly priced) in line with the company's broader strategy to capitalize on growth opportunities in its main life insurance and pension markets.
Operational risk	Like other companies, AEGON faces risks resulting from operational failures or external events, such as changes in regulations and natural or man-made disasters. AEGON's systems and processes are designed to support complex products and transactions and to avoid such issues as system failures, financial crime and breaches of security. AEGON is constantly working on analyses studying such operational risks and regularly develops contingency plans to deal with them. These plans also cover extreme event scenarios, such as the possibility of mortality pandemics in one or more of the company's main markets.

AEGON's risk governance framework

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

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

Governance structure

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

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

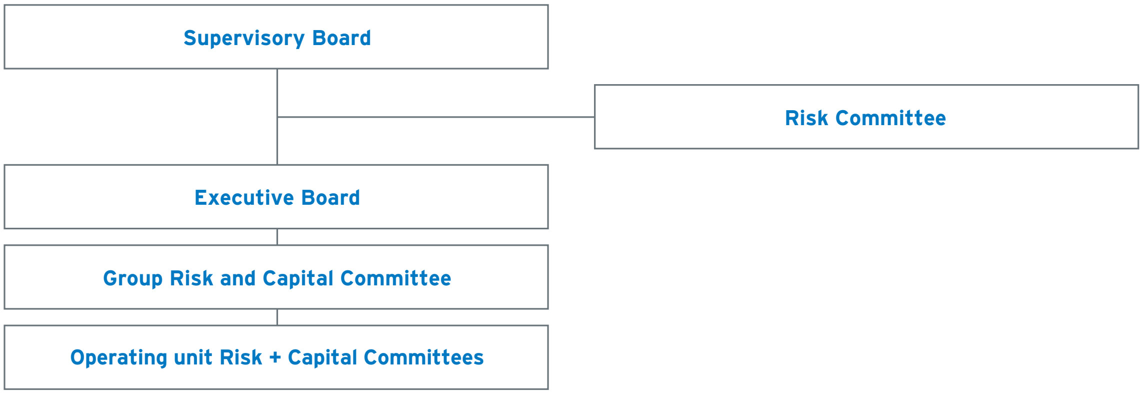
- The Supervisory Board (and the Supervisory Board Risk Committee)
- The Executive Board
- AEGON's Group Risk and Capital Committee (GRCC)
- Individual Risk and Capital Committees (RCCs) present in AEGON's operating units

Roles and responsibilities

AEGON's Executive Board has overall responsibility for risk management. The Board adopts the risk governance framework and determines the company's overall risk tolerance and risk appetite.

The Executive Board and the Group Chief Risk Officer report to the Risk Committee of AEGON's Supervisory Board, which is responsible for overseeing AEGON's enterprise risk management framework, including governance and measures taken to ensure risk management is integrated properly into the company's broader strategy. In addition, the Risk Committee also reviews overall risk exposure in light of management's risk appetite, the company's own risk exposure limits and AEGON's overall solvency position. The Committee reports to the full Supervisory Board on a quarterly basis or more frequently, if required. Details of members of the Supervisory Board's Risk Committee may be found on pages 61 to 63 of this Annual Report.

It is the responsibility of the Executive Board to inform the Supervisory Board should any risks directly threaten the solvency or operations of the company.



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

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

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

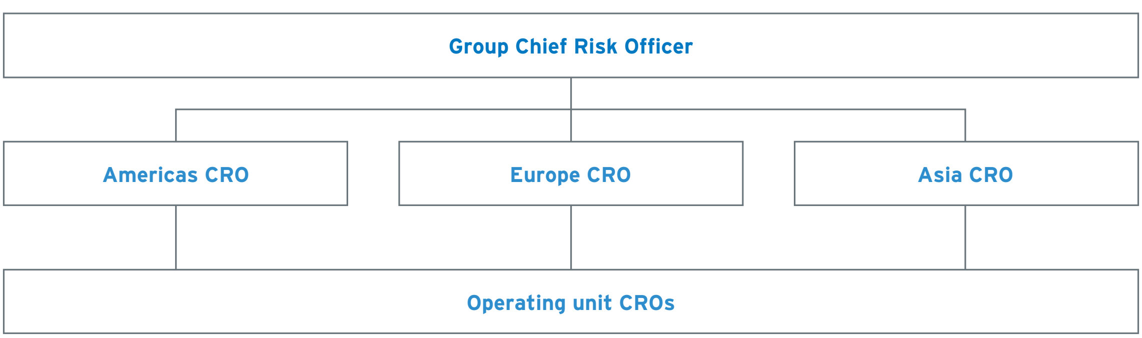
In addition, the GRCC provides oversight for individual country unit Risk and Capital Committees (RCCs). As such, the GRCC receives regular reports from RCCs, reviews major decisions and oversees compliance with company-wide risk policies.

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

Group Risk

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

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



Measures to further strengthen AEGON's risk management

AEGON frequently reviews the functioning of its risk management framework, and decided recently to introduce a number of measures aimed at further strengthening the company's approach. This approach is based on having three so-called 'lines of defense':

- Line management
- AEGON's risk function, both at Group Risk and at individual country and operating units
- Internal and external audit

AEGON intends to further strengthen these lines of defense by:

- Clarifying the role and accountability of senior management for risk-taking (first line of defense).
- Ensuring the company's risk function provides independent oversight for relevant management decisions (second line of defense).
- Audit will continue to offer independent assurance of AEGON's risk management processes and controls (third line of defense).

As a result of these changes, AEGON's Group Risk & Capital Committee (GRCC) will focus increasingly on the overall management of the company's balance sheet, within boundaries set by AEGON's risk tolerance levels and risk policies.

AEGON's Chief Risk Officer will continue to attend all meetings of the GRCC, but will report directly to the Executive Board on matters such as compliance with existing risk policies, risk exposures and potential threats to the company's solvency or its operations.

The Executive Board will retain its overall responsibility for risk management, including AEGON's risk governance framework, its risk tolerance and policies, and the risk culture within the organization.

AEGON's response to the global financial crisis and its aftermath

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

- Significantly lower equity markets
- Lower interest rates
- An unprecedented widening in credit spreads
- Extreme market volatility
- A downturn in the world's leading economies

These conditions persisted into 2009, though by the second half of the year there were signs that equity markets and the global economy were recovering and that, significantly, credit spreads were narrowing.

Even before the second half of 2008, AEGON's own risk management scenarios had recognized the possibility of such extreme market conditions. However, neither the imminent nature of the threat nor its severity were considered a serious scenario at the time by most independent economic commentators.

AEGON had, however, taken a number of steps designed to position itself for a possible downturn in the global economy. These steps included:

- Reducing the company's overall exposure to world equity markets.
- Structuring its investment portfolio more defensively, primarily by moving toward higher quality investments.
- Extending hedging programs on interest rates.
- Lowering financial guarantees on certain products.
- Adopting a more integrated, international approach to risk management, and significantly increasing the resources committed to this area.

These steps helped strengthen AEGON's capital and risk position in the years immediately preceding the financial crisis. The crisis itself, however, proved more severe than anticipated, and AEGON was obliged to introduce a series of short-term measures to counter its effects.

These measures were aimed primarily at:
- Further reducing risk
- Releasing capital within existing businesses
- Lowering operating expenses

These measures were implemented during the second half of 2008, and continued throughout 2009. During that time, AEGON made considerable progress toward its aims:

Reducing risk – Since the start of the financial crisis, reducing risk has helped protect AEGON's businesses from any further deterioration in market conditions. Over the longer term, reduced levels of financial risk will result in more stable earnings for the company. In addition to the measures outlined above, AEGON took a number of specific steps in 2009 that helped further reduce the company's financial risk:
- AEGON's decision in February 2009 to run off its institutional spread-based business in the United States led to a significant reduction in the company's overall credit risk, as well as releasing approximately EUR 600 million in capital by 2010.
- The sale of AEGON's life insurance activities in Taiwan, meanwhile, contributed to a decrease in the company's long-term interest rate exposure, which, in turn, lowered AEGON's capital requirements.
- In addition, AEGON further extended its program of hedging equity risk at its US, Dutch and Canadian operations, with the objective of protecting the company against a possible deterioration in equity markets.
- During the year, AEGON also announced decisions to withdraw from both the group risk market in the United Kingdom and the automotive risk market in the United States, reducing risk and releasing additional capital.

Releasing capital – From June 2008 to December 2009, AEGON released a total of EUR 4.9 billion in capital from its existing businesses. Capital was released through a combination of risk reduction, steps to further improve capital efficiency and the adoption of a more active approach to capital management. AEGON's aim is to maintain a sufficient capital buffer to protect the company's long-term business and its credit and insurance financial strength ratings.

Lowering operating costs – AEGON's aim was to reduce operating expenses in 2009 by EUR 150 million, equivalent to 5% of the company's operating expenses[1]. This target was achieved by the end of September 2009, three months ahead of schedule, largely through improvements in efficiency, restructuring programs and expense reductions at AEGON's main operations in the United States, the Netherlands and the United Kingdom.

In December 2008, AEGON also secured EUR 3 billion in additional core capital from Vereniging AEGON, funded by the Dutch State. This was part of a broader program of support for banks and insurers in the Netherlands during the financial crisis. AEGON has now repaid the Dutch State an initial amount of EUR 1 billion thanks to a significant improvement in the company's capital position and the issuance of EUR 1 billion in equity. AEGON aims to repay the remaining amount as soon as it is feasible and responsible to do so, subject to adequate capital. During the year, AEGON also carried out a number of transactions designed to further strengthen the company's capital position and enhance overall financial flexibility (details of these transactions may be found on page 46).

Taken together, these measures ensured that AEGON entered 2010 with a significant capital buffer as a safeguard against any further deterioration in world financial markets. At the end of December 2009, AEGON's excess capital – over and above what would be required to maintain AA capital adequacy requirements – totaled EUR 3.7 billion, an improvement from EUR 2.9 billion at the end of 2008, and one of the main objectives of AEGON's risk management strategy. AEGON's solvency ratio, under the European Insurance Group Directive, stood at 204% at the end of 2009.

The second half of 2009 brought an improvement in market conditions, particularly in higher equity markets and narrower credit spreads. Despite this improvement, economic and financial conditions remain uncertain. Consequently, repaying the Dutch State at the earliest feasible opportunity and measures designed to further reduce risk, release additional capital from existing businesses and lower operating expenses will remain significant priorities for AEGON in 2010.

[1] On an adjusted basis, excluding the impact of restructuring charges, increases in employee benefit plan expenses and currency effects.

LIQUIDITY AND CAPITAL MANAGEMENT

AEGON's strategy is aimed at securing stable and strong capital adequacy for its businesses, strengthening its ability to withstand adverse market conditions and ensuring the company is able to meet long-term obligations toward its stakeholders.

Basic principles

AEGON has a number of basic principles, which determine its approach to capital and liquidity management:

- To ensure strong capital adequacy across the company.
- To manage and allocate capital efficiently to maximize sustainable returns and facilitate growth objectives.
- To manage the company's capital base and leverage so as to maintain and reflect capital strength while permitting an efficient capital structure.
- To maintain sufficient liquidity to ensure AEGON is able to meet its obligations at a reasonable cost.
- To ensure continued access to international money and capital markets on competitive terms, so that the company's overall cost of capital is minimized.

Taken together, these goals strengthen AEGON's ability to withstand losses from adverse business and market conditions, enhance its financial flexibility, and serve the interests of the company's stakeholders.

AEGON's Group Treasury & Capital Management department manages and coordinates liquidity and capital management strategy and processes under the remit of the Group Risk & Capital Committee (see pages 43-45).

Highlights of 2009

In June 2008, AEGON set out a number of measures designed to release capital from the company's existing businesses over the next several years. These measures, however, were brought forward as part of the company's response to the global financial crisis, aimed at preserving capital and stengthening the company's overall position. The measures included a risk reduction program, steps to further improve capital efficiency, and the adoption of a more active approach to capital management.

As a result of these measures, AEGON was able to release EUR 3.3 billion in capital from its businesses in 2009, significantly above the company's target for the year of EUR 1.5 billion.

During 2009, AEGON carried out a number of transactions designed to further strengthen the company's capital and liquidity position and enhance overall financial flexibility:

- In April, AEGON raised EUR 1 billion through the issue of a new 7% three-year bond under the company's USD 6 billion debt issuance program.
- In August, AEGON completed a EUR 1 billion equity issue, using the proceeds to repay one third of the EUR 3 billion in capital provided by the Dutch State in December 2008 (please see below for further details).
- In October, USD 650 million in additional regulatory capital was made available for AEGON's operations in the United States via a transaction that realized the value of a portion of future profits from an existing book of traditional life business.
- In November, a further USD 500 million was raised through the issue of senior unsecured notes in the United States under AEGON's US shelf registration.
- In December, AEGON issued an additional GBP 400 million in senior unsecured notes in the United Kingdom, also under the company's debt issuance program.

Since the beginning of October 2009, AEGON has been subject to supplemental group supervision by the Dutch Central Bank in accordance with the requirements of the European Union's Financial Conglomerate Directive.

Liquidity management and debt funding

Liquidity management

Liquidity management is a fundamental building block of AEGON's overall financial planning and capital allocation processes.

AEGON's subsidiaries are primarily engaged in the life insurance business, which is a long-term business with relatively illiquid liabilities and generally matching assets. Liquidity consists of both liquid assets held in investment portfolios, as well as inflows generated by premium payments and customer deposits. These are used primarily to purchase investments, as well as to fund benefit payments to policyholders, policy surrenders, operating expenses, and to pay dividends to AEGON N.V., if the subsidiary's capital position so allows.

At AEGON N.V., liquidity is sourced from internal payments by operating companies. Additional liquidity comes from capital raising, debt funding in the form of medium term note and commercial paper issuance, backed by credit facilities. AEGON N.V. uses its liquidity primarily to fund operating expenses, interest payments on its debt, investments in country units, and distributions to shareholders.

Liquidity is coordinated centrally and managed both at AEGON N.V. and at country unit levels. AEGON's liquidity position remained strong throughout 2009.

AEGON's aim is to ensure that liquidity is sufficient to meet cash demands even under extreme conditions. The amount of liquidity held is determined by the company's liquidity risk policy, which ensures that AEGON and its operating companies maintain a prudent liquidity profile. Liquidity is measured and stress-tested consistently across the company, and a liquidity stress management plan is maintained at Group Treasury & Capital Management and at individual country units. Stress tests combine a 'severe surrender' scenario with an 'impaired asset' scenario. AEGON's liquidity policy requires that all operating units measure the period they can maintain a projected positive cash balance without needing to sell any non-cash assets, while meeting all cash demands for a period of two years[1].

At the end of 2009, AEGON N.V. held at group level a balance of EUR 1.4 billion in excess cash compared with EUR 0.9 billion twelve months previously.

Debt funding

Most of AEGON's debt is issued by the parent company, AEGON N.V. In addition, a limited number of other AEGON companies have also issued debt securities that, for the large part, are guaranteed by AEGON N.V. AEGON N.V. has regular access to international capital markets under its USD 6 billion debt issuance program. Access to US markets is facilitated by a separate US shelf registration.

In addition, AEGON has access to domestic and international money markets through AEGON N.V.'s and AEGON Funding Company LLC's (also guaranteed by AEGON N.V.) combined USD 4.5 billion in euro and US commercial paper programs. At the end of 2009, AEGON had EUR 521 million outstanding under these programs.

AEGON maintains back-up credit facilities to support outstanding amounts under its commercial paper programs. The company's principal arrangement is a USD 5 billion syndicated facility, which matures in 2012. This arrangement includes a USD 3 billion back-up credit facility. In addition, AEGON maintains USD 475 million of shorter-dated bilateral back-up facilities. AEGON N.V. has not drawn any amounts under any of its liquidity back-up facilities.

AEGON N.V.'s excess liquidity is invested in highly liquid, short-term assets in accordance with internal risk management policies. The duration profile of AEGON's capital leverage is managed in line with the duration of surplus assets related to investments in its subsidiaries, subject to liquidity needs, capital and other requirements. AEGON considers its working capital, backed by external funding programs and facilities, to be ample for the company's present requirements.

[1] Where cash is defined as cash, cash equivalents plus highly liquid securities issued by governments or entities fully and explicitly guaranteed by governments in domestic denominations.

"What we've done over the past year is further reduce our investment risk and execute on a number of strategic decisions, free up capital from our businesses – and begin to deploy that capital more efficiently. That has helped protect our businesses, but it has also helped protect our customers. But we've only just begun redeploying our capital: over the longer term, this approach will mean a better balanced investment of our capital and higher quality earnings for the company. As a result, we'll be able to repay what we owe the Dutch State and put more resources into those areas where we believe we can generate stronger growth and higher returns – something that will benefit our shareholders, customers and business partners alike".

Michiel van Katwijk

Executive Vice President and Group Treasurer

Though operational leverage is not considered part of the capital base, it is an important source of liquidity and funding. Operational debt relates primarily to mortgage warehousing and the funding of US regulation XXX and Guideline AXXX redundant reserves.

Capital management

AEGON's overall capital management depends on the following considerations:

- **Capital requirements** – AEGON's defines capital adequacy as whichever is the most stringent of its relevant capital requirements (see below).
- **Capital quality** – AEGON stipulates that at least 70% of its capital base must be composed of core capital, which is of higher quality than other capital securities.
- **Capital leverage** – AEGON sets out clear guidelines on the amounts of capital securities and debt the company can use as part of its overall capital base.

In addition, AEGON also measures its EU Insurance Group Directive (IGD) ratio in accordance with the regulatory requirements of the Dutch Central Bank. The IGD ratio is a weighted average of Solvency I capital requirements for operations inside the European Union and local regulatory requirements for those outside. In the United States, for example, required capital for life insurance companies is equivalent to twice the upper end of the Company Action Level range of the Risk Based Capital requirement set by the US National Association of Insurance Commissioners. The IGD ratio takes into account the capital of the insurance group as a whole.

Capital adequacy

Capital adequacy is managed at company-wide, country and operating unit levels, as well as by individual legal entities within the organization.

AEGON's goal is to ensure that all operating companies maintain a strong financial position, now and into the future, even after sustaining losses from adverse business and market conditions.

As a matter of policy, AEGON maintains operating companies' capital adequacy at whichever is the higher of the following:

- Local regulatory requirements
- Relevant local Standard & Poor's requirements for AA capital adequacy
- Any additionally self-imposed internal requirements

In 2009, the capital position of AEGON's operating companies improved from the previous year, and remained strong. At the end of 2009, AEGON had an excess over and above its capital requirements of EUR 3.7 billion, up from EUR 2.9 billion twelve months previously. AEGON's IGD ratio stood at 204%.

Capital base and leverage tolerances

AEGON applies leverage tolerances to its capital base that are consistent with its financial strength objectives. Leverage is defined as the relative amount of non-core capital in AEGON's overall capital base. The capital base reflects the capital employed across the company and consists of:

- Core capital (comprising shareholders' equity, excluding the company's revaluation reserve, plus the convertible core capital securities provided by the Dutch State in December 2008).
- Perpetual capital securities (including currency revaluations).
- Dated subordinated and senior debt.

AEGON's target is for its capital base to comprise at least 70% core capital, no more than 25% perpetual capital securities and up to 5% dated subordinated debt and senior debt. At the end of 2009, AEGON's capital base consisted of 74.5% core capital and 20.4% perpetual capital securities. Senior and dated subordinated debt accounted for the remaining 5.1%.

At the end of 2009, AEGON's core capital – comprising shareholders' equity and the convertible core capital securities issued in 2008, but excluding the company's revaluation reserve – totaled EUR 15.9 billion, compared with EUR 16.2 billion twelve months previously.

Group equity consists of core capital, including the revaluation reserve, plus other equity securities. These other securities include Perpetual Cumulative Capital Securities and Junior Perpetual Capital Securities, as well as other equity reserves. At the end of 2009, AEGON's group equity totaled EUR 18.9 billion, up from EUR 13.8 billion twelve months previously. AEGON's other equity securities amounted to EUR 4.7 billion.

Financial flexibility

At the end of 2009, AEGON's financial flexibility – the company's excess capital plus its additional leverage capacity [1] – amounted to EUR 3.7 billion. This figure gives an indication of the company's capacity to deploy capital internally either by using funds it already holds in the form of excess capital or else by obtaining additional funds through the issuance of further debt.

Repaying the Dutch State

In December 2008, as part of the company's response to the financial crisis, AEGON secured EUR 3 billion in additional convertible core capital from Vereniging AEGON, funded by the Dutch State. AEGON obtained this additional capital at the height of the crisis as a necessary precaution against further sharp declines in world financial markets. The capital was provided by the Dutch State as part of a broader program to support fundamentally sound and viable banks and insurance companies in the Netherlands during the financial crisis.

At the end of November 2009, following a successful equity issue, AEGON repaid EUR 1 billion of the EUR 3 billion received. The equity issue was conducted in August 2009 under AEGON's US dollar shelf registration through the sale of just over 157.8 million new common shares and 32.7 million existing treasury shares. The shares were sold at EUR 5.25 per Dutch-registered share and USD 7.50 per New York-registered share. AEGON's priority is to repay the remaining EUR 2 billion as soon as it is feasible and responsible to do so.

[1] Please note that excess capital is the capital over and above the most stringent capital adequacy requirements adhered to by AEGON's operating companies plus any excess capital held by AEGON N.V. Additional leverage capacity, meanwhile, is a management-imposed limitation for assuming debt, and is defined as the maximum capacity to issue additional debt under the company's leverage tolerances.

Ratings

In 2009, AEGON retained strong financial strength ratings from Standard & Poor's (S&P), Moody's and Fitch. Consistent with the credit rating agencies' overall outlook for the industry, AEGON's financial strength ratings continue to carry a negative outlook.

At the end of 2009, Standard & Poor's, Moody's and Fitch insurance financial strength ratings (IFSR) and ratings outlook for AEGON's primary life insurance companies in its leading country units were as follows:

	AEGON USA IFSR	AEGON The Netherlands IFSR	AEGON Scottish Equitable IFSR	AEGON N.V. Senior debt rating
S&P rating	AA-	AA-	AA-	A-
S&P outlook	Negative	Negative	Negative	Negative
Moody's rating	A1	Not rated	Not rated	A3
Moody's outlook	Negative	-	-	Negative
Fitch rating	AA	Not rated	Not rated	A
Fitch outlook	Negative	-	-	Negative

During 2009, Standard & Poor's lowered its senior debt rating for AEGON N.V. to A-, Moody's lowered its senior debt rating to A3, while Fitch also lowered its senior debt rating to A. The outlook for all three credit ratings remained negative. At the same time, Standard & Poors, Moody's and Fitch lowered the insurance financial strength ratings of AEGON USA by one notch, to AA-, A1 and AA respectively.

IN CONTROL STATEMENT

Internal risk management and control systems

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

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

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

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

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

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

- AEGON's risk management and control systems provide reasonable assurance that the company's financial reporting does not contain any material inaccuracies.
- AEGON's risk management and control systems functioned properly in 2009.
- There are no indications to suggest that AEGON's risk management and control systems will not continue to function properly in 2010.

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

Responsibilities in respect of the financial statements and the Annual Report

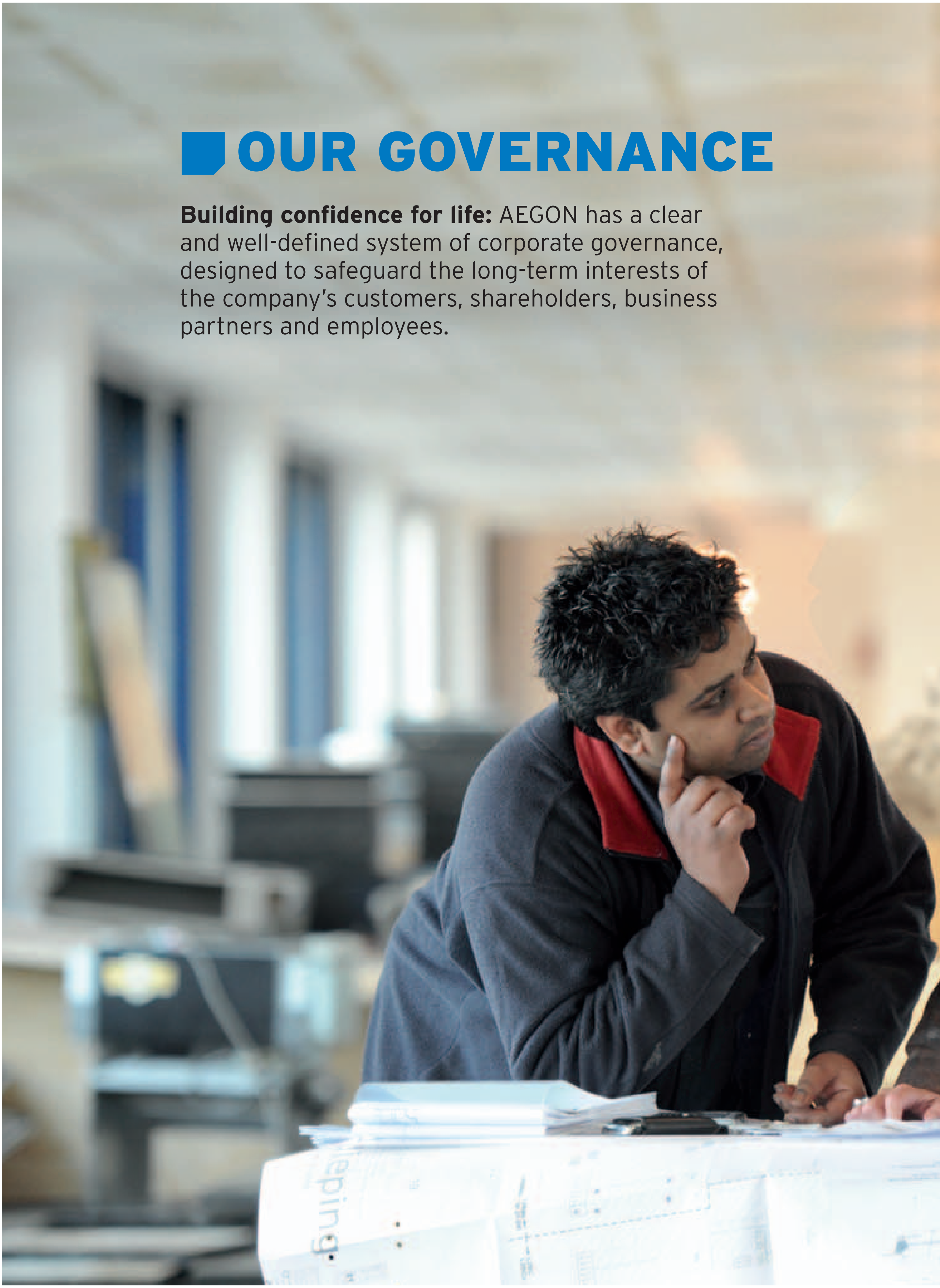
The Executive Board is responsible for preparing the financial statements and the Annual Report in accordance with Dutch law and those International Financial Reporting Standards (IFRS) as adopted by the European Union (EU).

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

The Hague, March 24, 2010
The Executive Board

OUR GOVERNANCE

Building confidence for life: AEGON has a clear and well-defined system of corporate governance, designed to safeguard the long-term interests of the company's customers, shareholders, business partners and employees.



REPORT OF THE SUPERVISORY BOARD

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

Oversight and advice

In performing their duties, members of the Supervisory Board are guided by the interests of AEGON and its businesses, and take into account the interests of the company's stakeholders. The Supervisory Board is a separate corporate body, independent of the Executive Board. The Supervisory Board currently consists of twelve members (for further details on the individual members of AEGON's Supervisory Board, please see pages 61-63).

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

Corporate governance

Details of AEGON's corporate governance structure as well as a summary of the company's compliance with the Dutch Corporate Governance Code may be found on pages 71 to 76 of this Annual Report. In 2008, the capital agreement with the Dutch State prompted certain changes to AEGON's corporate governance structure. As part of the agreement, the Dutch State now has two representatives on the company's Supervisory Board. Approval from these representatives is required for certain decisions, including:

- The issuance and repurchase of shares and debentures.
- Changes to the company's Remuneration Policy.
- Any acquisitions or divestments with a value of 25% or more of AEGON's issued capital and reserves.

A full report on AEGON's compliance with the Dutch Corporate Governance Code is available on www.aegon.com.

Supervisory Board meetings and activities

Attendance

In 2009, the Supervisory Board held a total of seven regular meetings and several additional conference call meetings. No member of the Supervisory Board was frequently absent from these meetings.

In accordance with AEGON's Supervisory Board Rules, all regular meetings in 2009 were preceded by preparatory meetings, attended by the Chairman and Vice Chairman of the Supervisory Board, as well as by the Chief Executive Officer and Chief Financial Officer from the company's Executive Board.

Meetings of the Supervisory Board's committees were usually held before the meetings of the full Supervisory Board. Members of AEGON's Executive and Management Boards attended all Supervisory Board meetings held in 2009. AEGON's Director of Group Finance also attended meetings during which the Supervisory Board discussed the annual results for 2008, all quarterly results and value of new business (VNB) figures published in 2009, as well as press releases relating to these matters.

Representatives from Ernst & Young, AEGON's external auditor, also attended the discussions on the company's 2008 annual results.

In 2009, discussions within AEGON's Supervisory Board focused on the following issues:

- Strategy, Group Plan 2010-2014
- Finance and accounting
- Risk management
- Capital
- Executive remuneration
- Global financial crisis
- Partnerships and acquisitions
- Governance and sustainability
- Appointments to both the Executive and Supervisory Boards
- Legal and compliance

Strategy

In May 2009, the Supervisory Board held its annual strategy meeting in Cedar Rapids, in the United States, the site of AEGON's US corporate headquarters. During the two-day meeting, the Supervisory Board and the Executive and Management Boards discussed the consequences for AEGON's strategy and businesses of the financial crisis and of the support received from the Dutch State. Both short and long-term trends and the challenges facing AEGON were reviewed. These challenges ranged from the economic downturn and developments in the capital markets, to changing regulations and customer behavior. During the course of the meeting, various macro-economic scenarios were examined. AEGON's Supervisory Board also reviewed management's measures in response to the global financial crisis since mid-2008:

- Capital release and preservation actions
- Cost reductions
- EUR 3 billion in support from the Dutch State
- Sale of AEGON's life insurance business in Taiwan
- Running off the company's spread-based institutional business in the United States
- Issuance of a EUR 1 billion senior bond
- Possbile repayment of a first installment of EUR 1 billion to the Dutch government

The Supervisory Board also discussed the implications of the crisis for AEGON's financial and capital position. The Board noted that, post crisis, underlying earnings will be lower, because of lower market returns and the effect of the company's capital preservation measures.

The Board and management also discussed, and agreed, that AEGON's objective, as announced in 2008, was still valid: to be a global leader in helping customers secure their financial futures, resulting in sustainable, profitable growth. It was acknowledged that the financial crisis had slowed the implementation of AEGON's strategy, but had not altered it. The Board noted that fundamental economic and demographic change, such as aging populations, increased financial market volatility, reduced safety nets from governments, particularly in Europe and Japan, would lead to growing demand for many of AEGON's products and services.

Individual members of the Management Board provided updates of their business units and market positions to the Supervisory Board, and presented their key strategic priorities and ambitions for the near term. In addition, the Board also received presentations from the three main business lines of AEGON Americas: Life & Protection, Individual savings & Retirement, and Employer solutions & Pensions.

At the end of the two-day meeting, the Board expressed its support for AEGON's long-term strategy, as set out on pages 10 to 14 of this Annual Report.

AEGON's response to the financial crisis and its aftermath

During the past year, the focus of AEGON's Supervisory Board has been very much on how the company should react to the financial crisis that began in 2008. Management continued with measures aimed at preserving and releasing capital, lowering risk and reducing operating costs. The Board and management reviewed options to repay a first EUR 1 billion tranche of the EUR 3 billion in core capital provided by the Dutch State. The Board and management agreed that AEGON should aim to repay this first tranche, the company's capital position and market circumstances permitting. In August, EUR 1 billion was raised through the sale of equity with the intention of repaying the initial tranche to the Dutch State. With the consent of the Dutch Central Bank, EUR 1 billion was repaid on November 30. This was a first step toward a total repayment of the core capital securities held by the Dutch State. Throughout the year, AEGON's Supervisory Board was kept apprised of developments with regard to AEGON's capital position and its investment portfolio. As stated elsewhere in this report, AEGON's capital position improved significantly during the year.

The Supervisory Board also discussed with the Executive Board the impact of the financial crisis on AEGON's businesses over the longer term and the company's response to it. These discussions are ongoing, and the Supervisory Board is convinced that AEGON has emerged from the crisis in a stronger position both to deal with the challenges ahead and to take advantage of the opportunities opening up in the company's markets.

Following the company's agreement with the Dutch State in 2008 and in accordance with EU rules on state aid, AEGON submitted a viability plan, via the Dutch Ministry of Finance, to the European Commission in November 2009. The purpose of this plan was, among others, to demonstrate AEGON's fundamental soundness and long-term viability. During meetings and conference calls, management has kept the Board informed of progress with this plan. The European Commission is currently in the process of assessing the contents of this plan before deciding whether to approve the Dutch State's support for AEGON.

At the meeting in December, the Board discussed and approved AEGON's Group Plan for 2010-2014, including the 2010 budget. As part of its discussion on the plan, the Board reviewed actions taken by management during 2009 to counter the effects of the global financial crisis. These actions included measures to release and preserve capital, lower risk and reduce costs. Even with these measures, AEGON succeeded in maintaining its strong franchises, and management made progress on its three long-term strategic priorities. The Board agreed with management that the company's key priority for the medium term should be to repay the remaining EUR 2 billion in capital support received from the Dutch State in December 2008 as soon as it is feasible and responsible to do so.

Finance and accounting

In February 2009, the Supervisory Board convened to discuss the preliminary unaudited results for the fourth quarter of 2008, which were released on February 17. In March 2009, the Supervisory Board discussed AEGON's fourth quarter and audited annual results for 2008, including the company's embedded value and VNB figures. The Board also reviewed and approved the company's annual accounts for 2008. The Board decided to pay a preferred dividend of 5.75% on the outstanding preferred shares, which was charged to the free distributable reserves.

At meetings in May, August and November, the Supervisory Board reviewed AEGON's first, second and third quarter results as well as disclosures on VNB. At the August meeting, the Board decided not to declare an interim dividend given the uncertain economic outlook and the company's ongoing efforts to preserve capital.

At several meetings held in the second half of 2009, the Supervisory Board, as well as AEGON's Audit and Risk Committees, were informed of the impact of fair value movements on the valuation of guarantees. The development of AEGON's investment portfolio and impairment levels were also regularly addressed.

Capital position

During the year, as in 2008, AEGON's capital position was a key point of focus for the Supervisory Board and its Risk Committee. In 2009, the company's capital position improved significantly compared with 2008. The Board regularly reviewed AEGON's capital position and the internal and external factors affecting it. In August, the Board discussed and approved an EUR 1 billion equity issue, announced on August 13. Proceeds from this equity issue were used to repay EUR 1 billion of the total EUR 3 billion in core capital obtained in 2008 from the company's largest shareholder, Vereniging AEGON, and funded by the Dutch State. The Dutch Central Bank gave its formal consent for this repayment, and the repayment was made on November 30, 2009.

At its December meeting, the Supervisory Board reviewed and discussed AEGON's Group Plan for 2010-2014, including the 2010 budget and the 2010 Capital Plan. The Board approved the 2010 budget and the 2010 Capital Plan and authorized the Executive Board to provide for AEGON's funding needs as budgeted.

Partnerships, acquisitions and divestments

During its meetings in 2009, the Supervisory Board discussed a number of proposed new partnerships, acquisitions and divestments. Those announced during the year included the following:

- At meetings in February, the divestment of AEGON Taiwan was discussed. The Board formally approved the transaction in April. The sale was completed in August.
- The Board was pleased to see that AEGON Sony Life Insurance Company, established in 2007, received final approval to launch business operations in Japan. The licensing process had been delayed by the global financial crisis.
- At the meetings in March and May, the Supervisory Board discussed the sale of AEGON Nabestaandenzorg N.V., which provides funeral insurance in the Netherlands. The negotiations with the buyer were concluded in February 2010.

Governance and sustainability

The Supervisory Board reviewed and approved the Charter of AEGON's Management Board, which was established to assist the company's Executive Board in its work. The Management Board comprises six members, including the members of the Executive Board.

In compliance with the Dutch Corporate Governance Code, the Board also discussed sustainability issues relevant to AEGON's businesses, ranging from customer complaints to human resources and the environment. For further information, please refer to AEGON's 2009 Sustainability Report, available online at www.aegon.com.

Since the beginning of October 2009, AEGON has been subject to supplemental group supervision by the Dutch Central Bank in accordance with the requirements of the European Union's Financial Conglomerate Directive.

During 2009, the Chairman of AEGON's Supervisory Board, Dudley Eustace, and the Chairman of the company's Audit Committee, Shemaya Levy, held two separate meetings with officials from the Dutch Central Bank. These meetings discussed a number of issues including the changing regulatory landscape for financial companies, as well as AEGON's system of governance and risk management and its capital position. Other members of AEGON senior management also held separate meetings with representatives of the Dutch Central Bank during the course of the year.

Appointments to the Supervisory and Executive Boards

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

- The appointment of Arthur W.H. Docters van Leeuwen for a four-year term as a member of the Supervisory Board.
- The appointment of Dudley G. Eustace for a new term of one year as member of the Supervisory Board.
- The appointment of Shemaya Levy for a new term of four years as member of the Supervisory Board.

All proposals above were accepted by shareholders at their General Meeting in April 2009. At the same meeting, shareholders appointed Jan J. Nooitgedagt as member of the Executive Board as successor to Joseph B.M. Streppel, the company's Chief Financial Officer. On the same date, Mr. Streppel retired from the Executive Board.

Legal and compliance

During 2009, the Supervisory Board discussed various issues of compliance, particularly with regard to equity-linked insurance policies in the Netherlands as well as to other regulatory and legal issues in Europe, the United States and Asia. AEGON's Global Head of Compliance also presented to the Board the company's compliance governance model, the compliance strategy and its compliance reporting model. At the March meeting, management presented AEGON's updated Code of Conduct, which includes a new Global Ethics Line for employees (for further details, please see AEGON's Sustainability Report, available online at www.aegon.com).

Board review and education

In December, the Supervisory Board reviewed and discussed its own composition and performance, as well as that of the Executive Board. This year's assessment did not involve any external consultant. The Board usually involves an external consultant in this process only once every two years. The Board assessed the performance of both individual members and its committees, on the basis of an internal questionnaire and a discussion of the results. Among the results of the review were recommendations on how to increase the effectiveness of both preparations for meetings and of meetings themselves. The Board also discussed the performance of the Executive Board and its individual members. Members of the Executive Board were not present during these discussions.

The annual educational session for members of the Supervisory Board was held in December. This year's theme was Solvency II, a European Directive requiring insurance companies to take an economic risk-based approach to the management of their balance sheets, and adopt market-consistent valuation for all assets and liabilities. During this session, AEGON's Chief Financial Officer, Director of Group Finance, Chief Risk Officer and other senior managers provided members of the Board with an update on the key issues surrounding Solvency II and the broader implications for AEGON. The Supervisory Board will revisit this topic during 2010, and will discuss with management the possible consequences for the company.

Supervisory Board committees

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

The Audit Committee

The Audit Committee held nine meetings in 2009, one of which was a combined meeting with the company's Risk Committee. All these meetings were attended by AEGON's Chief Financial Officer, the Director of Group Finance and the Group Internal Auditor. Representatives from Ernst & Young, AEGON's external auditor, also attended most of these meetings. In addition, officials from AEGON's Group Risk department and the Group Actuarial Officer were also present at meetings of the Audit Committee. During the year, discussions focused on the following topics:

- Quarterly results, annual accounts and the audit process
- Actuarial analyses
- Accounting principles as defined by International Financial Reporting Standards (IFRS)
- Financial reports filed with the Securities and Exchange Commission
- Capital updates
- Internal control systems and compliance
- External auditor's engagement letter for 2009
- Integrated audit plan
- Tax planning
- IT applications

The Audit Committee also discussed the publication of AEGON's 2008 Embedded Value Report and the company's annual VNB figures.

External auditor

The Audit Committee recommended that Ernst & Young be reappointed for the 2009 financial year. In addition, the Committee confirmed that Shemaya Levy and Ben van der Veer qualify as financial experts within the terms and conditions of both the Dutch Corporate Governance Code and the Sarbanes Oxley legislation in the United States. In accordance with legal requirements, the Audit Committee recommended that the Supervisory Board amend its pre-approval policy for the company's external auditor.

Internal auditor

During 2009, the Audit Committee received an update each quarter on the activities of the Group Internal Auditor, AEGON's compliance with US SOX 404 legislation (Sarbanes Oxley) and an overview of fraud and general compliance issues. During these meetings, the Audit Committee held separate sessions with the Group Internal Auditor, as well as with external auditors, to discuss their findings. Members of the Executive Board were not present at these sessions.

SEC filings

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

- 2008 Annual Report (Form 20-F)
- Results for the first six months of 2009 (Form 6-K)

The Risk Committee

AEGON's Risk Committee convened five times, including a combined meeting with the Audit Committee. The members of AEGON's Executive Board, the company's Chief Risk Officer and occasionally the Group Treasurer and AEGON USA's Chief Investment Officer attended the meetings. The Risk Committee helps the Supervisory Board and Audit Committee oversee the activities of AEGON's Enterprise Risk Management framework. The committee also advises the Executive Board with respect to the company's risk management strategy and policies. Consequently, the Committee regularly reviews the company's Enterprise Risk Management framework, its risk exposure and compliance with company risk policies.

In 2009, the Risk Committee reviewed the Enterprise Risk Management governance and risk tolerance limits and risk level policies and compliance, as well as operational risk management. Furthermore, the Committee discussed AEGON's quarterly risk overviews and the major risks faced by the company. Other important and recurring subjects were developments in AEGON's US investment portfolio and capital and liquidity updates.

The Nominating Committee

AEGON's Nominating Committee held three meetings in 2009. The Chief Executive Officer attended all meetings. During the year, the Nominating Committee discussed the composition of the Supervisory Board and its committees, as well as existing and forthcoming vacancies. It also advised the Supervisory Board on nominations for one appointment and two reappointments at the shareholders' meeting on April 22, 2009. In addition, the Nominating Committee reviewed the composition and the functioning of the Executive Board, and discussed succession planning. In addition, the Nominating Committee was consulted on the appointment of Mark Mullin to the Management Board.

The Compensation Committee

The Compensation Committee held six meetings and conference calls in 2009, also attended at times by either the Chief Executive Officer and/or the Chief Financial Officer.

During the year, the Compensation Committee discussed the Executive Board members' 2006 Long-Term Incentive Plan, which matured in 2009. The committee assessed the outcome of this plan under the terms of AEGON's Executive Board Remuneration Policy, and advised the Supervisory Board on payments under this plan to be made in 2009. In its assessment, the Committee made use of the advice of external independent advisors from Towers Watson. Details of payments made under the plan are set out in the Remuneration Report on pages 69-70. During the year, the Committee also discussed the 2009 performance targets for members of the Executive Board, and made recommendations, which were later approved by the Supervisory Board.

During 2009, the main item of discussion was the design of a new Remuneration Policy for the company's Executive Board. In December 2008, AEGON agreed with the Dutch State to develop a new Remuneration Policy in line with international standards. In addition, the Dutch financial services industry also committed itself to more sustainable remuneration structures. After a number of discussions, the Committee agreed to submit a draft Policy to the Supervisory Board in December 2009. The Board approved this proposal, and it was decided to consult with a number of institutional shareholders, or their representatives on this subject at the beginning of 2010. The proposed new Remuneration Policy will be put to shareholders for adoption at their next annual General Meeting, scheduled for April 29, 2010.

As planned, the Committee again reviewed the Supervisory Board's remuneration in 2009. Based on a comparison of peer companies in Europe with a similar, two-tier system of corporate governance, AEGON's Supervisory Board fees were found generally to be below the 25th percentile of prevailing market levels. Because of the market environment, members of the Supervisory Board agreed to forego any increases in 2009. A minor adjustment in attendance fees will, however, be proposed to AEGON's annual General Meeting of Shareholders in April 2010.

Composition of the Supervisory Board

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

Retirement of Dudley Eustace

Last year, AEGON announced that Dudley Eustace would be stepping down as Chairman of the Supervisory Board after five years in this position. His retirement will take effect at the annual General Meeting of Shareholders on April 29, 2010. Mr. Eustace has served on AEGON's Supervisory Board since 1997. He will be succeeded as Chairman by Robert J. Routs.

The Executive and Supervisory Boards would like to express their gratitude to Mr. Eustace for his years of outstanding service to the company, and the significant contribution he has made to AEGON's long-term success and the growth of its businesses around the world.

Mr. Eustace brought great distinction to his role as Chairman of both the Supervisory Board and AEGON's Audit and Nominating Committees, and his considerable experience and good counsel have, over the years, proved an immense benefit to the company and its senior management.

AEGON's Executive and Supervisory Boards would like to wish Mr. Eustace every success for the years ahead.

Supervisory Board and Executive Board AEGON N.V.

In April 2009, shareholders appointed Arthur W.H. Docters van Leeuwen to the Supervisory Board. In addition, Shemaya Levy was reappointed for another four-year term of office after his previous mandate expired in 2009.

In 2009, the mandates of both Dudley G. Eustace and Willem F.C. Stevens expired. Mr. Stevens retired from the Board.

Mr. Eustace was appointed by shareholders for an additional one-year term in April 2009. He will be succeeded as Chairman of the Supervisory Board by Robert J. Routs in April 2010.

In 2010, the current term of Kornelis J. Storm will expire. The Supervisory Board, on advice from the company's Nominating Committee, has decided to nominate Mr. Storm for reappointment as member of the Board for a further term of four years. His biography will be provided together with the agenda for the 2010 General Meeting of Shareholders.

Taking into account the changes detailed above, the Supervisory Board will consist of eleven members after the annual General Meeting of Shareholders on April 29, 2010.

Executive Board
On April 22, 2009, AEGON shareholders appointed Jan J. Nooitgedagt to the Executive Board for a four-year term. Mr. Nooitgedagt succeeded Mr. Streppel as the company's Chief Financial Officer.

In compliance with the Dutch Corporate Governance Code, members of the Executive Board are appointed by shareholders for a term of four years, with the possibility of reappointment for subsequent four-year terms.

A schedule for all members of the Executive Board is included in the company's Executive Board Rules and posted on AEGON's corporate website, www.aegon.com.

Annual accounts
This Annual Report includes the annual accounts for 2009, prepared by the Executive Board, discussed by both the Audit Committee and the Supervisory Board, and submitted to shareholders for adoption. The Supervisory Board recommends that shareholders adopt these annual accounts.

Acknowledgement
The Supervisory Board would like to thank both the Executive Board and the company's employees for the measures they have taken over this past year to help strengthen AEGON's financial position and ensure the continued confidence of its customers. Members of the Supervisory Board would also like to express their appreciation for the dedication and commitment they have shown during the current uncertain business environment.

The Hague, March 24, 2010
Dudley G. Eustace
Chairman of the Supervisory Board of AEGON N.V.

MEMBERS OF THE SUPERVISORY BOARD

Dudley G. Eustace (Born 1936, joint British and Canadian nationality)

Chairman of the Supervisory Board
Chairman of the Nominating Committee
Member of the Compensation Committee

Dudley G. Eustace is a former Chairman of London-based Smith & Nephew plc. He has also served as Vice Chairman of Royal Philips Electronics N.V. Mr. Eustace was appointed to AEGON's Supervisory Board in 1997. He was due to retire in April 2009, but his term of office was extended for a further year, following approval from the General Meeting of Shareholders in 2009. Mr. Eustace is also a member of the European Advisory Council for Rothschild's and sits on the Council of the University of Surrey in the United Kingdom.

Irving W. Bailey II (Born 1941, US citizen)

Chairman of the Risk Committee
Member of the Compensation Committee

Irving W. Bailey II is currently a senior advisor to Chrysalis Ventures. He is a retired Chairman and Chief Executive Officer of Providian Corp., a former Managing Director of Chrysalis Ventures and a former Chairman of the Board of Directors at AEGON USA Inc. He was first appointed to AEGON's Supervisory Board in 2004. His current term will end in 2012. He is also a member of the Board of Directors of Computer Sciences Corp. and Hospira Inc.

Robert J. Routs (Born 1946, Dutch)

Member of the Nominating Committee
Member of the Risk Committee
Member of the Compensation Committee

Robert J. Routs is a former Executive Director for Downstream at Royal Dutch Shell. Mr. Routs was appointed to AEGON's Supervisory Board in 2008. His current term ends in 2012. He will take over from Mr. Eustace as Chairman of the Supervisory Board in April 2010. Mr. Routs is also a member of the Supervisory Board of KPN N.V. and the Board of Directors at Canadian Utilities, Ltd. He sits on the Economic Development Board of the Singapore International Advisory Council and on the Board of business school INSEAD.

Antony Burgmans (Born 1947, Dutch)

Member of the Audit Committee

Antony Burgmans is a retired Chairman of Unilever NV and Unilever PLC. He was appointed to AEGON's Supervisory Board in 2007. His current term will end in 2011. Mr. Burgmans is also a member of the Supervisory Boards of Akzo Nobel N.V., SHV Holdings N.V. and Jumbo Supermarkten B.V. as well as a member of the Board of Directors of BP p.l.c.

Arthur W.H. Docters van Leeuwen (Born 1945, Dutch)

Member of the Audit Committee

Arthur W.H. Docters van Leeuwen is Senior Research Fellow at the Netherlands School for Public Administration and is a former Chairman of both the Dutch Financial Markets Authority (AFM) and the Holland Financial Center. He was appointed to AEGON's Supervisory Board in 2009. His current term will end in 2013. Mr. Docters van Leeuwen is also Chairman of the Advisory Boards of Meesman Index Investments BV and Independent Risk Solutions, as well as Chairman of the Supervisory Board of foundation E-court.

Cecelia Kempler (Born 1940, US citizen)

Member of the Risk Committee
Member of the Audit Committee

Cecelia Kempler is director and instructor at Florida Atlantic University - College of Business, Risk Management and Insurance Program. She was a partner at the law firm LeBoeuf Lamb Greene & MacRae (now Dewey & LeBoeuf). Ms. Kempler was appointed to AEGON's Supervisory Board in 2008. Her current term ends in 2012. She also sits on the Board of The Risk Foundation. She is a member of the Association of Life Insurance Counsel, the American Reinsurance and Insurance Arbitration Society and the International Association of Insurance Receivers. Ms. Kempler is certified by IMSA (Insurance Market Standards Association).

Shemaya Levy (Born 1947, French)

Chairman of the Audit Committee
Member of the Nominating Committee

Shemaya Levy is a retired Executive Vice President and Chief Financial Officer of the Renault Group. He was appointed to AEGON's Supervisory Board in 2005 and his current term will end in 2013. He is also a non-executive director of the Safran Group, as well as a member of the Supervisory Boards of the Segula Technologies Group and TNT N.V.

Karla M.H. Peijs (Born 1944, Dutch)

Member of the Compensation Committee
Member of the Nominating Committee

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

Kornelis J. Storm (Born 1942, Dutch)

Member of the Risk Committee
Member of the Nominating Committee

Kornelis J. Storm is a former Chairman of the Executive Board of AEGON N.V. He was appointed to AEGON's Supervisory Board in 2002. His current term will end in 2010. Mr. Storm is also Chairman of the Supervisory Board of KLM Royal Dutch Airlines N.V., Vice Chairman of the Supervisory Board of Pon Holdings B.V. and a non-executive director of Unilever NV and Unilever PLC. Mr. Storm also serves as a member of the Board of Directors of Anheuser-Busch InBev SA (Belgium) and Baxter International Inc. (United States).

Ben van der Veer (Born 1951, Dutch)

Member of the Audit Committee

Ben van der Veer is a former Chairman of the Board of Management of KPMG N.V. He was appointed to AEGON's Supervisory Board in 2008. His current term will end in 2012. Mr. Van der Veer is also a member of the Supervisory Boards of TomTom NV, Reed Elsevier NV and non-executive Director at Reed Elsevier PLC. He is also a member of the Supervisory Boards of Siemens Nederland N.V. and the Dutch dairy company Royal FrieslandCampina N.V.

Dirk P.M. Verbeek (Born 1950, Dutch)

Member of the Audit Committee
Member of the Risk Committee

Dirk P.M. Verbeek is Vice President Emeritus of Aon Group and advisor to the President and Chief Executive Officer of Aon Corporation. Mr. Verbeek was appointed to AEGON's Supervisory Board in 2008. His current term ends in 2012. He is also Chairman of the Supervisory Board of Robeco Group N.V., as well as a member of the Supervisory Boards of Aon Groep Nederland BV and Aon Jauch & Hübener GmbH. He is Chairman of the Benelux Advisory Board of Leonardo & Co. B.V. and Chairman of the INSEAD Dutch Council.

Leo M. van Wijk (Born 1946, Dutch)

Chairman of the Compensation Committee

Leo M. van Wijk is Vice Chairman of Air France-KLM S.A. and former President and Chief Executive Officer of KLM Royal Dutch Airlines N.V. He was first appointed to AEGON's Supervisory Board in 2003. His current term will end in 2011. Mr. Van Wijk is also a member of the Supervisory Board of Randstad Holding nv and Chairman of Skyteam.

REMUNERATION POLICY AND REPORT

SUPERVISORY BOARD

AEGON's remuneration policy with regard to members of its Supervisory Board is aimed at ensuring fair and competitive compensation, and protecting the independence of the Board's members. Terms and conditions for members of the Supervisory Board are part of AEGON's broader Remuneration Policy and are the responsibility of the company's Compensation Committee.

AEGON's Remuneration Policies set out terms and conditions for the employment of Executive Board members and the remuneration for members of the company's Supervisory Board. Each year, AEGON's Compensation Committee reviews the company's Remuneration Policies, to make sure they remain fully in line with prevailing international standards. This review is based partly on information provided by AEGON's external advisors, Towers Watson.

The Committee may recommend changes to the Supervisory Board. Any material changes must also be referred to the General Meeting of Shareholders for adoption.

AEGON's Compensation Committee is drawn from members of the company's Supervisory Board. The Committee comprises five members:

- Leo M. van Wijk (Chairman)
- Irving W. Bailey, II[1]
- Dudley G. Eustace
- Karla M.H. Peijs
- Robert J. Routs

Remuneration Policy

Members of AEGON's Supervisory Board are entitled to the following:

- A base fee for membership of the Supervisory Board itself.
- A fee for members on each of the Supervisory Board's Committees.
- An attendance fee for each Committee Meeting Supervisory Board members attend in person.

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

Under AEGON's current policy, members of the Supervisory Board are entitled to the following fees:

Base fee

Amount in EUR per annum

For membership of the Supervisory Board	
Chairman	60,000
Vice chairman	50,000
Member	40,000

[1] Please note that Mr. Baily joined the Compensation Committee in April 2009, succeeding Dirk P.M. Verbeek.

Committee fee[1]
Amount in EUR per annum

For membership of a Supervisory Board Commitee	
Chairman of the Audit Committee	10,000
Member of the Audit Committee	8,000
Chairman of other Committees	7,000
Member of other Committees	5,000

Attendance fee[2]
Amount in EUR per annum

For Committee meetings attended in person	
Audit Committee	3,000
Other Committees[3]	1,250

AEGON conducted a review of pay for members of its Supervisory Board in 2008. This review concluded that fees for Supervisory Board members were generally below those paid at European peer companies. However, given the market environment, Supervisory Board members agreed to forego any increases in 2009. A minor adjustment in attendance fees will be proposed to AEGON's annual General Meeting of Shareholders in April 2010.

Remuneration report

Members of AEGON's Supervisory Board received the following payments in 2009.

Member

In EUR	2009	2008
Dudley G. Eustace	80,750	77,000
Irving W. Bailey, II	82,185	85,203
Antony Burgmans	69,000	63,000
Arthur Docters van Leeuwen	72,000	7,000
Cecelia Kempler	75,315	45,673
Shemaya Levy	76,750	72,000
Karla M.H. Peijs	60,000	50,417
Robert J. Routs	70,942	40,673
Willem F.C. Stevens[1]	20,762	73,000
Kornelis J. Storm	54,692	45,942
Ben van der Veer	63,000	18,000
Dirk P.M. Verbeek	66,258	33,481
Leo M. van Wijk	54,500	51,185
TOTAL	**846,154**	**662,574**

1 Please note that, in 2009, Willem Stevens stepped down from his position on the Supervisory Board.

1 AEGON has four Committees in total: Audit, Compensation, Nominating and Risk.
2 AEGON pays a higher fee to members of its Audit Committee because of the additional workload involved. Information on members of the Supervisory Board may be found on pages 61–63.
3 In the case of intercontinental travel, this fee is EUR 2,500.

REMUNERATION POLICY
EXECUTIVE BOARD

AEGON's current Remuneration Policy for members of the Executive Board has been in force since the beginning of 2007.

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

AEGON's Remuneration Policy for the Executive Board is reviewed each year by the company's Compensation Committee. If necessary, the Committee recommends amendments to the Supervisory Board. Material changes, if any, are then submitted by the Supervisory Board to the General Meeting of Shareholders for adoption.

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

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

Ensuring competitive levels of remuneration

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

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

Periodically, AEGON's Supervisory Board reviews the composition of these two groups to ensure they continue to provide a reliable basis for comparison. Under AEGON's current policy, the two peer groups are as follows:

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

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

[1] Details of AEGON's new remuneration policy will be included as part of the agenda of the company's next annual General Meeting of Shareholders, due to take place in The Hague on April 29, 2010. This agenda will be available at www.aegon.com from March 29, 2010.

Total compensation

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

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

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

The table below gives a target breakdown for each of these three components:

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

Over the long term, AEGON's aim is to ensure that compensation for new members of the company's Executive Board matches these targets as closely as possible. For those members of the Executive Board who have employment contracts pre-dating the present Remuneration Policy, the compensation breakdown may differ from the numbers indicated in the table above.

Fixed compensation

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

Variable compensation

AEGON believes that variable compensation is an effective way of strengthening the commitment of individual Executive Board members to the company's short and long-term objectives.

Variable compensation is granted only once AEGON's annual accounts have been formally adopted by the General Meeting of Shareholders.

Variable compensation comprises two separate elements:
- Short-term incentive compensation
- Long-term incentive compensation

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

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

Vesting occurs unless the Supervisory Board makes use of its discretionary right to annul the grants. Grants may be annulled if:
- Employment is terminated before the vesting date for reasons other than death or disability.
- A member of the Executive Board has acted in a way that the Supervisory Board considers exceptionally detrimental to the company.

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

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

These indicators are:
- Net underlying earnings
- Value of new business
- Total shareholder return.

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

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

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

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

- If the Supervisory Board considers that AEGON's short or long-term business is being impacted by significant and exceptional circumstances that are not reflected in the pre-determined indicators, it may set up an ad hoc committee to consider possible adjustments.
- This committee will consist of the Chairman of the Supervisory Board, the Chairman of the Audit Committee and members of the Compensation Committee.
- This committee will review all circumstances in detail and document its findings. The committee may then put forward a proposal to the Supervisory Board, assuming, of course, that the committee's conclusions coincide in principle with those of the Supervisory Board.
- To reflect such exceptional circumstances, variable compensation may be adjusted, but only within a range of between 75% and 125% of the originally calculated entitlement [2].

Pensions and other benefits

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

Terms of appointment and termination

In accordance with the Dutch Corporate Governance Code, Executive Board members are appointed for an initial term of four years and may be reappointed for successive mandates, also of four years. New members of the Executive Board must give three months' notice if they wish to leave the company. For its part, AEGON must give six months' notice if it wishes to terminate the employment of any Executive Board member.

Severance arrangements conform to the Dutch Corporate Governance Code [3]. Existing rights of current Executive Board members will be respected. For further information, please refer to the contracts of employment published on AEGON's corporate website.

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

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

[3] As part of the capital support transaction agreed with the Dutch State in December 2008, the more favorable severance payment arrangements then available to AEGON's CEO, Alex Wynaendts, were waived and his exit arrangements limited to a maximum of one year's fixed salary. The severance arrangement in Mr. Nooitgedagt's employment agreement is compliant with the Code. For further information, please refer to the Corporate Governance section of this report, page 76.

REMUNERATION REPORT 2009

Each year, AEGON details amounts paid to members of its Executive Board, in the form of both fixed and variable compensation.

Executive Board

Given the severity of the financial crisis, AEGON took a number of measures in 2009 with regard to executive remuneration. These measures followed the capital support agreement finalized with the Dutch State in December 2008, as well as other separate discussions with the Dutch Ministry of Finance. As part of these measures, it was agreed that:

- Members of AEGON's Executive Board would not be entitled to any variable compensation for the year 2009.
- Severance payments for Executive Board members would be limited to a maximum of one year's fixed salary.
- AEGON would develop a sustainable Remuneration Policy for members of its Executive Board aligned with new international standards. In this regard, AEGON will propose a new Remuneration Policy to the company's next annual General Meeting of Shareholders, which is scheduled to take place in The Hague, the Netherlands on April 29, 2010.

Composition of the Executive Board

At the end of December 2009, AEGON's Executive Board had two members:

- Alexander R. Wynaendts, Chief Executive Officer and Chairman of the Executive Board
- Jan J. Nooitgedagt, Chief Financial Officer and member of the Executive Board

Mr. Nooitgedagt succeeded Mr. Streppel as Chief Financial Officer and member of AEGON's Executive Board in April 2009.

Total compensation

Each year, AEGON sets a so-called 'Target Total Compensation' for each member of the Executive Board. This comprises both fixed and variable compensation [1]. Fixed compensation provides Executive Board members with a base salary. The amount is paid each year.

Fixed compensation

Executive Board members

Amounts in EUR		2009	2008	% change
Alexander R. Wynaendts [1]	Chief Executive Officer	950,000	864,583	9.9%
Jan J. Nooitgedagt [2]	Chief Financial Officer	525,000	n/a	–
Joseph B.M. Streppel [3]	former Chief Financial Officer	254,400	763,200	–
Donald J. Shepard [4]	former Chief Executive Officer	n/a	243,992	–

1 Mr. Wynaendts was appointed Chief Executive Officer in April 2008. His base salary was increased in 2008 to reflect his appointment as CEO. There was no further change to Mr. Wynaendts' base salary in 2009.
2 Mr. Nooitgedagt was appointed Chief Financial Officer in April 2009. His total salary therefore covers only the period from April to the end of December and is based on an annual salary of EUR 700,000.
3 Mr. Streppel stepped down as Chief Financial Officer in April 2009. The salary shown therefore covers the first four months of the year. In line with the pension arrangements for Executive Board members, Mr. Streppel is entitled to his fixed compensation until he reaches the age of 62. The company accrued EUR 2.6 million to cover this entitlement.
4 Mr. Shepard retired as Chief Executive Officer and Chairman of AEGON's Executive Board in April 2008. The salary shown therefore covers the first four months of that year only.

1 For details on AEGON's Remuneration Policy with regard to members of the Executive Board, please refer to pages 66 to 68.

Variable compensation

Variable compensation is based on the company's financial performance. Amounts paid therefore vary from year to year.

Variable compensation comprises two separate elements:

- Short-term incentive compensation, paid in cash
- Long-term incentive compensation, paid in the form of conditionally granted shares

Three separate incentive plans reached maturity in 2009:

Plan	Outcome
Long-term 2006	This plan was formulated under AEGON's previous Remuneration Policy and was based on a three-year period. The plan matured in 2009 and 75% of the shares and option rights vested as expected.
Short-term 2008	Under the terms of AEGON's Remuneration Policy, Executive Board members were not entitled to payments under this plan. This was also in line with the provisions of AEGON's capital support agreement with the Dutch State.
Long-term 2008	Under the terms of AEGON's Remuneration Policy, Executive Board members were not entitled to payments under this plan, in line with discussions that took place last year with the Dutch government.

Incentives for the year 2009

In line with the March 2009 gentlemen's agreement in the Dutch financial sector, no variable compensation will be granted to members of the Executive Board for the year 2009.

AEGON has a long-term 2009-2011 plan, under which variable compensation, in the form of shares, will be granted in 2012, subject to pre-determined performance objectives being met.

Pension arrangements

Mr. Wynaendts' pension benefits consist of a pension plan based on 70% of his final base salary, providing he completes 37 years of service, and an additional pension contribution equal to 28% of his base salary. This reflects the terms of Mr. Wynaendts' appointment as Chairman of the Executive Board on April 23, 2008.

For Mr. Nooitgedagt, the defined pension contribution equals 25% of his base salary.

CORPORATE GOVERNANCE

AEGON is an international company, based in the Netherlands, with shares listed in Amsterdam, New York and London[1] and thousands of retail and institutional shareholders around the world. Overseeing AEGON's overall corporate governance structure is the responsibility of both the Supervisory and Executive Boards.

Overview of AEGON's corporate governance structure

AEGON is a public company under Dutch law. It is governed by three corporate bodies: the General Meeting of Shareholders, which meets at least once every year, the Executive Board and the Supervisory Board[2]. As a listed company based in the Netherlands, AEGON is subject to the Dutch Corporate Governance Code.

More than three-quarters of the company's shareholders are located in the Americas, the Netherlands and the United Kingdom – AEGON's three main markets. AEGON's largest shareholder is Vereniging AEGON, an association established to protect the broader interests of the company's stakeholders.

General Meeting of Shareholders

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

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

Agenda

Those shareholders who alone, or jointly, represent at least 0.1% of AEGON's issued capital or a block of shares worth at least EUR 50 million may request items be added to the agenda of these meetings.

In accordance with AEGON's Articles of Incorporation[3], such requests will be granted, providing they are received in writing at least 60 days before the meeting and unless important interests of the company dictate otherwise.

Attendance

Every shareholder is entitled to attend the General Meeting of Shareholders, to speak and vote, either in person or by proxy granted in writing. This includes electronically submitted proxies. All shareholders wishing to take part must, however, provide proof of their identity and shareholding, and must notify the company ahead of time of their intention to attend the meeting.

When convening a meeting, the Executive Board may set a date, known as the 'record date'. This is used to determine shareholders' entitlements with regard to their participation and voting rights.

AEGON is a member of the Stichting Communicatiekanaal Aandeelhouders (www.communicatiekanaal.nl), a Dutch foundation dedicated to improving communication between listed companies in the Netherlands and their shareholders and to encouraging greater shareholder participation at general meetings.

Shareholders may use the services of this foundation to vote by proxy. AEGON also solicits proxies from New York registry shareholders in line with common practice in the United States.

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[1] Please note that AEGON's common shares are scheduled to be delisted from the Tokyo Stock Exchange on March 27, 2010. The company's shares will continue to be traded in Amsterdam, New York and London.
[2] For further details on how AEGON's corporate governance practices differ from those required of US companies under New York Stock Exchange standards, please refer to the Corporate Governance section of AEGON's website at www.aegon.com.
[3] AEGON's Articles of Incorporation are available on the company's website at www.aegon.com.

Voting

At the General Meeting, each share carries one vote. However, under certain circumstances[1], AEGON's largest shareholder, Vereniging AEGON, may cast 25/12 votes for each preferred share. All resolutions are adopted by an absolute majority of votes cast, unless Dutch law or AEGON's Articles of Incorporation stipulate otherwise.

Executive Board

AEGON's Executive Board is charged with the overall management of the company and, as such, is responsible for achieving the company's aims, strategy and associated risk profile, as well as overseeing any relevant corporate sustainability issues and the development of the company's earnings.

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

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

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

AEGON's Executive Board is assisted in its work by the company's Management Board, which comprises six members, including the members of the Executive Board (for further details, please see page 6).

Supervisory Board

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

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

Committees

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

- The Audit Committee
- The Risk Committee
- The Compensation Committee
- The Nominating Committee

Composition of the Supervisory Board

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

[1] For further details, please see page 75.

Dutch Corporate Governance Code

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

The original Code, dated December 2003, was amended in 2008 to take into account proposals put forward by the Monitoring Committee, which oversees the Code. The new, amended Code came into force on January 1, 2009. This review deals with the Dutch Corporate Governance Code in force from that date.

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

Corporate Governance Statement

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

Code II.2.8: For members of the Executive Board the Dutch Corporate Governance Code recommends that the maximum compensation in the event of dismissal should be one year's salary, or two years' salary for cases when one year's salary would be manifestly unreasonable for a member who is dismissed in his or her first term of office.

AEGON's position

AEGON is committed to applying this best practice provision to all new Executive Board appointments. In accordance with the capital transaction concluded with the Dutch State on December 1, 2008, the more favorable severance payment arrangements in CEO Alex Wynaendts' employment agreement have been waived and exit arrangements limited to a maximum of one year's fixed salary. As a result, AEGON is currently in full compliance with this provision. Details of Executive Board members' employment contracts may be found on AEGON's corporate website.

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

AEGON's position

AEGON's CEO and CFO are members of the Executive Committee of the company's largest shareholder, Vereniging AEGON. This may be construed as a conflict of interest. However, under Vereniging AEGON's Articles of Association, AEGON's CEO and CFO are specifically excluded from voting on issues directly related to AEGON or their position within it. AEGON's Supervisory Board holds the view that, given the historic relationship between AEGON and Vereniging AEGON, it would not be in the company's best interests to prevent their participating in discussions and decision-making related to Vereniging AEGON.

For this reason, a protocol has been drawn up authorizing the CEO and CFO to continue their existing practice with respect to their dealings with Vereniging AEGON. The text of this protocol is available on AEGON's website.

Code III.3.5: The Code states that members of the Supervisory Board may be appointed for a maximum of three four-year terms.

AEGON's position

In 2009, Dudley Eustace, Chairman of AEGON's Supervisory Board, was asked to remain in office for a further year despite having served the maximum term allowed by the Code. It was felt that Mr. Eustace's considerable experience would be invaluable at a time when a number of members had only recently joined the Supervisory Board. At the General Meeting of Shareholders on April 22, 2009, it was therefore decided to reappoint Mr. Eustace for one more year.

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

AEGON's position

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

Ownership structure[1] and exercise of control

AEGON has authorized capital of EUR 610 million, divided into:

- 3 billion 'common' shares, each with a par value of EUR 0.12
- 1 billion class A and class B preferred shares, with a par value of EUR 0.25.

At the end of 2009, a total of 1,736,049,139 common shares and 280,710,000 preferred shares had been issued. These represent respectively 74.8% and 25.2% of AEGON's total issued and fully paid-up capital.

Of AEGON's common shares, approximately 88% were held by institutional investors at the end of 2009, and the remaining 12% by retail shareholders. More than three-quarters of AEGON's shareholders are located in North America, the Netherlands or the United Kingdom – the company's main markets. All preferred shares are held by Vereniging AEGON, the company's largest shareholder.

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

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

Each common share carries one vote. However, in line with their higher par value, Vereniging AEGON, the holder of preferred shares, may in certain circumstances carry 25/12, or approximately 2.08, votes per share (please see below for further explanation). All prefered shares are held by Vereniging AEGON, the company's leading shareholder.

Transfer of shares

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

Significant shareholdings

Vereniging AEGON, AEGON's leading shareholder, holds a total of:

- 171,974,055 common shares
- 211,680,000 class A preferred shares
- 69,030,000 class B preferred shares

Together, this represents 33% of AEGON's voting capital, given that, as stated above, preferred shares carry multiple voting rights.

In the case of common shares being issued, Vereniging AEGON has the option, under the terms of the 1983 Merger Agreement[2], to acquire additional class B preferred shares to prevent a dilution of its voting rights, unless, by exercising this option, the association increases its share of voting rights to more than 33%.

To AEGON's knowledge, only one other party holds a capital and voting interest in AEGON N.V. in excess of 5%. According to its filing with the Dutch Financial Markets Authority on March 16, 2010, US-based investment management firm Dodge & Cox owns a total of 113 million common shares, representing 5% of the issued share capital and voting rights in the company.

[1] As a publicly listed company, AEGON is required to provide information in this section regarding any structures or measures that may hinder or prevent a third party from acquiring the company or exercising effective control over it.

[2] As amended, please see AEGON's corporate website (www.aegon.com).

Special control rights

Under the Preferred Shares Voting Rights Agreement[1], Vereniging AEGON has voluntarily waived its right to cast 25/12 votes per preferred share, except in the event of a 'special cause'.

These 'special causes' include[2]:

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

If Vereniging AEGON, acting at its sole discretion, determines that a 'special cause' has arisen, it must notify the General Meeting of Shareholders. In this event, Vereniging AEGON retains full voting rights on the preferred shares for a period limited to six months. Based on its current shareholding, Vereniging AEGON would, for that limited period, command 33% of the votes at a General Meeting of Shareholders.

As a result of both this and the existence of certain qualified majority voting requirements specified in AEGON's Articles of Incorporation, Vereniging AEGON may effectively be in a position to block unfriendly actions by either a hostile bidder or others for a period of six months. In the absence of a 'special cause', Vereniging AEGON's share of the company's voting capital represents 22.8%. For more information on Vereniging AEGON, please refer to the Financial Statements in this Annual Report, which begin on page 228, or the website of Vereniging AEGON (www.verenigingaegon.nl).

Exercise of option rights

Senior executives at AEGON companies and other employees have been granted share appreciation rights and share options. For further details, please see page 194. Under the terms of existing share option plans, AEGON cannot influence the exercise of granted rights.

Restrictions on voting rights

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

Shareholder agreements

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

Amending the Articles of Incorporation

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

Board appointments

The General Meeting of Shareholders appoints members of both the Supervisory and Executive Boards, following nominations by the Supervisory Board. Providing at least two candidates are nominated, these nominations are binding. However, the General Meeting of Shareholders may cancel the binding character of such nominations with a majority of two-thirds of votes cast, representing at least one half of AEGON's issued capital. The General Meeting of Shareholders may, in addition, bring forward a resolution to appoint someone not nominated by the Supervisory Board. Such a resolution also requires a two-thirds majority of votes cast, representing at least one half of AEGON's issued capital.

Provisions on appointing Board members were included as part of a broader review of AEGON's corporate governance framework.

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[1] The Preferred Shares Voting Rights Agreement is published on AEGON's website (www.aegon.com).

[2] These special causes are defined in greater detail in the Preferred Shares Voting Right Agreement, available on AEGON's website (www.aegon.com).

They were adopted at an Extraordinary General Meeting of Shareholders on May 9, 2003. Qualified majority voting provisions were included to give AEGON temporary protection against potential unfriendly actions by hostile bidders. Vereniging AEGON, AEGON's largest shareholder, may, in effect, block any hostile attempt to replace the company's Executive or Supervisory Board for a period of up to six months (please see section on Special Control Rights, above).

Suspending or dismissing Board members

Members of AEGON's Supervisory and Executive Boards may only be suspended or dismissed by the General Meeting of Shareholders with a two-thirds majority of votes cast, representing at least one half of AEGON issued capital, unless the suspension or dismissal has first been proposed by the company's Supervisory Board. A member of the Executive Board may also be suspended by the Supervisory Board, though the General Meeting of Shareholders has the power to annul this suspension.

Issue and repurchase of shares

New shares may be issued up to the maximum of the company's authorized capital, following a resolution adopted by the General Meeting of Shareholders. Shares may also be issued following a resolution of the Executive Board, providing – and to the extent that – the Board has been authorized to do so by the General Meeting of Shareholders.

A resolution authorizing the Executive Board to issue new shares is usually presented at AEGON's annual General Meeting of Shareholders.

AEGON is entitled to acquire its own fully paid-up shares, providing of course it acts within existing legal requirements. Shareholders usually authorize the Executive Board to acquire the company's shares under terms and conditions determined by the General Meeting of Shareholders.

Significant agreements and change of control

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

Severance payments in employment agreements

The employment contracts with current members of the Executive Board contain provisions entitling them to severance payments, should their employment be terminated as the result of a merger or takeover [1]. As part of the capital support transaction agreed with the Dutch State in December 2008, severance payments for members of the Executive Board members are limited to a maximum of one year's fixed salary.

[1] Employment contracts for members of AEGON's Executive Board are available on the company's website (www.aegon.com).

FINANCIAL INFORMATION 2009

Providing clear, accurate, timely and transparent information.

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

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CONSOLIDATED BALANCE SHEET OF AEGON N.V.
AS AT DECEMBER 31

Amounts in EUR million	Note	2009	2008
ASSETS			
Intangible assets	6	4,609	5,425
Investments	7	134,205	130,481
Investments for account of policyholders	8	125,845	105,400
Derivatives [1]	9	4,917	9,839
Investments in associates	10	696	595
Reinsurance assets	11	5,110	5,013
Defined benefit assets	26	356	448
Deferred tax assets	28	278	1,447
Deferred expenses and rebates	12	11,481	12,794
Other assets and receivables	13	6,823	7,376
Cash and cash equivalents	14	4,314	10,223
TOTAL ASSETS		**298,634**	**289,041**
EQUITY AND LIABILITIES			
Shareholders' equity	15	12,164	6,055
Convertible core capital securities	16	2,000	3,000
Other equity instruments	17	4,709	4,699
Issued capital and reserves attributable to equity holders of AEGON N.V.		**18,873**	**13,754**
Minority interest		10	6
GROUP EQUITY		**18,883**	**13,760**
Trust pass-through securities	18	130	161
Subordinated borrowings	19	–	41
Insurance contracts	20	93,790	97,377
Insurance contracts for account of policyholders	21	69,760	60,808
Investment contracts	22	27,932	36,231
Investment contracts for account of policyholders	23	57,421	45,614
Derivatives [1]	9	5,716	7,871
Borrowings	24	7,485	5,339
Provisions	25	421	495
Defined benefit liabilities	26	2,104	2,080
Deferred revenue liabilities	27	69	42
Deferred tax liabilities	28	817	424
Other liabilities	29	13,714	18,237
Accruals	30	392	561
TOTAL LIABILITIES		**279,751**	**275,281**
TOTAL EQUITY AND LIABILITIES		**298,634**	**289,041**

[1] 2008 balances have been reclassified for comparative purposes.

CONSOLIDATED INCOME STATEMENT OF AEGON N.V.

FOR THE YEAR ENDED DECEMBER 31

Amounts in EUR million (except per share data)	Note	2009	2008	2007
Premium income	31	19,473	22,409	26,900
Investment income	32	8,681	9,965	10,457
Fee and commission income	33	1,593	1,703	1,900
Other revenues	34	4	5	14
Total revenues		**29,751**	**34,082**	**39,271**
Income from reinsurance ceded	35	1,721	1,633	1,546
Results from financial transactions	36	14,937	(28,195)	4,545
Other income	37	–	6	214
TOTAL INCOME		**46,409**	**7,526**	**45,576**
Premiums to reinsurers	31	1,727	1,571	1,606
Policyholder claims and benefits	38	36,899	(808)	34,135
Profit sharing and rebates	39	117	98	83
Commissions and expenses	40	5,983	6,109	5,939
Impairment charges / (reversals)	41	1,369	1,113	117
Interest charges and related fees	42	412	526	474
Other charges	43	389	2	181
TOTAL CHARGES		**46,896**	**8,611**	**42,535**
Income before share in profit / (loss) of associates and tax		**(487)**	**(1,085)**	**3,041**
Share in profit / (loss) of associates		23	24	36
Income / (loss) before tax		**(464)**	**(1,061)**	**3,077**
Income tax	44	668	(21)	(526)
Net income / (loss)		**204**	**(1,082)**	**2,551**
Net income / (loss) attributable to:				
Equity holders of AEGON N.V.		204	(1,082)	2,551
Minority interest		–	–	–
Earnings and dividend per share				
Basic earnings per share (EUR per share) [1]	45	(0.16)	(0.92)	1.47
Diluted earnings per share (EUR per share) [1]	45	(0.16)	(0.92)	1.47
Dividend per common share (EUR per share)	46	–	0.30	0.62

[1] After deduction of preferred dividends, interest and premium on convertible core capital securities and coupons on perpetual securities.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME OF AEGON N.V.

FOR THE YEAR ENDED DECEMBER 31

Amounts in EUR million	2009	2008	2007
Net income / (loss)	**204**	**(1,082)**	**2,551**
Gains / (losses) on revaluation of available-for-sale investments	7,860	(11,139)	(2,147)
(Gains) / losses transferred to the income statement on disposal and impairment of available-for-sale investments	640	718	(891)
Changes in revaluation reserve real estate held for own use	(1)	8	7
Changes in cash flow hedging reserve	(731)	798	81
Movement in foreign currency translation and net foreign investment hedging reserve	(204)	(82)	(1,537)
Equity movements of associates	27	(7)	(58)
Disposal of group assets	94	–	–
Aggregate tax effect of items recognized in other comprehensive income	(2,315)	2,876	879
Other	(6)	–	(32)
Other comprehensive income for the period	**5,364**	**(6,828)**	**(3,698)**
TOTAL COMPREHENSIVE INCOME	**5,568**	**(7,910)**	**(1,147)**
Total comprehensive income attributed to:			
Equity holders of AEGON N.V.	5,564	(7,900)	(1,147)
Minority interest	4	(10)	–

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY OF AEGON N.V.

FOR THE YEAR ENDED DECEMBER 31, 2009

Amounts in EUR million	Note	Share capital	Retained earnings	Revaluation reserves	Other reserves	Convertible core capital securities	Other equity instruments	Issued capital and reserves [1]	Minority interest	Total
At January 1, 2009		7,347	8,093	(7,167)	(2,218)	3,000	4,699	13,754	6	13,760
Net income recognized in the income statement		–	204	–	–	–	–	204	–	204
Other comprehensive income:										
Gains / (losses) on revaluation of available-for-sale investments		–	–	7,860	–	–	–	7,860	–	7,860
(Gains) / losses transferred to income statement on disposal and impairment of available for-sale-investments		–	–	640	–	–	–	640	–	640
Changes in revaluation reserve real estate held for own use		–	–	(1)	–	–	–	(1)	–	(1)
Changes in cash flow hedging reserve		–	–	(731)	–	–	–	(731)	–	(731)
Movements in foreign currency translation and net foreign investment hedging reserves		–	–	–	(204)	–	–	(204)	–	(204)
Equity movements of associates		–	–	–	27	–	–	27	–	27
Disposal of group assets			–	59	35	–	–	94	–	94
Aggregate tax effect of items recognized in other comprehensive income		–	–	(2,369)	54	–	–	(2,315)	–	(2,315)
Other		–	(10)	–	–	–	–	(10)	4	(6)
TOTAL OTHER COMPREHENSIVE INCOME		**–**	**(10)**	**5,458**	**(88)**	**–**	**–**	**5,360**	**4**	**5,364**
TOTAL COMPREHENSIVE INCOME FOR 2009		**–**	**194**	**5,458**	**(88)**	**–**	**–**	**5,564**	**4**	**5,568**
Shares issued		837	(14)	–	–	–	–	823	–	823
Repayment convertible core capital securities		–	–	–	–	(1,000)	–	(1,000)	–	(1,000)
Treasury shares		–	175	–	–	–	–	175	–	175
Preferred dividend		–	(122)	–	–	–	–	(122)	–	(122)
Coupons on perpetual securities		–	(182)	–	–	–	–	(182)	–	(182)
Coupons and premium on convertible core capital securities		–	(148)	–	–	–	–	(148)	–	(148)
Share options		–	–	–	–	–	10	10	–	10
Other		–	(1)	–	–	–	–	(1)	–	(1)
AT DECEMBER 31, 2009	15, 16, 17	**8,184**	**7,995**	**(1,709)**	**(2,306)**	**2,000**	**4,709**	**18,873**	**10**	**18,883**

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY OF AEGON N.V.

FOR THE YEAR ENDED DECEMBER 31, 2008

Amounts in EUR million	Note	Share capital	Retained earnings	Revaluation reserves	Other reserves	Convertible core capital securities	Other equity instruments	Issued capital and reserves[1]	Minority interest	Total
At January 1, 2008		7,359	10,349	(516)	(2,041)	–	4,795	19,946	16	19,962
Net income / (loss) recognized in the income statement		–	(1,082)	–	–	–	–	(1,082)	–	(1,082)
Other comprehensive income:										
Gains / (losses) on revaluation of available-for-sale investments		–	–	(11,139)	–	–	–	(11,139)	–	(11,139)
(Gains) / losses transferred to income statement on disposal and impairment of available for-sale-investments		–	–	718	–	–	–	718	–	718
Changes in revaluation reserve real estate held for own use		–	–	8	–	–	–	8	–	8
Changes in cash flow hedging reserve		–	–	798	–	–	–	798	–	798
Movements in foreign currency translation and net foreign investment hedging reserves		–	–	–	(82)	–	–	(82)	–	(82)
Equity movements of associates		–	–	–	(7)	–	–	(7)	–	(7)
Aggregate tax effect of items recognized in other comprehensive income		–	–	2,964	(88)	–	–	2,876	–	2,876
Other		–	10	–	–	–	–	10	(10)	–
TOTAL OTHER COMPREHENSIVE INCOME		**–**	**10**	**(6,651)**	**(177)**	**–**	**–**	**(6,818)**	**(10)**	**(6,828)**
TOTAL COMPREHENSIVE INCOME / (LOSS) FOR 2008		**–**	**(1,072)**	**(6,651)**	**(177)**	**–**	**–**	**(7,900)**	**(10)**	**(7,910)**
Convertible core capital securities issued		–	–	–	–	3,000	–	3,000	–	3,000
Treasury shares		–	(217)	–	–	–	–	(217)	–	(217)
Treasury shares – withdrawn		(12)	12	–	–	–	–	–	–	–
Other equity instruments redeemed		–	–	–	–	–	(114)	(114)	–	(114)
Dividends paid on common shares		–	(548)	–	–	–	–	(548)	–	(548)
Preferred dividend		–	(112)	–	–	–	–	(112)	–	(112)
Coupons on perpetual securities		–	(189)	–	–	–	–	(189)	–	(189)
Coupons on convertible core capital securities		–	(121)	–	–	–	–	(121)	–	(121)
Share options		–	–	–	–	–	18	18	–	18
Other		–	(9)	–	–	–	–	(9)	–	(9)
AT DECEMBER 31, 2008	**15, 16, 17**	**7,347**	**8,093**	**(7,167)**	**(2,218)**	**3,000**	**4,699**	**13,754**	**6**	**13,760**

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY OF AEGON N.V.

FOR THE YEAR ENDED DECEMBER 31, 2007

Amounts in EUR million	Note	Share capital	Retained earnings	Revaluation reserves	Other reserves	Other equity instruments	Issued capital and reserves [1]	Minority interest	Total
At January 1, 2007		7,359	10,136	1,648	(538)	4,032	22,637	16	22,653
Net income recognized in the income statement		–	2,551	–	–	–	2,551	–	2,551
Other comprehensive income:									
Gains / (losses) on revaluation of available-for-sale investments		–	–	(2,147)	–	–	(2,147)	–	(2,147)
(Gains) / losses transferred to income statement on disposal and impairment of available for-sale-investments		–	–	(891)	–	–	(891)	–	(891)
Changes in revaluation reserve real estate held for own use		–	–	7	–	–	7	–	7
Changes in cash flow hedging reserve		–	–	81	–	–	81	–	81
Movements in foreign currency translation and net foreign investment hedging reserves		–	–	–	(1,537)	–	(1,537)	–	(1,537)
Equity movements of associates		–	–	–	(58)	–	(58)	–	(58)
Transfers between revaluation reserves and retained earnings		–	1	(1)	–	–	–	–	–
Aggregate tax effect of items recognized directly in equity		–	–	787	92	–	879	–	879
Other		–	(32)	–	–	–	(32)	–	(32)
TOTAL OTHER COMPREHENSIVE INCOME		**–**	**(31)**	**(2,164)**	**(1,503)**	**–**	**(3,698)**	**–**	**(3,698)**
TOTAL COMPREHENSIVE INCOME FOR 2007		**–**	**2,520**	**(2,164)**	**(1,503)**	**–**	**(1,147)**	**–**	**(1,147)**
Shares issued		2	–	–	–	–	2	–	2
Treasury shares		–	(1,438)	–	–	–	(1,438)	–	(1,438)
Treasury shares – withdrawn		(2)	2	–	–	–	–	–	–
Other equity instruments issued		–	–	–	–	745	745	–	745
Dividends paid on common shares		–	(583)	–	–	–	(583)	–	(583)
Preferred dividend		–	(85)	–	–	–	(85)	–	(85)
Coupons on perpetual securities		–	(175)	–	–	–	(175)	–	(175)
Share options		–	–	–	–	18	18	–	18
Other		–	(28)	–	–	–	(28)	–	(28)
AT DECEMBER 31, 2007	**15, 16, 17**	**7,359**	**10,349**	**(516)**	**(2,041)**	**4,795**	**19,946**	**16**	**19,962**

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

CONSOLIDATED CASH FLOW STATEMENT OF AEGON N.V.
FOR THE YEAR ENDED DECEMBER 31

Amounts in EUR million	Note	2009	2008	2007
Income / (loss) before tax		**(464)**	**(1,061)**	**3,077**
Results from financial transactions		(14,937)	28,195	(4,545)
Amortization and depreciation		1,716	1,691	1,446
Impairment losses		1,369	1,113	73
Income from associates		(23)	(24)	(36)
Release of cash flow hedging reserve		(117)	306	25
Other		262	52	133
Adjustments of non-cash items		**(11,730)**	**31,333**	**(2,904)**
Insurance and investment liabilities		(4,811)	4,349	4,046
Insurance and investment liabilities for account of policyholders		18,925	(24,556)	7,809
Accrued expenses and other liabilities		466	3,689	(2,069)
Accrued income and prepayments		(1,307)	(1,792)	(629)
Changes in accruals		**13,273**	**(18,310)**	**9,157**
Purchase of investments (other than money market investments)		(49,022)	(56,394)	(70,156)
Purchase of derivatives		(1,255)	(843)	(701)
Disposal of investments (other than money market investments)		50,875	51,055	67,148
Disposal of derivatives		1,474	1,045	(324)
Net purchase of investments for account of policyholders		(3,837)	(2,563)	(4,866)
Net change in cash collateral		(4,979)	(22)	(577)
Net purchase of money market investments		(1,821)	(2,658)	(1,256)
Cash flow movements on operating items not reflected in income		**(8,565)**	**(10,380)**	**(10,732)**
Tax paid		345	(437)	(98)
Other		136	178	160
NET CASH FLOWS FROM OPERATING ACTIVITIES		**(7,005)**	**1,323**	**(1,340)**

CONTINUATION ›

CONSOLIDATED CASH FLOW STATEMENT OF AEGON N.V.

FOR THE YEAR ENDED DECEMBER 31 > CONTINUATION

Amounts in EUR million	Note	2009	2008	2007
Purchase of individual intangible assets				
(other than VOBA and future servicing rights)		(10)	(12)	(10)
Purchase of equipment and real estate for own use		(202)	(85)	(81)
Acquisition of subsidiaries and associates, net of cash		(202)	(461)	(2,625)
Disposal of equipment		25	150	33
Disposal of subsidiaries and associates, net of cash		11	–	9
Dividend received from associates		53	4	7
Other		–	6	(12)
NET CASH FLOWS FROM INVESTING ACTIVITIES		**(325)**	**(398)**	**(2,679)**
Issuance of share capital		837	–	1
Issuance of convertible core capital securities		–	3,000	–
Issuance of perpetual securities		–	–	745
Issuance and (purchase) of treasury shares		175	(217)	(1,439)
Proceeds from TRUPS, subordinated loans and borrowings		6,926	4,876	4,872
Repayments of convertible core capital securities		(1,000)	–	–
Repayment of perpetual securities		–	(114)	–
Repayment of TRUPS, subordinated loans and borrowings		(4,529)	(5,134)	(3,986)
Dividends paid		(122)	(660)	(668)
Coupons and premium on convertible core capital securities		(273)	–	–
Coupons on perpetual securities		(244)	(254)	(235)
Other		(14)	(36)	11
NET CASH FLOWS FROM FINANCING ACTIVITIES		**1,756**	**1,461**	**(699)**
NET INCREASE / (DECREASE) IN CASH AND CASH EQUIVALENTS [1]		**(5,574)**	**2,386**	**(4,718)**
Net cash and cash equivalents at the beginning of the year		9,506	7,385	12,391
Effects of changes in exchange rate		81	(265)	(288)
NET CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	**14**	**4,013**	**9,506**	**7,385**

[1] Included in net increase / (decrease) in cash and cash equivalents are interest received (2009: EUR 7,778 million; 2008: EUR 8,614 million and 2007: EUR 8,715 million) dividends received (2009: EUR 816 million; 2008: EUR 925 million and 2007: EUR 886 million) and interest paid (2009: EUR 510 million; 2008: EUR 356 million and 2007: EUR 422 million).

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

EXCHANGE RATES

Exchange rates at December 31, 2009

		EUR	USD	GBP	CAD	PLN	CNY	RON	HUF	CZK
1	EUR	–	1.4406	0.8881	1.5128	4.1045	9.8350	4.2363	270.4200	26.4730
1	USD	0.694	–	0.616	1.050	2.849	6.827	2.941	187.713	18.376
1	GBP	1.126	1.622	–	1.703	4.622	11.074	4.770	304.493	29.809
1	CAD	0.661	0.952	0.587	–	2.713	6.501	2.800	178.755	17.499
1	PLN	0.244	0.351	0.216	0.369	–	2.396	1.032	65.884	6.450
1	CNY	0.102	0.146	0.090	0.154	0.417	–	0.431	27.496	2.692
1	RON	0.236	0.340	0.210	0.357	0.969	2.322	–	63.834	6.249
100	HUF	0.370	0.533	0.328	0.559	1.518	3.637	1.567	–	9.790
100	CZK	3.777	5.442	3.355	5.715	15.504	37.151	16.002	1,021.494	–

Exchange rates at December 31, 2008

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

Weighted average exchange rates 2009

		EUR	USD	GBP	CAD	PLN	CNY	RON	HUF	NTD	CZK
1	EUR	–	1.4071	0.8903	1.5773	4.3248	9.4849	4.2347	280.2934	44.9230	26.3343
1	USD	0.711	–	0.633	1.121	3.074	6.741	3.010	199.199	31.926	18.715
1	GBP	1.123	1.580	–	1.772	4.858	10.654	4.756	314.830	50.458	29.579
1	CAD	0.634	0.892	0.564	–	2.742	6.013	2.685	177.705	28.481	16.696
1	PLN	0.231	0.325	0.206	0.365	–	2.193	0.979	64.811	10.387	6.089
1	CNY	0.105	0.148	0.094	0.166	0.456	–	0.446	29.552	4.736	2.776
1	RON	0.236	0.332	0.210	0.372	1.021	2.240	–	66.190	10.608	6.219
100	HUF	0.357	0.502	0.318	0.563	1.543	3.384	1.511	–	16.027	9.395
100	NTD	2.226	3.132	1.982	3.511	9.627	21.114	9.427	623.942	–	58.621
100	CZK	3.797	5.343	3.381	5.990	16.423	36.017	16.081	1,064.366	170.587	–

Weighted average exchange rates 2008

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS OF AEGON N.V.

AMOUNTS IN EUR MILLION, UNLESS OTHERWISE STATED

NOTE 1 GENERAL INFORMATION

AEGON N.V., incorporated and domiciled in the Netherlands, is a public limited liability share company organized under Dutch law and recorded in the Commercial Register of The Hague under its registered address at AEGONplein 50, 2591 TV The Hague. AEGON N.V. serves as the holding company for the AEGON Group and has listings of its common shares in Amsterdam, New York and London. AEGON will delist from the Tokyo Stock Exchange on March 27, 2010.

AEGON N.V. (or 'the Company'), its subsidiaries and its proportionally consolidated joint ventures (AEGON or 'the Group') have life insurance and pensions operations in over twenty countries in Europe, the Americas and Asia and are also active in savings and investment operations, accident and health insurance, general insurance and limited banking operations. Headquarters are located in The Hague, the Netherlands. The Group employs approximately 28,000 people worldwide.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

NOTE 2.1 BASIS OF PRESENTATION

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS), as adopted by the European Union (EU), with IFRS as issued by the International Accounting Standards Board (IASB) and with Part 9 of Book 2 of the Netherlands Civil Code. The consolidated financial statements have been prepared in accordance with the historical cost convention as modified by the revaluation of investment properties and those financial instruments (including derivatives) and financial liabilities that have been measured at fair value. Information on the standards and interpretations that were adopted in 2009 is provided below in paragraph 2.2.1. Certain amounts in prior years have been reclassified to conform to the current year presentation. Derivative assets and liabilities at year end 2008 were increased by EUR 1,782 million reflecting a gross-up of previously netted derivative positions in prior years financial statements. These reclassifications had no effect on net income, shareholders' equity or earnings per share.

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

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

The consolidated financial statements of AEGON N.V. were approved by the Executive Board and by the Supervisory Board on March 24, 2010. The financial statements are put to the Annual General Meeting of Shareholders on April 29, 2010 for adoption. The shareholders' meeting can decide not to adopt the financial statements but cannot amend them.

NOTE 2 NEW IFRS ACCOUNTING STANDARDS

NOTE 2.2.1 ADOPTION OF NEW IFRS ACCOUNTING STANDARDS

New standards become effective on the date specified by IFRS, but may allow companies to opt for an earlier adoption date. In 2009, the following new standards issued by the IASB and Interpretations issued by the International Financial Reporting Interpretations Committee (IFRIC) became mandatory:

- IFRS 8 *Operating Segments*
- IAS 1 (revised) *Presentation of financial statements*
- IFRS 2 *Share-based Payment – Vesting Conditions and Cancellations*
- Amendment to IFRS 7 *Financial Instruments: Improving disclosures about Financial Instruments*
- IAS 23 (revised) *Borrowing Costs*
- Improvements to IFRS (2008)

IFRS 8 'Operating segments'

This standard requires disclosure of information about the Group's operating segments and replaces the requirement to determine primary (geographical) and secondary (business) reporting segments of the Group. Adoption of this Standard did not have any effect on the financial position or performance of the Group. The Group determined that the operating segments were the same as the business segments previously identified under IAS 14 Segment Reporting. Additional disclosures about each of these segments are shown in Note 5, including revised comparative information.

IAS 1 (revised) 'Presentation of Financial Statements'

The revised standard separates owner and non-owner changes in equity. The statement of changes in equity includes only details of transactions with owners, with non-owner changes in equity presented separately.

In addition, the standard introduces the statement of comprehensive income: it presents all items of recognized income and expenses, either in one single statement, or in two linked statements. AEGON has elected to present two statements. The adoption of this standard did not have any impact on equity or net income. In accordance with the transitional requirements of the standard, AEGON has provided full comparative information.

IFRS 2 'Share-based Payment – Vesting Conditions and Cancellations'

The Standard has been amended to and restricts the definition of vesting condition to a condition that includes an explicit and implicit requirement to provide services. Any other conditions are non-vesting conditions, which have to be taken into account to determine the fair value of the equity instruments granted. The adoption of this amendment had no impact on the financial position or performance of the Group.

Amendment to IFRS 7 'Financial Instruments: Improving disclosures about Financial Instruments'

The amendment increases the disclosure requirements about fair value measurement and amends the disclosure about liquidity risk. The amendment introduces a three-level hierarchy for fair value measurement disclosures about financial instruments and requires some specific quantitative disclosures for those instruments classified in the lowest level in the hierarchy. These disclosures will help to improve comparability between entities about the effects of fair value measurements. In addition, the amendment clarifies and enhances the existing requirements for the disclosure of liquidity risk primarily requiring a separate liquidity risk analysis for derivative and non-derivative financial liabilities. It also requires a maturity analysis for financial assets where the information is needed to understand the nature and context of liquidity risk. AEGON has made these additional relevant disclosures in note 3 and note 4 to the consolidated financial statements.

IAS 23 (revised) 'Borrowing Costs'

The standard has been revised to require capitalization of borrowing costs on qualifying assets. This amendment is not relevant to AEGON as the Group already had a policy to capitalize borrowing costs.

Improvements to IFRS (2008)

The IASB issued, in May 2008, a number of minor amendments to IFRS which resulted from the IASB's 2008 annual improvements project. These amendments, which were effective from January 1, 2009, deal with minor changes to the wordings used in the individual standards and seek to remove editorial and other inconsistencies in the literature.

AEGON adopted all the relevant changes from the Improvements project to its accounting policies.

Following changes to IAS 40, investment property under construction, which was formerly classified as 'Real Estate held for own use' (note 13.1) has been reclassified and presented under 'Investments in Real Estate' (note 7.2) with effect from January 1, 2009.

Other than the above, the Improvements project did not result in any changes to the classification, measurement or presentation of any items in the financial statements.

In addition, the following new standards, amendments to existing standards and interpretations are mandatory for the first time for the financial year beginning January 1, 2009 but are not currently relevant for the Group:

- IFRIC 16 *Hedges of a net investment in a foreign operation;*
- Amendments to IAS 32 and IAS 1 *Puttable financial instruments and obligations arising on liquidation;*
- Amendments to IFRS 1 and IAS 27 *Cost of an investment in a subsidiary;*
- Embedded Derivatives (amendments to IFRIC 9 and IAS 39);
- IFRIC 13 *Customer loyalty programmes;*
- IFRIC 15 *Agreements for the construction of real estate;*
- IFRS 1 (revised) *First time adoption of IFRS.*

NOTE 2.2.2 FUTURE ADOPTION OF NEW IFRS ACCOUNTING STANDARDS

The following standards, amendments to existing standards and interpretations, published prior to January 1, 2010, were not early adopted by the Group and will be applied in future years:

- IFRS 3 (revised) *Business Combinations;*
- IAS 27 (revised) *Consolidated and separate financial statements;*
- Improvements to IFRS (2009);
- IFRS 9 *Financial Instruments.* [1]

IFRS 3 (revised) 'Business Combinations'

The revised IFRS 3 continues to apply the acquisition method to business combinations, with some significant changes. For example, all payments to purchase a business are to be recorded at fair value at the acquisition date, with some

[1] Not yet endorsed by the European Union.

contingent payments subsequently re-measured at fair value through profit or loss. All transaction costs will be expensed. This standard comes into effect for business combinations for which the acquisition date is on or after the beginning of the first annual period beginning on or after July 1, 2009. The requirements of this standard will be applied by AEGON in all acquisitions starting from January 1, 2010. This standard does not have any impact on the current income and equity of AEGON.

IAS 27 (revised) 'Consolidated and separate Financial Statements'

The revised IAS 27 requires the effects of all transactions with non-controlling interests to be recorded in equity if there is no change in control. The standard also specifies the accounting when control is lost. The amendment is applicable to transactions which take place in accounting periods beginning on or after July 1, 2009. The requirements of this amendment will be applied by AEGON to all transactions with non-controlling interests starting from January 1, 2010.

Improvements to IFRS (2009)

This set of improvements to IFRS issued by the IASB in April 2009 makes a number of minor amendments to 12 different standards and interpretations. These amendments, which are effective for accounting periods beginning on either July 1, 2009 or January 1, 2010, will all be applied by AEGON in its 2010 financial statements to the extent they are relevant. None of these amendments are expected to have a material change to the classification, measurement or presentation of any items in AEGON's financial statements.

IFRS 9 'Financial Instruments'

IFRS 9 Financial Instruments addresses classification and measurement of financial assets, is available for early adoption immediately but mandatory only for accounting periods beginning on or after January 1, 2013. IFRS 9 replaces the multiple classification and measurement models in IAS 39 with a single model that has only two classification categories: amortized cost and fair value. IFRS 9 represents the first stage in the IASB's planned replacement of IAS 39. IFRS 9 is expected to have a significant impact on the Group's financial statements because it will potentially result in a reclassification and re-measurement of AEGON's financial assets. However the full impact of IFRS 9 will only be clear after the remaining stages of the IASB's project on IAS 39 completed and issued.

In addition to the above, the following standards, amendments to standards and interpretations have been published and are mandatory for accounting periods beginning on or after January 1, 2010 or later periods but are not relevant for the Group's operations:

- Amendments to IAS 39 *Financial Instruments – Eligible hedged items;*
- IFRIC 17 *Distributions of non-cash assets to owners;*
- IFRIC 18 *Transfers of assets from customers;*
- IFRS 1 (revised) *First time adoption of IFRS – additional exemptions;* [1]
- Amendment to IFRS 2 *Share Based Payments (Group cash settled and share based payment transactions);* [1]
- Amendment to IAS 32 *Classification of Rights Issues;* [1]
- IAS 24 (revised) *Related Party Disclosures;* [1]
- IFRIC 14 (Amendment) *Prepayment of a minimum funding requirement;* [1]
- IFRIC 19 *Extinguishing financial liabilities with equity instruments.* [1]

NOTE 2.3 BASIS OF CONSOLIDATION

Business combinations that occurred before the adoption date of IFRS (January 1, 2004) have not been restated.

A. SUBSIDIARIES

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

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

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

[1] Not yet endorsed by the European Union.

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

When control is obtained in successive share purchases, each significant transaction is accounted for separately. The identifiable assets, liabilities and contingent liabilities are stated at fair value when control is obtained.

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

Transactions with minority interests

The Group applies a policy of treating transactions with minority interests as transactions with parties external to the Group. Disposals to minority interests result in gains and losses for the Group that are recorded in the income statement. Purchases from minority interests result in goodwill, being the difference between any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary.

Investment funds

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

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

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

B. JOINTLY CONTROLLED ENTITIES

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

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

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

NOTE 2.4 FOREIGN EXCHANGE TRANSLATION

A. TRANSLATION OF FOREIGN CURRENCY TRANSACTIONS

The Group's consolidated financial statements are prepared in euros which is also the Company's functional currency. That is the currency of the primary economic environment in which the Company operates. Each company in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. Transactions in foreign currencies are initially recorded at the functional currency rate prevailing at the date of the transaction.

At the balance sheet date monetary assets and monetary liabilities in foreign currencies are retranslated to the functional currency at the closing rate of exchange prevailing on that date. Non-monetary items carried at cost are translated using the exchange rate at the date of the transaction, whilst assets carried at fair value are translated at the exchange rate when the fair value was determined.

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

B. TRANSLATION OF FOREIGN CURRENCY OPERATIONS

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

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

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

NOTE 2.5 SEGMENT REPORTING

Under IFRS 8, AEGON's operating segments are based on the businesses as presented in internal reports that are regularly reviewed by the executive board which is regarded as the "chief executive decision maker". The operating segments are:

- AEGON Americas. Main business lines include life and protection, individual savings and retirement, pensions and asset management, institutional products and life reinsurance.
- AEGON The Netherlands. Main business lines include life and protection, individual savings and retirement, pensions and asset management, distribution and general insurance.
- AEGON United Kingdom. Main business lines include life and protection, pensions and asset management and distribution.
- Other countries. Other countries include the country units Central and Eastern Europe, Spain, France, Asia and European variable annuities. Main business lines include life and protection, pensions and asset management and general insurance.
- Holding and other activities. Includes finance, employee and other administrative expenses of the group staff functions.

These financial statements include a non-IFRS financial measure: Underlying earnings before tax. AEGON believes this non-IFRS measure, together with the IFRS measure (Net income), provides a meaningful measure for investors to evaluate AEGON's business relative to the businesses of peers. In addition, underlying earnings is a key performance indicator on which the executive board manages AEGON's performance. The reconciliation of this measure to the most comparable IFRS measure is shown in table Segment reporting on page 144.

The adoption of IFRS 8 did not have any impact on equity or net income. In accordance with the transitional requirements of the standard, AEGON has provided full comparative information.

Underlying earnings

Certain assets held by AEGON Americas, AEGON The Netherlands and AEGON UK are carried at fair value and managed on a total return basis, with no offsetting changes in the valuation of related liabilities. These includes assets such as hedge funds, private equities, real estate limited partnerships, convertible bonds and structured products. Underlying earnings exclude any over- or underperformance compared to management's long-term expected return on assets. Based on current holdings and asset returns, the long-term expected return on an annual basis is 8-10%, depending on asset class, including cash income and market value changes. The expected earnings from these asset classes are net of DPAC where applicable.

In addition, certain products offered by AEGON Americas contain guarantees and are reported on a fair value basis, including the segregated funds offered by AEGON Canada and the total return annuities and certain guarantees on variable annuities of AEGON USA. The earnings on these products are impacted by movements in equity markets and risk free interest rates. Short-term developments in the financial markets may therefore cause volatility in earnings. Included in underlying earnings is a long-term expected return on these products. Any over- or underperformance compared to management's expected return is excluded from underlying earnings. The fair value movements of certain guarantees and the fair value change of derivatives that hedge certain risks on these guarantees of AEGON The Netherlands and Variable Annuities Europe (included in Other countries) are excluded from underlying earnings, the long-term expected return for these guarantees is set at zero.

Holding and other activities includes certain issued bonds that are held at fair value through profit or loss. The interest rate risk on these bonds is hedged using swaps. The fair value movements on issued bonds resulting from changes in AEGON's credit spread are excluded from underlying earnings.

NOTE 2.6 OFFSETTING OF ASSETS AND LIABILITIES

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

NOTE 2.7 INTANGIBLE ASSETS

A. GOODWILL

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

B. VALUE OF BUSINESS ACQUIRED

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

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

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

C. FUTURE SERVICING RIGHTS

On the acquisition of a portfolio of investment contracts without discretionary participation features under which AEGON will render investment management services, the present value of future servicing rights is recognized as an intangible asset. Future servicing rights can also be recognized on the sale of a loan portfolio or the acquisition of insurance agency activities.

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

D. SOFTWARE AND OTHER INTANGIBLE ASSETS

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

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

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

NOTE 2.8 INVESTMENTS

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

A. FINANCIAL ASSETS, EXCLUDING DERIVATIVES

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

Classification

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

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

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

Measurement

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

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

Amortized cost

The amortized cost of a debt instrument is the amount at which it is measured at initial recognition minus principal repayments, plus or minus the cumulative amortization of any difference between the initial amount and the maturity amount, and minus any reduction for impairment. The effective interest rate method is a method of calculating the amortized cost and of allocating the interest income or expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the debt instrument or, when appropriate, a shorter period to the net carrying amount of the instrument.

When calculating the effective interest rate, all contractual terms are considered. Possible future credit losses are not taken into account. Charges and interest paid or received between parties to the contract that are an integral part of the effective interest rate, transaction costs and all other premiums or discounts are included in the calculation.

Fair value

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

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

Derecognition

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

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

Security lending and repurchase agreements

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

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

Collateral

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

B. REAL ESTATE

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

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

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

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

Property under construction

The Group develops property itself with the intention to hold it as investments in real estate. During the construction phase both the land and the building are presented as investments in real estate and carried at fair value unless this cannot be determined reliably in which case the real estate is valued at directly attributable costs, including borrowing costs. This represents a change in accounting policy which has been applied with effect from January 1, 2009. In prior years, such real estate was included in 'Other assets and receivables', carried at cost and not depreciated. When the construction phase was completed, the properties were transferred to investments in real estate at their carrying value and only then revalued to fair value. All fair value gains or losses are recognized in the income statement.

Maintenance costs and other subsequent expenditure

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

NOTE 2.9 INVESTMENTS FOR ACCOUNT OF POLICYHOLDERS

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

NOTE 2.10 DERIVATIVES

A. DEFINITION

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

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

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

B. MEASUREMENT

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

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

C. HEDGE ACCOUNTING

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

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

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

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

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

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

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

NOTE 2.11 INVESTMENTS IN ASSOCIATES

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

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

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

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

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

NOTE 2.12 REINSURANCE ASSETS

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

Reinsurance assets are measured consistently with the amounts associated with the underlying insurance contracts and in accordance with the terms of each reinsurance contract. They are subject to impairment testing and are derecognized when the contractual rights are extinguished or expire or when the contract is transferred to another party.

NOTE 2.13 DEFERRED EXPENSES AND REBATES

A. DEFERRED POLICY ACQUISITION COSTS

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

Acquisition costs are deferred to the extent that they are recoverable and are subsequently amortized based on either the expected future premiums or the expected gross profit margins. For products sold in the United States and Canada with amortization based on expected gross profit margins, the amortization period and pattern are reviewed at each reporting date and any change in estimates is recognized in the income statement. Estimates include, but are not limited to: an economic perspective in terms of future returns on bond and equity instruments, mortality, disability and lapse assumptions, maintenance expenses and expected inflation rates. For all products, DPAC, in conjunction with VOBA where appropriate, is assessed for recoverability at least annually on a country-by-country basis and is considered in the liability adequacy test for each reporting period. If appropriate, the assumptions included in the determination of estimated gross profits are adjusted. The portion of DPAC that is determined not to be recoverable is charged to the income statement.

For products sold in the United States or Canada, when unrealized gains or losses arise on available-for-sale assets, DPAC is adjusted to equal the effect that the realization of the gains or losses (through sale or impairment) would have had on its measurement. This is recognized directly in the related revaluation reserve in shareholders' equity.

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

B. DEFERRED TRANSACTION COSTS

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

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

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

C. DEFERRED INTEREST REBATES

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

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

NOTE 2.14 OTHER ASSETS AND RECEIVABLES

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

NOTE 2.15 CASH AND CASH EQUIVALENTS

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

NOTE 2.16 IMPAIRMENT OF ASSETS

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

A. IMPAIRMENT OF NON-FINANCIAL ASSETS

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

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

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

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

B. IMPAIRMENT OF DEBT INSTRUMENTS

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

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

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

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

C. IMPAIRMENT OF EQUITY INSTRUMENTS

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

Impairment losses on equity instruments cannot be reversed.

D. IMPAIRMENT OF REINSURANCE ASSETS

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

NOTE 2.17 EQUITY

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

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

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

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

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

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

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

NOTE 2.19 INSURANCE CONTRACTS

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

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

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

A. LIFE INSURANCE CONTRACTS

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

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

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

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

B. LIFE INSURANCE CONTRACTS FOR ACCOUNT OF POLICYHOLDERS

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

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

C. EMBEDDED DERIVATIVES AND PARTICIPATION FEATURES

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

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

Guaranteed minimum benefits

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

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

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

D. SHADOW ACCOUNTING

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

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

E. NON-LIFE INSURANCE CONTRACTS

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

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

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

F. LIABILITY ADEQUACY TESTING

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

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

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

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

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

NOTE 2.20 INVESTMENT CONTRACTS

Contracts issued by the Group that do not transfer significant insurance risk, but do transfer financial risk from the policyholder to the Group are accounted for as investment contracts. Depending on whether the Group or the policyholder runs the risks associated with the investments allocated to the contract, the liabilities are classified as investment contracts or as investment contracts for account of policyholders. Investment contract liabilities are recognized when the contract is entered into and are derecognized when the contract expires, is discharged or is cancelled.

A. INVESTMENT CONTRACTS WITH DISCRETIONARY PARTICIPATION FEATURES

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

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

B. INVESTMENT CONTRACTS WITHOUT DISCRETIONARY PARTICIPATION FEATURES

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

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

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

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

C. INVESTMENT CONTRACTS FOR ACCOUNT OF POLICYHOLDERS

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

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

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

NOTE 2.21 PROVISIONS

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

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

Onerous contracts

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

NOTE 2.22 ASSETS AND LIABILITIES RELATING TO EMPLOYEE BENEFITS

A. SHORT-TERM EMPLOYEE BENEFITS

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

B. POST-EMPLOYMENT BENEFITS

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

Defined contribution plans

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

Defined benefit plans

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

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

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

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

C. SHARE-BASED PAYMENTS

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

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

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

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

NOTE 2.23 DEFERRED REVENUE LIABILITY

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

NOTE 2.24 TAX ASSETS AND LIABILITIES

A. CURRENT TAX ASSETS AND LIABILITIES

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

B. DEFERRED TAX ASSETS AND LIABILITIES

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

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

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

NOTE 2.25 CONTINGENT ASSETS AND LIABILITIES

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

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

NOTE 2.26 PREMIUM INCOME

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

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

NOTE 2.27 INVESTMENT INCOME

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

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

NOTE 2.28 FEE AND COMMISSION INCOME

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

NOTE 2.29 POLICYHOLDER CLAIMS AND BENEFITS

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

NOTE 2.30 RESULTS FROM FINANCIAL TRANSACTIONS

Results from financial transactions include:

Net fair value change of general account financial investments at fair value through profit or loss, other than derivatives

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

Realized gains and losses on financial investments

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

Net fair value change of derivatives

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

Net fair value change on for account of policyholder financial assets at fair value through profit or loss

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

Other

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

NOTE 2.31 IMPAIRMENT CHARGES

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

NOTE 2.32 INTEREST CHARGES AND RELATED FEES

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

NOTE 2.33 LEASES

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

Leases that do not transfer substantially all the risks and rewards of ownership are classified as operating leases. Payments made under operating leases, where the Group is the lessee, are charged to the income statement on a straight line basis over the period of the lease.

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

NOTE 2.34 EVENTS AFTER THE BALANCE SHEET DATE

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

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

NOTE 3 CRITICAL ACCOUNTING ESTIMATES AND JUDGMENT IN APPLYING ACCOUNTING POLICIES

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

Valuation of assets and liabilities arising from life insurance contracts

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

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

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

In July 2009 AEGON reached a final agreement with Stichting Verliespolis and Stichting Woekerpolis Claim to reduce charges for customers of its unit-linked insurance policies in the Netherlands. The agreement is part of industry-wide efforts in the Netherlands to address concerns over charges related to unit-linked insurance products. The total costs of the improvements to the policies under this agreement are estimated at EUR 250 million. The improvements do not have a significant impact on AEGON's 2009 income statement as the actual reserves for insurance and investment policies are sufficient to cover the estimated future liabilities. Any amounts due for past periods have been recorded in insurance contract reserves.

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 and some of the smaller country units, is the annual long-term growth rate of the underlying assets. As equity markets do not move in a systematic manner, assumptions as to the long-term growth rate are made after considering the effects of short-term variances from the long-term assumptions (a reversion to the mean assumption). The reconsideration of this assumption may affect the original DPAC or VOBA amortization schedule, referred to as DPAC or VOBA unlocking. The difference between the original DPAC or VOBA amortization schedule and the revised schedule, which is based on estimates of actual and future gross profits, is recognized in the income statement as an expense or a benefit in the period of determination. At December 31, 2009, 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% (2008: 9%); gross short-term growth rate of 7.25% (2008: 15%); gross short- and long-term fixed security growth rate of 6% (2008: 6%); and the gross short- and long-term growth rate for money market funds of 3.5% (2008: 3.5%).

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

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

Fair value of financial instruments, borrowings and derivatives determined using valuation techniques

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

Fair value of financial assets and liabilities

The estimated fair values of AEGON's financial assets and liabilities are presented in the respective notes to the balance sheet together with their carrying values. The estimated fair values correspond with the amounts at which the financial instruments at AEGON's best estimate could have been traded at the balance sheet date between knowledgeable, willing parties in arm's length transactions. When available, AEGON uses quoted market prices in active markets to determine the fair value of investments and derivatives. In the absence of an active market, the fair value of investments in financial assets is estimated by using other market observable data such as corroborated external quotes and present value or other valuation techniques. An active market is one in which transactions are taking place regularly on an arm's length basis. Although not necessarily determinative, indicators that a market is inactive are lower transaction volumes, reduced transaction sizes and, in some cases, no observable trading activity for short periods. A fair value measurement assumes that an asset or liability is exchanged in an orderly transaction between market participants, and accordingly, fair value is not determined based upon a forced liquidation or distressed sale.

Valuation techniques are used when AEGON determines the market is inactive or quoted market prices are not available for the asset or liability at the measurement date. However, the fair value measurement objective remains the same, that is, to arrive at the price at which an orderly transaction would occur between market participants at the measurement date. Therefore, unobservable inputs reflect AEGON's own assumptions about the assumptions that market participants would use in pricing the asset or liability (including assumptions about risk). These inputs are developed based on the best information available.

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

Shares

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

The fair values of investments held in non-quoted investment funds (hedge funds, private equity funds) are determined by management after taking into consideration information provided by the fund managers. AEGON reviews the valuations each month and performs analytical procedures and trending analyses to ensure the fair values are appropriate.

Debt securities

When available, AEGON uses quoted market prices in active markets to determine the fair value of its debt securities. These market quotes are obtained through index prices or pricing services.

The fair values of debt securities (including ABS – Housing, RMBS, CMBS and CDO securities) are determined by management after taking into consideration several sources of data. AEGON's valuation policy dictates that publicly available prices are initially sought from several third party pricing services. In the event that pricing is not available from these services, those securities are submitted to brokers to obtain quotes. The majority of brokers' quotes are non-binding. As part of the pricing process AEGON assesses the appropriateness of each quote (i.e., as to whether the quote is based on observable market transactions or not) to determine the most appropriate estimate of fair value. Lastly, securities are priced using internal cash flow modeling techniques. These valuation methodologies commonly use the following inputs: reported trades, bids, offers, issuer spreads, benchmark yields, estimated prepayment speeds, and / or estimated cash flows. Only pricing services and brokers with a substantial presence in the market and with appropriate experience and expertise are used.

Third party pricing services will often determine prices using recently reported trades for identical or similar securities. The pricing service makes adjustments for the elapsed time from the trade date to the balance sheet date to take into account available market information. Lacking recently reported trades, third party pricing services and brokers will use modeling techniques to determine a security price where expected future cash flows are developed based on the performance of the underlying collateral and discounted using an estimated market rate. Also included within the modeling techniques for ABS – Housing, RMBS, CMBS and CDO securities are estimates of the speed at which principal will be repaid over their remaining lives. These estimates are determined based on historical repayment speeds (adjusted for current markets) as well as the structural characteristics of each security.

Each month, AEGON performs an analysis of the inputs obtained from third party services and brokers to ensure that the inputs are reasonable and produce a reasonable estimate of fair value. AEGON's asset specialists and investment valuation specialists consider both qualitative and quantitative factors as part of this analysis. Several examples of analytical procedures performed include, but are not limited to, recent transactional activity for similar debt securities, review of pricing statistics and trends and consideration of recent relevant market events.

Credit ratings are also an important consideration in the valuation of securities and are included in the internal process for determining AEGON's view of the risk associated with each security. However, AEGON does not rely solely on external credit ratings and there is an internal process, based on market observable inputs, for determining AEGON's view of the risks associated with each security.

AEGON's portfolio of private placement securities (held at fair value under the classification of available-for-sale) is valued using a matrix pricing methodology. The pricing matrix is obtained from a third party service provider and indicates current spreads for securities based on weighted average life, credit rating, and industry sector. Each month, AEGON's asset specialists review the matrix to ensure the spreads are reasonable by comparing them to observed spreads for similar bonds traded in the market. Other inputs to the valuation include coupon rate, the current interest rate curve used for discounting and an illiquidity premium to account for the illiquid nature of these securities. The illiquidity premiums are determined based upon the pricing of recent transactions in the private placements market; comparing the value of the privately offered security to a similar public security. The impact of the illiquidity premium for private placement securities to the overall valuation is insignificant.

Mortgages, policy loans and private loans (held at amortized cost)

For private loans, fixed interest mortgage and other loans originated by the Group, the fair value used for disclosure purposes is estimated by discounting expected future cash flows using a current market rate applicable to financial instruments with similar yield, credit quality and maturity characteristics.

The fair value of floating interest rate mortgages, policy loans and private placements used for disclosure purposes is assumed to be approximated by their carrying amount adjusted for changes in credit risk. Credit risk adjustments are based on market observable credit spreads if available, or managements estimate if not market observable.

Money market and other short term investments and deposits with financial institutions

The fair value of assets maturing within a year is assumed to be approximated by their carrying amount adjusted for credit risk where appropriate. Credit risk adjustments are based on market observable credit spreads if available, or managements estimate if not market observable.

Free standing 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 a typical market participant would consider and are based on observable market data when available. 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 in active markets. 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 or an independent third party. For long-dated illiquid contracts, extrapolation methods are applied to observed market data in order to estimate inputs and assumptions that are not directly observable. To value OTC derivatives, management uses observed market information, other trades in the market and dealer prices.

AEGON normally mitigates counterparty credit risk in derivative contracts by entering into collateral agreements where practical and in ISDA master netting agreements for each of the Group's legal entities to facilitate AEGON's right to offset credit risk exposure. Where appropriate collateral is not held by AEGON or the counterparty, the fair value of derivatives is adjusted for credit risk based on market observable spreads. Changes in the fair value of derivatives attributable to changes in counterparty credit risk were not significant.

Derivatives embedded in insurance contracts including guarantees

Certain guarantees for minimum benefits in insurance and investment contracts are carried at fair value. These guarantees include guaranteed minimum withdrawal benefits ('GMWB') in the United States which are offered on some AEGON variable annuity products and are also assumed from a ceding company; minimum interest rate guarantees on insurance products offered in The Netherlands, including group pension and traditional products; Variable annuities sold in Europe; and guaranteed minimum accumulation benefits on segregated funds sold in Canada.

The fair values of these guarantees are calculated as the present value of future expected payments to policyholders less the present value of assessed rider fees attributable to the guarantees. Given the complexity and long-term nature of these guarantees which are unlike instruments available in financial markets, their fair values are determined by using stochastic techniques under a variety of market return scenarios.
A variety of factors are considered, including expected market rates of return, equity and interest rate volatility, credit spread, correlations of market returns, discount rates and actuarial assumptions.

The expected returns are based on risk-free rates. The credit spread is set by using the credit default swap (CDS) spreads of a reference portfolio of life insurance companies (including AEGON), adjusted to reflect the subordination of senior debt holders at the holding company level to the position of policyholders at the operating company level (who have priority in payments to other creditors). Because CDS spreads for US Life insurers differ significantly from that for European life insurers, AEGON's assumptions are set by region to reflect these differences in the valuation of the guarantee embedded in the insurance contracts.

For equity volatility, AEGON uses a term structure with market based implied volatility inputs for the first five years. Correlations of market returns across underlying indices are based on actual observed market returns and their inter-relationships over a number of years preceding the valuation date. The volume of observable option trading from which volatilities are implied diminishes markedly after five years; and therefore, AEGON uses a volatility curve which grades from market based implied volatilities for five years to a long-term forward rate assumption of 25% in 2009 and 2008. The December 31, 2009 volatility assumption for the S&P 500 index in year 30 is approximately 25.3% (spot rate). Assumptions on customer behavior, such as lapses, included in the models are derived in the same way as the assumptions used to measure insurance liabilities.

These assumptions are reviewed at each valuation date, and updated based on historical experience and observable market data, including market transactions such as acquisitions and reinsurance transactions.

Since many of the assumptions are unobservable and are considered to be significant inputs to the liability valuation, the liability included in future policy benefits has been reflected within Level III of the fair value hierarchy. Refer to note 47 for more details about AEGON's guarantees.

Investment contracts

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

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

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

Determination of fair value and fair value hierarchy

The following is a description of AEGON's methods of determining fair value, and a quantification of its exposure to financial instruments measured at fair value.

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable willing parties in an arm's length transaction. Financial instruments measured at fair value on an ongoing basis include investments for the general account, investments for the account of policyholders, and investments designated at fair value and derivatives.

Effective January 1, 2009 AEGON adopted the amendment to IFRS 7 for financial instruments that are measured in the balance sheet at fair value. In accordance with this amendment AEGON uses the following hierarchy for determining and disclosing the fair value of financial instruments:

- Level I: quoted prices (unadjusted) in active markets for identical assets or liabilities that AEGON can access at the measurement date;
- Level II: inputs other than quoted prices included within Level I that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices of identical or similar assets and liabilities) using valuation techniques for which all significant inputs are based on observable market data; and
- Level III: inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) using valuation techniques for which any significant input is not based on observable market data.

In accordance with the first time adoption requirements of the amendment to IFRS 7, this information is required only for the current year and comparative information is not required. In prior years, AEGON used a similar, but not the same, fair value classification hierarchy. The valuation and classification process for the prior year has not been re-performed in order to compute this comparative disclosure however the movement tables below do indicate those instances where there were significant movements between the fair value hierarchy levels during 2009.

The best evidence of fair value is a quoted price in an actively traded market. In the event that the market for a financial instrument is not active or quoted market prices are not available, a valuation technique is used.

The judgment as to whether a market is active may include, although not necessarily determinative, lower transaction volumes, reduced transaction sizes and, in some cases, no observable trading activity for short periods. In inactive markets, assurance is obtained that the transaction price provides evidence of fair value or determined that the adjustments to transaction prices are necessary to measure the fair value of the instrument.

The majority of valuation techniques employ only observable market data, and so the reliability of the fair value measurement is high. However, certain financial instruments are valued on the basis of valuation techniques that feature one or more significant market inputs that are unobservable and, for such financial instruments, the derivation of fair value is more judgmental. An instrument in its entirety is classified as valued using significant unobservable inputs if, in the opinion of management, a significant proportion of the instrument's carrying amount and / or inception profit ('day 1 gain or loss') is driven by unobservable inputs. 'Unobservable' in this context means that there is little or no current market data available from which to determine the price at which an arm's length transaction would be likely to occur. It generally does not mean that there is no market data available at all upon which to base a determination of fair value. Additional information is provided in the section headed 'Effect of changes in significant unobservable assumptions to reasonably possible alternatives' below.

The table below shows an analysis of financial instruments recorded at fair value by level of the fair value hierarchy:

Financial assets carried at fair value	Level I	Level II	Level III	**Total 2009**
Available-for-sale investments				
Shares	531	123	443	1,097
Debt securities	17,487	67,895	4,334	89,716
Money market and other short-term instruments	1	9,178	10	9,189
Other investments at fair value	57	10	842	909
	18,076	**77,206**	**5,629**	**100,911**
Fair value through profit or loss				
Shares	823	162	14	999
Debt securities	27	1,513	142	1,682
Money market and other short-term instruments	622	253	–	875
Other investments at fair value	–	440	1,080	1,520
Investments for account of policyholders [1]	70,224	51,797	2,776	124,797
Derivatives	96	4,651	170	4,917
	71,792	**58,816**	**4,182**	**134,790**
TOTAL FINANCIAL ASSETS AT FAIR VALUE	**89,868**	**136,022**	**9,811**	**235,701**
Financial liabilities carried at fair value				
Investment contracts	–	–	1,145	1,145
Investment contracts for account of policyholders	3,924	16,032	521	20,477
Borrowings [2]	506	453	–	959
Derivatives	29	4,004	1,683	5,716
	4,459	**20,489**	**3,349**	**28,297**

[1] The investments for account of policyholders included in the table above represents those investments carried at fair value through profit or loss.
[2] Borrowings included in the table above contain those borrowings that are carried at fair value through profit or loss. Total borrowings on the balance sheet also contain borrowings carried at amortized cost that are not included in the above schedule.

SIGNIFICANT TRANSFERS BETWEEN LEVEL I AND II

During the year, the amount of assets transferred from Level I to Level II classification was EUR 498 million. The reason for the change in level relates to changes in liquidity for specific debt securities.

MOVEMENTS IN LEVEL III FINANCIAL INSTRUMENTS MEASURED AT FAIR VALUE

Financial assets carried at fair value	At January 1, 2009	Total gains / (losses) in income statement [1]	Total gains / (losses) in OCI	Purchases	Sales	Settlements	Transfers from Levels I and II	Transfers to Levels I and II	At December 31, 2009	Total gains or losses for the period included in profit and loss for assets held at December 31, 2009 [2]
Available-for-sale investments										
Shares	722	115	(295)	264	(363)	–	–	–	443	–
Debt securities	6,059	(333)	909	833	(350)	(710)	335	(2,409)	4,334	–
Money market and other short-term instruments	59	–	–	–	(49)	–	–	–	10	–
Other investments at fair value	812	(138)	(21)	225	(34)	(2)	–	–	842	–
	7,652	**(356)**	**593**	**1,322**	**(796)**	**(712)**	**335**	**(2,409)**	**5,629**	**–**
Fair value through profit or loss										
Shares	71	4	–	–	(61)	–	–	–	14	1
Debt securities	218	(11)	9	–	(66)	(7)	6	(7)	142	5
Other investments at fair value	1,333	(211)	–	123	(157)	–	93	(101)	1,080	(232)
Investments for account of policyholders	3,329	(191)	–	473	(835)	–	–	–	2,776	(25)
Derivatives	318	(130)	–	18	(2)	(34)	–	–	170	(118)
	5,269	**(539)**	**9**	**614**	**(1,121)**	**(41)**	**99**	**(108)**	**4,182**	**(369)**
Financial liabilities carried at fair value										
Investment contracts	(2,410)	1,265	–	–	–	–	–	–	(1,145)	–
Investment contracts for account of policyholders	(291)	30	–	(280)	20	–	–	–	(521)	–
Derivatives	(2,483)	767	–	(3)	36	–	–	–	(1,683)	(32)
	(5,184)	**2,062**	**–**	**(283)**	**56**	**–**	**–**	**–**	**(3,349)**	**(32)**

[1] Includes impairments and movements related to fair value hedges.
[2] Total gains / (losses) for the period during which the financial instrument was in Level III.

During the year AEGON transferred certain financial instruments from Levels I and II to Level III of the fair value hierarchy. The amount of the total assets transferred was EUR 434 million. The reason for the change in level was that the market for these securities had become inactive, which led to a change in market observability of prices. Prior to transfer, the fair value for the Level I and II securities was determined using observable market transactions or corroborated broker quotes for the same or similar instruments. Since transfer, all such assets have been valued using valuation models incorporating significant non market-observable inputs.

Similarly, during the year AEGON transferred certain financial instruments from Level III to other levels of the fair value hierarchy. The recorded amount of the total assets transferred was EUR 2,517 million. The change in level was a result of a return of activity in the market for these securities.

The total net amount of gains recognized in the income statement on Level III financial instruments amount to EUR 1,167 million (pre-tax).

The following table shows the sensitivity of the fair value of Level III instruments to changes in key assumptions, by class of instrument:

		December 31, 2009		
Financial assets carried at fair value	Note	Carrying amount	Effect of reasonably possible alternative assumptions (+/-)	
			Increase	Decrease
Available-for-sale investments				
Shares	a	443	20	(20)
Debt securities	b	4,334	219	(219)
Money market and other short-term investments	b	10	1	(1)
Other		842	13	(13)
Financial assets designated at fair value through profit or loss [1]				
Shares		14	1	(1)
Debt securities		142	15	(15)
Other investments at fair value	c	1,080	136	(136)
Derivatives	d	27	3	(3)
Financial liabilities carried at fair value				
Investment contracts	e	1,145	94	(87)
Derivatives	f	1,683	103	(96)

[1] Investments for account of policyholders are excluded from the reasonably possible alternative assumptions disclosure. Policyholder assets, and their returns, belong to policyholders and do not impact AEGON's net income or equity. The effect on total assets is offset by the effect on total liabilities.

In order to determine reasonably possible alternative assumptions, AEGON adjusted key unobservable models inputs as follows:

a. Available for sale shares include shares in the Federal Home Loan Bank for an amount of EUR 194 million that are measured at par. The bank has implicit financial support from the United States government. The redemption value of the shares is fixed at par and can only be redeemed by the bank. Remaining share positions were stressed by 10% up or down.

b. Debt securities and money market and other short-term investments mainly consist of corporate bonds (EUR 1,239 million) and other structured debt securities (EUR 3,020 million). For corporate bonds the most significant unobservable input for the valuation of these securities is the credit spread / illiquidity premium. AEGON adjusted the price, based on the bid / ask spread AEGON observed in the market for these type of securities. For investments in structured debt securities (ABS, RMBS and CMBS), the most significant unobservable input for valuation of these securities is the credit spread / illiquidity premium. AEGON adjusted the discount rate by 100 basis points up or down for this input.

c. Other investments at fair value include investments exposed to real estate (EUR 444 million) and private equity investments (EUR 575 million). AEGON adjusted the assumption pertaining to real estate values up or down by 10%. This change is reflective of the range presented to senior management when analyzing investment opportunities for approval. For private equity investments the underlying investments are of a very diversified nature in terms of type of investments, investment strategy and sector. There is no one significant unobservable assumption or combination of assumptions that could be identified and used to compute a reasonably alternative assumption analysis for this portfolio.

d. Derivatives exclude derivatives for account of policyholders amounting to EUR 143 million.

e. Investment contracts reflect the fair value of guarantees issued for which the most significant unobservable input is the credit spread. The credit spread was increased or decreased by 20 basis points.

f. Derivatives that depend on the yield were stressed using an increase or decrease of the yield by 100 basis points. Derivatives also include embedded derivatives related to guarantees (EUR 0.8 billion) for which the most significant unobservable input is the credit spread. The credit spread was increased or decreased by 20 basis points.

IMPAIRMENT OF FINANCIAL ASSETS

There are a number of significant risks and uncertainties inherent in the process of monitoring investments and determining if impairment exists. These risks and uncertainties include the risk that the Group's assessment of an issuer's ability to meet all of its contractual obligations will change based on changes in the credit characteristics of that issuer and the risk that the economic outlook will be worse than expected or have more of an impact on the issuer than anticipated. Also, there is a risk that new information obtained by the Group or changes in other facts and circumstances will lead the Group to change its investment decision. Any of these situations could result in a charge against the income statement in a future period to the extent of the impairment charge recorded.

Debt securities

AEGON regularly monitors industry sectors and individual debt securities for evidence of impairment. This evidence may include one or more of the following: 1) deteriorating market to book ratio, 2) increasing industry risk factors, 3) deteriorating financial condition of the issuer, 4) covenant violations, 5) high probability of bankruptcy of the issuer or 6) recognized credit rating agency downgrades. Additionally, for asset-backed securities, cash flow trends and underlying levels of collateral are monitored. A security is impaired if there is objective evidence that a loss event has occurred after the initial recognition of the asset that has a negative impact on the estimated future cash flows. A specific security is considered to be impaired when it is determined that it is probable that not all amounts due (both principal and interest) will be collected as scheduled.

ABS-Housing securities, CMBS and RMBS are monitored and reviewed on a monthly basis with detailed modeling completed on each portfolio quarterly. Model output is generated under a base and several stress-case scenarios. ABS-Housing, CMBS and RMBS asset specialists utilize modeling software to perform a loan-by-loan, bottom-up approach to modeling. The ABS-housing models incorporate market estimates on the property market, borrowing characteristics, propensity of a borrower to defaults or prepay and the overall security structure.

The CMBS models incorporate market estimates on the property market, capital markets, property cash flows and loan structure. The RMBS models incorporate external loan-level analytics to identify the riskiest securities. The results from the models are then closely analyzed by the asset specialist to determine whether or not a principal or interest loss is expected to occur.

In addition, at least quarterly, AEGON reviews all ABS-Housing securities, CMBS and RMBS that have been in an unrealized loss position of greater than 12 months and those with a month to month market value decline of 5%. Additional reviews include a realized loss analysis and analysis of holdings with a price decline of more than 10% or more during the quarter. ABS-Housing securities, CMBS and RMBS noted on exception reports are specifically addressed by research and credit analysts who evaluate the unrealized losses based upon current market conditions, changes in credit spreads specific to the asset class, fundamentals related to the issuer and, if applicable, the available protection of the monoline wrapper. Impairments are recorded in instances where loss events have taken place that would affect future cash flows. The impairment analysis is therefore based on a combination of models and analysts review of market events on individual securities.

As at the reporting date, AEGON performed stress testing on each security within its subprime mortgage portfolio. The stress testing revealed a significant reduction in the margin of safety for all fixed rate and senior floating rate mortgage products. Factors included in the analysis depend upon the type of collateral but for subprime mortgages they include delinquencies, prepayment assumptions, the percentage of borrowers with mortgage insurance, the percentage of borrowers in states more at risk for declining home values (Florida, California etc.) and credit enhancements.

More detailed cash flow modeling was performed on issuances identified through stress testing as being most at risk for payment interruption, such as issuances with a disproportionate number of borrowers from states experiencing significant declines in home values. Cash flows were modeled using the current collateral pool and capital structure to determine whether there has been an adverse change in cash flows (i.e. an event has occurred that would impact estimated future cash flows). Defaults were estimated by identifying the loans that are in various delinquency buckets and defaulting a certain percentage of them over the near-term and long-term. Recent payment history, a percentage of on-going delinquency rates and a constant repayment rate are also incorporated into the model. Once the entire pool is modeled, AEGON can determine whether the particular tranche or holding is at risk for payment interruption.

Shares
Objective evidence of impairment of an investment in an equity instrument classified as available for sale includes information about significant changes with an adverse effect that have taken place in the technological, market, economic or legal environment in which the issuer operates, and indicates that the cost of the investment in the equity instrument may not be recovered. A significant or prolonged decline in the fair value of an investment in an equity instrument below its cost is also objective evidence of impairment. Significant or prolonged decline is generally defined as an unrealized loss position for more than 6 months or a fair value of less than 80% of the cost price of the investment.

GOODWILL
Goodwill is reviewed and tested for impairment under a fair value approach. Goodwill must be tested for impairment at least annually or more frequently as a result of an event or change in circumstances that would indicate an impairment charge may be necessary. The recoverable amount is the higher of the value in use and fair value less costs to sell for a cash-generating unit. Impairment testing requires the determination of the value in use or fair value less costs for each of AEGON's identified cash generating units.

The valuation utilized the best available information, including assumptions and projections considered reasonable and supportable by management. The assumptions used in the valuation involve significant judgments and estimates. Refer to note 6 for more details.

VALUATION OF DEFINED BENEFIT PLANS
The liabilities or assets recognized in the balance sheet in respect of defined benefit plans is the difference between the present value of the projected defined benefit obligation at the balance sheet date and the fair value of plan assets, together with adjustments for unrecognized actuarial gains or losses and past service costs. The present value of the defined benefit obligation is determined by discounting the estimated future cash flows using interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid and that have terms to maturity that approximate the terms of the related pension liability. Actuarial assumptions used in the measurement of the liability include the discount rate, the expected return on plan assets, estimated future salary increases and estimated future pension increases. To the extent that actual experience deviates from these assumptions, the valuation of defined benefit plans and the level of pension expenses recognized in the future may be affected.

RECOGNITION OF DEFERRED TAX ASSETS
Deferred tax assets are established for the tax benefit related to deductible temporary differences, carry forwards of unused tax losses and carry forwards 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 taxable income and deductible expenses, the expected timing when certain assets will be used or liabilities will be required to be reported and the reliability of historical profitability of businesses expected to provide future earnings. Furthermore, management considers tax-planning strategies it can utilize to increase the likelihood that the tax assets will be realized. These strategies are also considered in the periodic reviews.

VALUATION OF SHARE APPRECIATION RIGHTS AND SHARE OPTIONS
Because of the inability to measure the fair value of employee services directly, fair value is measured by reference to the fair value of the rights and options granted. This value is estimated using the binomial option pricing model, taking into account the respective vesting and exercise periods of the share appreciation rights and share options.

The volatility is derived from quotations from external market sources and the expected dividend yield is derived from quotations from external market sources and the binomial option pricing model. Future blackout periods are taken into account in the model in conformity with current blackout periods. The expected term is explicitly incorporated in the model by assuming that early exercise occurs when the share price is greater than or equal to a certain multiple of the exercise price. This multiple has been set at two based on empirical evidence. The risk free rate is the interest rate for Dutch government bonds.

RECOGNITION OF PROVISIONS
Provisions are established for contingent liabilities when it is probable that a past event has given rise to a present obligation or loss and the amount can be reasonably estimated. Management exercises judgment in evaluating the probability that a loss will be incurred. The estimate of the amount of a loss requires management judgment in the selection of a proper calculation model and the specific assumptions related to the particular exposure.

NOTE 4 FINANCIAL AND INSURANCE RISKS

GENERAL

As an insurance company, AEGON is in the "business of risk" and as a result is exposed to a variety of risks. A description of AEGON's risk management and control systems is given below on the basis of significant identified risks for us. Some risks, such as currency translation risk, are related to the international nature of AEGON's business. Other risks include insurance related risks, such as changes in mortality and morbidity. However, AEGON's largest exposures are to changes in financial markets (e.g. interest rate, credit and equity market risks) that affect the value of the investments, liabilities from products that AEGON sells, deferred expenses and value of business acquired.

AEGON manages risk at local level where business is transacted, based on principles and policies established at the Group level. AEGON's integrated approach to risk management involves common measurement of risk and scope of risk coverage to allow for aggregation of the Group's risk position.

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

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

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

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

Each sensitivity analysis reflects the extent to which the shock tested would affect management's critical accounting estimates and judgment in applying AEGON's accounting policies.[1] Market-consistent assumptions underlying the measurement of non-listed assets and liabilities are adjusted to reflect the shock tested. The shock may also affect the measurement of assets and liabilities based on assumptions that are not observable in the market. For example, a shock in interest rates may lead to changes in the amortization schedule of deferred policy acquisition costs or to increased impairment losses on equity investments. Although management's short-term assumptions may change if there is a reasonable change in a risk factor, long-term assumptions will generally not be revised unless there is evidence that the movement is permanent. This fact is reflected in the sensitivity analyses provided below.

The accounting mismatch inherent in IFRS is also apparent in the reported sensitivities. A change in interest rates has an immediate impact on the carrying amount of assets measured at fair value. However the shock will not have a similar effect on the carrying amount of the related insurance liabilities that are measured based on prudent assumptions or on management's long term expectations. Consequently, the different measurement bases for assets and liabilities lead to increased volatility in IFRS net income and equity. AEGON has classified a significant part of its investment portfolio as "available for sale",

[1] Please refer to Note 3 for a description of the critical accounting estimates and judgments.

which is one of the main reasons why the economic shocks tested have a different impact on net income than on equity. Unrealized gains and losses on these assets are not recognized in the income statement but are booked directly to the revaluation reserves in equity, unless impaired. As a result, economic sensitivities predominantly impact equity but leave net income unaffected. The effect of movements of the revaluation reserve on capitalization ratios and capital adequacy are minimal. AEGON's target ratio for the composition of its capital base is based on shareholders' equity excluding the revaluation reserve.

The sensitivities do not reflect what the net income for the period would have been if risk variables had been different because the analysis is based on the exposures in existence at the reporting date rather than on those that actually occurred during the year. Nor are the results of the sensitivities intended to be an accurate prediction of AEGON's future equity or earnings. The analysis does not take into account the impact of future new business, which is an important component of AEGON's future earnings. It also does not consider all methods available to management to respond to changes in the financial environment, such as changing investment portfolio allocations or adjusting premiums and crediting rates. Furthermore, the results of the analyses cannot be extrapolated for wider variations since effects do not tend to be linear. No risk management process can clearly predict future results.

CURRENCY EXCHANGE RATE RISK

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

AEGON operates a Currency Risk Policy under which direct currency speculation or program trading by country units is not allowed unless explicit approval has been granted by the Group Risk and Capital Committee. Assets should be held in the functional currency of the business written or hedged back to that currency. Where this is not possible or practical, remaining currency exposure is subject to documentation requirements and limits are placed on the total exposure at both group level and for individual country units.

Information on AEGON's 3-year historical net income (loss) and equity in functional currency are shown in the table below:

	2009	2008	2007
Net income / (loss)			
AEGON Americas (in USD)	697	(2,022)	2,184
AEGON The Netherlands (in EUR)	241	94	606
United Kingdom (in GBP)	5	64	183
Other Countries (in EUR)	(285)	(9)	73
Equity in functional currency			
AEGON Americas (in USD)	17,586	10,617	19,056
AEGON The Netherlands (in EUR)	3,544	2,954	3,079
United Kingdom (in GBP)	2,207	1,257	2,166
Other Countries (in EUR)	1,733	1,948	1,413

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

Closing rates	2009	2008	2007	2006	2005
USD	1.44	1.39	1.47	1.32	1.18
GBP	0.89	0.95	0.73	0.67	0.69

AEGON group companies' foreign currency exposure from monetary assets and liabilities denominated in foreign currencies is not material.

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

SENSITIVITY ANALYSIS OF NET INCOME AND SHAREHOLDERS' EQUITY TO TRANSLATION RISK

Movement of markets [1]	Estimated approximate effects on net income	Estimated approximate effects on equity
2009		
Increase by 15% of non-euro currencies relative to the euro	78	2,009
Decrease by 15% of non-euro currencies relative to the euro	(78)	(2,009)
2008		
Increase by 15% of non-euro currencies relative to the euro	(204)	1,180
Decrease by 15% of non-euro currencies relative to the euro	204	(1,180)

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

INTEREST RATE RISK

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

In periods of rapidly increasing interest rates, policy loans, surrenders and withdrawals may and usually do increase. Premiums in flexible premium policies may decrease as policyholders seek investments with higher perceived returns. This activity may result in cash payments by AEGON requiring the sale of invested assets at a time when the prices of those assets are adversely affected by the increase in market interest rates; this may result in realized investment losses.

These cash payments to policyholders result in a decrease in total invested assets and a decrease in net income. Among other things, early withdrawals may also require accelerated amortization of DPAC, which in turn reduces net income.

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

AEGON manages interest rate risk closely taking into account all of the complexity regarding policyholder behavior and management action. AEGON employs sophisticated interest rate measurement techniques and actively uses derivatives and other risk mitigation tools to closely manage its interest rate risk exposure. AEGON operates an interest rate risk policy that limits the amount of interest rate risk to which the Group is exposed. All derivative use is governed by AEGON's Derivative Use Policy.

The table that follows shows interest rates at the end of each of the last five years.

	2009	2008	2007	2006	2005
3-month US LIBOR	0.25%	1.42%	4.70%	5.36%	4.54%
3-month EURIBOR	0.70%	2.89%	4.69%	3.73%	2.49%
10-year US Treasury	3.83%	2.22%	4.03%	4.70%	4.39%
10-year Dutch government	3.56%	3.54%	4.32%	3.97%	3.29%

The sensitivity analysis in the table below shows an estimate of the effect of a parallel shift in the risk free yield curves on net income and equity. Increases in interest rates have a negative effect on IFRS equity and net income in the current year because it results in unrealized losses on investments that are carried at fair value. The rising interest rate also would cause the fair value of the available-for-sale bond portfolio to decline and the level of unrealized gains would become too low to support recoverability of the full deferred tax asset triggering an allowance charge to income and an additional allowance charge directly to equity. The offsetting economic gain on the insurance and investment contracts is however not fully reflected in the sensitivities because many of these liabilities are not measured at fair value. Over time, the short-term reduction in net income due to rising interest rates would be offset by higher net income in later years, all else being equal. Therefore, rising interest rates are not considered a long-term risk to the Group.

The sensitivity analysis reflects the assets and liabilities held at year end. This does not necessarily reflect the risk exposure during the year as significant events do not necessarily occur on January 1.

Parallel Movement of Yield Curve	Estimated approximate effects on net income	Estimated approximate effects on equity
2009		
Shift up 100 basis points	(270)	(3,820)
Shift down 100 basis points	(111)	3,463
2008		
Shift up 100 basis points	(213)	(3,078)
Shift down 100 basis points	60	2,886

CREDIT RISK

As premiums and deposits are received, these funds are invested to pay for future policyholder obligations. For general account products, AEGON typically bears the risk for investment performance equalling the return of principal and interest. AEGON is exposed to credit risk on its general account fixed-income portfolio (debt securities, mortgages and private placements), OTC derivatives and reinsurance contracts. Some issuers have defaulted on their financial obligations for various reasons, including bankruptcy, lack of liquidity, downturns in the economy, downturns in real estate values, operational failure and fraud. In the current weak economic environment AEGON incurred significant investment impairments on AEGON's investment assets due to defaults and overall declines in the capital markets. Further excessive defaults or other reductions in the value of these securities and loans could have a materially adverse effect on AEGON's business, results of operations and financial condition.

The table that follows shows the Group's maximum gross credit exposure from investments (credit protection not taken into account) in general account financial assets, as well as general account derivatives and reinsurance assets. Please refer to note 50 and note 51 for further information on capital commitments and contingencies and on collateral given, which may expose the Group to credit risk.

General account exposure	Exposure 2009	Exposure 2008
Shares [1]	2,096	2,602
Debt securities – carried at fair value	91,398	86,301
Debt securities – carried at amortized cost	70	2,255
Money market and other short-term investments – carried at fair value	10,064	8,464
Mortgage loans – carried at amortized cost	21,525	20,166
Private loans – carried at amortized cost	760	822
Other loans – carried at amortized cost	3,283	4,345
Other financial assets – carried at fair value	2,430	2,983
Other financial assets – carried at amortized cost	–	15
Derivatives with positive values	4,428	8,511
Reinsurance assets	4,953	4,836
AT DECEMBER 31	**141,007**	**141,300**

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

AEGON has entered into free-standing credit derivative transactions (Single Tranche Synthetic CDOs and Single Name Credit Default Swaps - CDSs). The positions outstanding at the end of the year were:

	2009		2008	
CDOs and CDSs	Notional	Fair value	Notional	Fair value
Synthetic CDOs	80	(6)	4,764	(112)
CDSs	989	(11)	1,272	(65)

AEGON USA unwound significantly all of its synthetic CDO positions during 2009. For a fee, AEGON USA had taken credit exposure on a credit index, i.e. super-senior tranches of the CDX index, via a synthetic collateralized debt obligation program (synthetic CDO).

In August 2007, the Canadian asset backed commercial paper market experienced a disruption, which included Canadian government intervention and subsequent market litigation. A consortium was established to bring all interested parties together and an agreement was reached in January 2009. The market disruption resulted in AEGON and the counterparty negotiating settlement terms for an EUR 99 million notional liquidity facility agreement. Per these terms, AEGON issues embedded contingent options, which reflects potential exposure to underlying senior tranches of synthetic CDOs with a notional of EUR 1.8 billion when losses exceed the fair value of collateral assigned by the counterparty (fair value of collateral is EUR 342 million at December 31, 2009). These embedded options were marked to market at December 31, 2009 (EUR 5 million liability). When the contingent options are exercised, AEGON is exposed to the underlying tranches of the synthetic CDOs. The maturity dates of the underlying synthetic CDOs range from 2013 to 2016.

AEGON manages credit risk exposure by individual counterparty, sector and asset class, including cash positions. Normally it mitigates credit risk in derivative contracts by entering into collateral agreements, where practical, and in International Swaps and Derivatives Association (ISDA) master netting agreements for each of AEGON's legal entities to facilitate AEGON's right to offset credit risk exposure. Main counterparties to these transactions are investment banks and are typically rated A or higher. The credit support agreement will normally dictate the threshold over which collateral needs to be pledged by AEGON or its counterparty. Transactions requiring AEGON or its counterparty to post collateral are typically the result of over-the-counter derivative trades, comprised mostly of interest rate swaps, currency swaps, and credit swaps. Collateral received is mainly cash (USD and EUR). The Credit Support Agreements that outline the acceptable collateral require high quality instruments to be posted. Nearly all securities received as collateral are US Treasuries or US Agency bonds. In 2009 AEGON did not take possession of collateral or call on other credit enhancements. In 2008, AEGON obtained securities with a value of EUR 1.1 billion by taking possession of collateral on reverse repurchase agreements and EUR 1.9 billion on securities lending transactions with Lehman Brothers. The loss incurred on these transactions amounted to EUR 10 million. The credit risk associated with financial assets subject to a master netting arrangement is eliminated only to the extent that financial liabilities due to the same counterparty will be settled after the assets are realized.

The extent to which the exposure to credit risk is reduced through a master netting agreement may change substantially within a short period of time because the exposure is affected by each transaction subject to the arrangement. AEGON may also mitigate credit risk in reinsurance contracts by including down-grade clauses that allow the recapture of business, retaining ownership of assets required to support liabilities ceded or by requiring the reinsurer to hold assets in trust. For the resulting net credit risk exposure, AEGON employs deterministic and stochastic credit risk modelling in order to assess the Group's credit risk profile, associated earnings and capital implications due to various credit loss scenarios.

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

At December 31, 2009 there was one violation of the Credit Name Limit Policy, which was caused by a downgrade.

Under the credit name limit policy, AEGON's largest credit exposures are to Bank of America, JPMorgan, Morgan Stanley, Deutsche Bank and HSBC. AEGON had large investments in sovereign backed assets, the largest being in the USA, The Netherlands, Germany, France and the United Kingdom, but highly rated sovereign assets are excluded from the policy.

AEGON group level counterparty exposure limits were revised at the end of 2009 as follows:

Credit rating In EUR million	Revised limit	Previous limit
AAA	900	1,000
AA	900	1,000
A	600	750
BBB	400	500
BB	200	250
B	125	125
CCC or lower	50	50

AEGON also operates an investment and counterparty policy that limits the overall amount of counterparty risk that the Group is exposed to.

Credit rating

The ratings distribution of general account portfolios of AEGON's major country units, excluding reinsurance assets, are presented in the table that follows, organized by rating category and split by assets that are valued at fair value and assets that are valued at amortized cost. Disclosure of ratings follows a hierarchy of S&P, Moody's Fitch, Internal, National Association of Insurance Commissioners (NAIC).

Credit rating general account investments excluding reinsurance assets	Americas		The Netherlands		United Kingdom		Other countries		Total 2009 [1]	
	Amort cost	Fair value	Amort cost	Fair value	Amort cost	Fair value	Amort cost	Fair value	Amort cost	Fair value
Sovereign exposure	–	4,719	240	8,851	–	610	–	291	240	15,519
AAA	742	14,937	276	3,674	–	349	–	151	1,018	19,733
AA	3,587	6,032	405	2,649	–	1,055	8	201	4,000	9,934
A	3,858	20,578	390	3,058	–	3,756	49	595	4,297	27,987
BBB	918	18,370	1	1,392	–	1,785	211	744	1,130	22,291
BB	234	2,769	37	471	–	183	21	12	292	3,435
B	104	1,168	14	200	–	24	10	3	128	1,395
CCC or lower	56	947	2	62	–	24	–	8	58	1,041
Assets not rated	2,066	3,944	11,365	3,707	11	53	241	44	13,683	8,005
Total	**11,565**	**73,464**	**12,730**	**24,064**	**11**	**7,839**	**540**	**2,049**	**24,846**	**109,340**
Past due and / or impaired assets	413	715	245	286	–	67	135	5	793	1,073
AT DECEMBER 31	**11,978**	**74,179**	**12,975**	**24,350**	**11**	**7,906**	**675**	**2,054**	**25,639**	**110,413**

[1] Includes investments of Holding and other activities.

Credit rating general account investments excluding reinsurance assets	Americas		The Netherlands		United Kingdom		Other countries		Total 2008 [1]	
	Amort cost	Fair value	Amort cost	Fair value	Amort cost	Fair value	Amort cost	Fair value	Amort cost	Fair value
Sovereign exposure	–	6,197	170	12,496	–	463	1,876	1,148	2,046	20,324
AAA	628	17,074	131	2,187	–	236	8	277	767	19,772
AA	4,657	6,755	315	869	–	709	132	434	5,104	8,767
A	5,076	20,344	107	1,721	–	2,798	575	794	5,758	25,670
BBB	1,071	17,410	1	727	–	935	101	59	1,173	19,131
BB	120	1,847	29	161	–	12	32	19	181	2,039
B	–	827	13	101	–	2	–	2	13	932
CCC or lower	–	231	–	27	–	3	2	1	2	262
Assets not rated	2,157	4,525	9,444	5,981	11	40	544	65	12,156	11,298
Total	**13,709**	**75,210**	**10,210**	**24,270**	**11**	**5,198**	**3,270**	**2,799**	**27,200**	**108,195**
Past due and / or impaired assets	82	324	206	228	–	3	115	59	403	666
AT DECEMBER 31	**13,791**	**75,534**	**10,416**	**24,498**	**11**	**5,201**	**3,385**	**2,858**	**27,603**	**108,861**

[1] Includes investments of Holding and other activities.

The following table shows the credit quality of the gross balance sheet positions for general account reinsurance assets specifically:

	Carrying value 2009	Carrying value 2008
AAA	214	163
AA	3,455	3,539
A	638	491
Below A	156	182
Not rated	490	461
AT DECEMBER 31	**4,953**	**4,836**

Credit risk concentration

The tables that follow present specific credit risk concentration information for general account financial assets.

Credit risk concentrations – debt securities and money market investments	Americas	The Netherlands	United Kingdom	Other countries	**Total 2009** [1]
ABSs – Collateralized Bond Obligations (CBOs)	582	640	–	–	1,222
ABSs – Housing related	1,256	–	219	60	1,535
ABSs – Credit cards	2,615	374	–	–	2,989
ABSs – Other	2,060	237	793	–	3,090
Residential mortgage backed securities	3,345	1,641	15	2	5,003
Commercial mortgage backed securities	5,505	22	314	125	5,966
Financial - Banking	5,654	3,668	1,428	406	11,778
Financial - Other	11,989	453	1,075	103	13,620
Industrial	24,213	2,071	2,161	184	28,629
Utility	5,250	387	1,100	74	6,811
Sovereign exposure	6,515	10,864	682	1,090	20,199
Total	**68,984**	**20,357**	**7,787**	**2,044**	**100,842**
Past due and / or impaired	592	27	65	5	689
AT DECEMBER 31	**69,576**	**20,384**	**7,852**	**2,049**	**101,531**

[1] Includes investments of Holding and other activities.

Credit risk concentrations – mortgages	Americas	The Netherlands	United Kingdom	Other countries	**Total 2009** [1]
Agricultural	362	25	–	–	387
Apartment	1,676	1,751	–	–	3,427
Industrial	1,700	–	–	–	1,700
Office	3,636	47	–	–	3,683
Retail	1,723	18	–	–	1,741
Other commercial	396	33	–	–	429
Residential	63	9,172	–	139	9,374
Total	**9,556**	**11,046**	**–**	**139**	**20,741**
Past due and / or impaired assets	413	236	–	135	784
AT DECEMBER 31	**9,969**	**11,282**	**–**	**274**	**21,525**

[1] Includes investments of Holding and other activities.

The fair value of AEGON Americas commercial mortgage portfolio as per December 31, 2009 amounts to EUR 9,338 million. The loan to value (LTV) amounts to about 65%. 2.48% of the portfolio is in delinquency (defined as 60 days in arrear). In 2009 we recognized impairments of EUR 101 million on this portfolio. We foreclosed upon, or received back EUR 68 million of real estate. The impairments associated with these loans amounted to EUR 5 million.

The fair value of AEGON The Netherlands mortgage portfolio as per December 31, 2009 amounts to EUR 11,476 million. The loan to value (LTV) amounts to about 95%. A significant part of the portfolio (51%) is government guaranteed. 1.0% of the portfolio is in delinquency (delinquency is defined as 60 days in arrear). There were no significant impairments during 2009. Historical defaults in basis points of the portfolio have been between 2 and 9 basis points per year.

Credit risk concentrations – debt securities and money market investments	Americas	The Netherlands	United Kingdom	Other countries	Total 2008 [1]
ABSs – Collateralized Bond Obligations (CBOs)	573	197	–	–	770
ABSs – Housing related	1,776	–	4	45	1,825
ABSs – Credit cards	1,988	199	–	4	2,191
ABSs – Other	2,174	648	393	–	3,215
Residential mortgage backed securities	3,767	963	–	–	4,730
Commercial mortgage backed securities	4,467	55	194	175	4,891
Financial - Banking	5,120	1,407	1,346	486	8,359
Financial – Other	12,898	1,168	788	397	15,251
Industrial	23,232	937	1,507	597	26,273
Utility	5,578	219	464	152	6,413
Sovereign exposure	6,783	12,496	463	3,044	22,809
Total	**68,356**	**18,289**	**5,159**	**4,900**	**96,727**
Past due and / or impaired assets	266	9	2	16	293
AT DECEMBER 31	**68,622**	**18,298**	**5,161**	**4,916**	**97,020**

[1] Includes investments of Holding and other activities.

Credit risk concentrations – mortgages	Americas	The Netherlands	United Kingdom	Other countries	Total 2008 [1]
Agricultural	571	27	–	–	598
Apartment	2,017	1,162	–	–	3,179
Industrial	2,073	–	–	–	2,073
Office	4,275	49	–	–	4,324
Retail	2,189	18	–	–	2,207
Other commercial	429	26	–	–	455
Residential	73	6,736	–	135	6,944
Total	**11,627**	**8,018**	**–**	**135**	**19,780**
Past due and / or impaired assets	82	192	–	112	386
AT DECEMBER 31	**11,709**	**8,210**	**–**	**247**	**20,166**

[1] Includes investments of Holding and other activities.

Included in the debt securities and money market investments are EUR 70 million of assets that have been classified as held-to-maturity and are therefore carried at amortized cost (2008: EUR 2,255 million). Of the EUR 70 million assets held-to-maturity, EUR 11 million are government bonds (2008: EUR 1,881 million), EUR 0 million is ABS exposure (2008: EUR 8 million) and EUR 59 million is corporate exposure (2008: EUR 367 million).

ADDITIONAL INFORMATION ON CREDIT CONCENTRATION IN CERTAIN SECTORS

Government bond investments

Included in our debt securities and money market investments are EUR 2,192 million of exposures to countries that have experienced downgrades in 2009 or are on credit watch:

	Amortized cost 2009	Fair value 2009
Greece	94	92
Italy	138	143
Ireland	135	138
Portugal	56	58
Spain	1,769	1,784
AT DECEMBER 31	**2,192**	**2,215**

At December 31, 2009 there were no significant unrealized losses on exposures to these specific governments.

AEGON Americas housing exposure [1]	2009	2008
ABSs – Housing related	1,341	1,819
Residential mortgage backed securities (RMBS)	3,581	3,791
Commercial mortgage backed securities (CMBS)	5,514	4,468

[1] Exposures include past due and impaired assets.

The fair values of these instruments were determined as follows:

	Level II	Level III	Total 2009
ABSs – Housing related	1,125	216	1,341
RMBS	2,429	1,152	3,581
CMBS	5,350	164	5,514

ABS – HOUSING

AEGON Americas holds EUR 1,341 million (2008: EUR 1,819 million) of ABS-Housing securities of which AEGON USA holds EUR 1,319 million (2008: EUR 1,752 million). The unrealized loss on the AEGON USA ABS-Housing securities amounts to EUR 629 million (2008: EUR 1,023 million). ABS Housing securities are secured by pools of residential mortgage loans primarily those which are categorized as sub prime. The unrealized loss is primarily due to decreased liquidity and increased credit spreads in the market combined with significant increases in expected losses on loans within the underlying pools. Expected losses within the underlying pools are generally higher than original expectations, primarily in certain later-vintage adjustable rate mortgage loan pools, which has led to some rating downgrades in these securities.

ABS – Subprime Mortgage Exposure

AEGON USA does not currently invest in or originate whole loan residential mortgages. AEGON USA categorizes asset backed securities issued by a securitization trust as having subprime mortgage exposure when the average credit score of the underlying mortgage borrowers in a securitization trust is below 660 at issuance. AEGON USA also categorizes asset backed securities issued by a securitization trust with second lien mortgages as subprime mortgage exposure, even though a significant percentage of second lien mortgage borrowers may not necessarily have credit scores below 660 at issuance.
As of December 31, 2009, the amortized cost of investments backed by subprime mortgage loans was EUR 1,202 million (2008: EUR 2,575 million) and the market value was EUR 1,202 million (2008: EUR 1,590 million).

The following table provides the market values of the ABS subprime mortgage exposure by rating. Disclosure of ratings follows a hierarchy of S&P, Moody's Fitch, Internal, NAIC. The table also provides the market values of the ABS subprime mortgage exposure by quality and vintage:

	Market value by Quality and Vintage					
	AAA	AA	A	BBB	< BBB	Total
Pre-2005	264	21	7	–	31	323
2005	99	5	15	–	1	120
2006	14	–	–	5	47	66
2007	78	–	–	2	49	129
2008	14	–	–	–	–	14
2009	–	–	–	–	–	–
Total Subprime Mortgages - Fixed Rate	**469**	**26**	**22**	**7**	**128**	**652**
Pre-2005	14	13	2	7	10	46
2005	53	33	–	9	10	105
2006	9	34	–	3	26	72
2007	13	7	–	–	47	67
2008	15	–	–	–	–	15
2009	–	–	–	–	–	–
Total Subprime Mortgages - Floating Rate	**104**	**87**	**2**	**19**	**93**	**305**
Pre-2005	41	7	5	18	6	77
2005	–	–	–	14	11	25
2006	–	4	6	8	38	56
2007	5	–	–	–	82	87
2008	–	–	–	–	–	–
2009	–	–	–	–	–	–
Total Second Lien Mortgages [1]	**46**	**11**	**11**	**40**	**137**	**245**
AT DECEMBER 31, 2009	**619**	**124**	**35**	**66**	**358**	**1,202**

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

Comparative information on subprime ABS mortgage exposure by quality and vintage - 2008 figures:

	Market value by Quality and Vintage					
	AAA	AA	A	BBB	< BBB	Total
Pre-2005	444	43	44	–	–	531
2005	118	6	–	–	–	124
2006	52	–	6	–	12	70
2007	110	6	–	13	8	137
2008	–	–	–	–	–	–
Total Subprime Mortgages – Fixed Rate	**724**	**55**	**50**	**13**	**20**	**862**
Pre-2005	14	25	2	12	–	53
2005	69	50	1	–	26	146
2006	42	63	–	15	9	129
2007	50	15	16	3	19	103
2008	20	–	–	–	–	20
Total Subprime Mortgages – Floating Rate	**195**	**153**	**19**	**30**	**54**	**451**
Pre-2005	54	19	11	15	–	99
2005	4	–	3	15	15	37
2006	2	12	6	25	12	57
2007	5	77	–	–	2	84
2008	–	–	–	–	–	–
Total Second Lien Mortgages [1]	**65**	**108**	**20**	**55**	**29**	**277**
AT DECEMBER 31, 2008	**984**	**316**	**89**	**98**	**103**	**1,590**

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

Additionally, AEGON USA has exposure to asset backed securities collateralized by manufactured housing loans. The market value of these securities is EUR 122 million (2008: EUR 139 million) with an amortized cost balance of EUR 135 million (2008: EUR 165 million). All but one deal have vintages of 2003 or prior. These amounts are not included in AEGON's subprime mortgage exposure tables above.

Where credit events may be impacting the unrealized losses, cash flows are modelled using effective interest rates. AEGON did not consider those securities to be impaired. Refer to note 3 for details on the pricing process.

RESIDENTIAL MORTGAGE BACKED SECURITIES

AEGON USA holds EUR 3,416 million (2008: EUR 3,791 million) of RMBS. RMBS are securitizations of underlying pools of non-commercial mortgages on real estate. The underlying residential mortgages have varying credit ratings and are pooled together and sold in tranches.

The Group's RMBS mainly includes government sponsored enterprise (GSE) guaranteed passthroughs, whole loan passthroughs, Alt-A MBS and negative amortization MBS.

All RMBS securities are monitored and reviewed on a monthly basis with detailed modeling completed on each portfolio quarterly. Model output is generated under base and several stress-case scenarios. RMBS asset specialists utilize modeling software to perform a loan-by-loan, bottom-up approach to modeling. Models incorporate external loan-level analytics to identify the riskiest securities. The results from the models are then closely analyzed by the asset specialist to determine whether or not a principal or interest loss is expected to occur. Positions are impaired to fair value where loss events have taken place (or are projected to take place on structured securities) that would affect future cash flows. The next tables summarize the credit quality of these securities based on a hierarchy of S&P, Moody's, Fitch, Internal, National Association of Insurance Companies (NAIC) of the RMBS portfolio.

The unrealized loss on RMBS is EUR 982 million which relates to positions of AEGON USA. The pace of deterioration continued in early 2009, but began to stabilize in late 2009. Even with the stabilization, fundamentals in RMBS securities continue to be weak. Delinquencies and severities in property liquidations remain at an elevated level. Prepayments remain at historically low levels. Due to the weak fundamental situation, reduced liquidity, and the requirement for higher yields due to uncertainty, credit spreads remain elevated across the asset class.

	AAA	AA	A	BBB	<BBB	Total Fair value	Total Amortized cost
GSE guaranteed	1,487	–	–	–	–	1,487	1,464
Whole loan	220	12	8	6	158	404	516
Alt-A	141	10	14	–	502	667	862
Negative amortization floaters	162	25	30	45	460	722	1,362
Reverse mortgage floaters	292	–	–	–	–	292	350
AT DECEMBER 31, 2009	**2,302**	**47**	**52**	**51**	**1,120**	**3,572**	**4,554**

	SSNR [1]	SNR [2]	MEZZ [3]	SSUP [4]	Total Fair value	Total Amortized cost
GSE guaranteed	–	1,487	–	–	1,487	1,464
Whole loan	162	213	14	15	404	516
Alt-A	425	241	1	–	667	862
Negative amortization floaters	694	14	2	12	722	1,362
Reverse mortgage floaters	–	292	–	–	292	350
AT DECEMBER 31, 2009	**1,281**	**2,247**	**17**	**27**	**3,572**	**4,554**

	AAA	AA	A	BBB	<BBB	Total Fair value	Total Amortized cost
GSE guaranteed	1,398	–	–	–	–	1,398	1,391
Whole loan	563	9	37	30	9	648	914
Alt-A	606	9	29	28	71	743	1,267
Negative amortization floaters	651	5	2	–	53	711	1,685
Reverse mortgage floaters	289	–	–	–	–	289	381
AT DECEMBER 31, 2008	**3,507**	**23**	**68**	**58**	**133**	**3,789**	**5,638**

	SSNR [1]	SNR [2]	MEZZ [3]	SSUP [4]	Total Fair value	Total Amortized cost
GSE guaranteed	–	1,398	–	–	1,398	1,391
Whole loan	178	447	17	6	648	914
Alt-A	444	297	1	1	743	1,267
Negative amortization floaters	667	20	10	14	711	1,685
Reverse mortgage floaters	–	289	–	–	289	381
AT DECEMBER 31, 2008	**1,289**	**2,451**	**28**	**21**	**3,789**	**5,638**

[1] SSNR - super senior
[2] SNR - senior
[3] MEZZ - mezzanine
[4] SSUP - senior support

Alt-A Mortgage Exposure

AEGON USA's RMBS exposure includes exposure to securitized home equity loans (Alt-A positions). This portfolio totals EUR 667 million at December 31, 2009 (2008: EUR 743 million). Net unrealized losses amount to EUR 195 million at December 31, 2009 (2008: EUR 524 million). Alt-A loans are made to borrowers whose qualifying mortgage characteristics do not meet the standard underwriting criteria established by the GSEs (Government-Sponsored Enterprises). The typical Alt-A borrower has a credit score high enough to obtain an "A" standing, which is especially important since the score must compensate for the lack of other necessary documentation related to borrower income and / or assets.

AEGON's investments in Alt-A mortgages are in the form of mortgage backed securities. AEGON's Alt-A investments are primarily backed by loans with fixed interest rates for the entire term of the loan. The tables below summarize the credit quality of the underlying loans backing the securities and the vintage year.

	2009		2008	
Rating	Market value	%	Market value	%
AAA	141	21.1%	606	81.6%
AA	10	1.5%	9	1.2%
A	14	2.1%	29	3.9%
BBB	–	–	28	3.8%
<BBB	502	75.3%	71	9.5%
AT DECEMBER 31	**667**	**100.0%**	**743**	**100.0%**

	2009		2008	
Vintage	Market value	%	Market value	%
Prior 2005	60	9.0%	65	8.8%
2005	109	16.4%	123	16.5%
2006	181	27.1%	176	23.7%
2007	205	30.7%	238	32.0%
2008	112	16.8%	141	19.0%.
AT DECEMBER 31	**667**	**100.0%**	**743**	**100.0%**

NEGATIVE AMORTIZATION (OPTION ARMS) MORTGAGE EXPOSURE

As part of AEGON USA's RMBS Exposure, AEGON USA holds EUR 722 million of Negative Amortization mortgages (2008: EUR 711 million), net unrealized losses on this portfolio amount to EUR 640 million at December 31, 2009 (2008: EUR 942 million). Negative amortization mortgages (also known as option ARMs) are loans whereby the payment made by the borrower is less than the accrued interest due and the difference is added to the loan balance. When the accrued balance of the loan reaches the negative amortization limit (typically 110% to 125% of the original loan amount), the loan recalibrates to a fully amortizing level and a new minimum payment amount is determined. The homeowner's new minimum payment amount can be significantly higher than the original minimum payment amount. The timing of when these loans reach their negative amortization cap will vary, and is a function of the accrual rate on each loan, the minimum payment rate on each loan and the negative amortization limit itself. Typically, these loans are estimated to reach their negative amortization limit between 3 and 5 years from the date of origination.

AEGON's exposure to negative amortization mortgages is primarily to super-senior securities. The following table provides the market values of the Negative Amortization (Option ARMs) exposure by rating and by vintage.

	2009		2008	
Rating	Market value	%	Market value	%
AAA	162	22.4%	651	91.5%
AA	25	3.5%	5	0.7%
A	30	4.2%	2	0.3%
BBB	45	6.2%	–	–
<BBB	460	63.7%	53	7.5%
AT DECEMBER 31	**722**	**100.0%**	**711**	**100.0%**

	2009		2008	
Vintage	Market value	%	Market value	%
2004 & Prior	17	2.4%	24	3.4%
2005	237	32.8%	197	27.7%
2006	267	37.0%	276	38.8%
2007	179	24.8%	184	25.9%
2008	22	3.0%	30	4.2%
AT DECEMBER 31	**722**	**100.0%**	**711**	**100.0%**

Commercial mortgage backed securities

AEGON USA holds EUR 5,482 million (2008: EUR 4,468 million) of commercial mortgage backed securities (CMBS). The unrealized loss on CMBS is EUR 878 million (2008: EUR 1,817 million). The underlying mortgages have varying risk characteristics and are pooled together and sold in different rated tranches. The Group's CMBS include conduit, large loan, single borrower, commercial real estate collateral debt obligations (CRE CDOs), government agency, and franchise loan receivable trusts.

The total gross unrealized loss on CMBS of AEGON USA is EUR 921 million, and the total net unrealized loss on CMBS of AEGON USA is EUR 878 million. Over the past 18 months, the commercial real estate market has continued to weaken. As property fundamentals deteriorate, CMBS loan delinquencies have been climbing. The introduction of the 20% and 30% credit enhanced classes within the 2005-2008 vintage deals provide some offset to these negative fundamentals. Despite beginning to show signs of improvement, the lending market remains limited as lenders have become more conservative with underwriting standards, property transactions have diminished greatly, and higher mortgage spreads have curtailed borrowing. A lack of liquidity in the market combined with a broad re-pricing of risk has led to increased credit spreads across the credit classes.

CMBS exposure by Quality	AAA	AA	A	BBB	< BBB	Total Market value	Total Amortized cost
CMBS	4,295	484	357	199	83	5,418	6,203
CMBS and CRE CDOs	38	18	5	3	–	64	157
AT DECEMBER 31, 2009	**4,333**	**502**	**362**	**202**	**83**	**5,482**	**6,360**
CMBS	3,937	268	104	52	11	4,372	6,089
CMBS and CRE CDOs	47	18	14	17	–	96	196
AT DECEMBER 31, 2008	**3,984**	**286**	**118**	**69**	**11**	**4,468**	**6,285**

AEGON USA NON HOUSING ABS EXPOSURE

AEGON USA holds EUR 5,216 million (2008: EUR 4,683 million) of non housing related ABS, net unrealized losses on this portfolio amount to EUR 496 million at December 31, 2009 (2008: EUR 1,948 million). These are securitizations of underlying pools of credit cards receivables, auto financing loans, small business loans, bank loans and other receivables. The underlying assets have varying credit ratings and are pooled together and sold in tranches. See the table below for the breakdown of the non housing ABS exposure of AEGON USA.

	AAA	AA	A	BBB	< BBB	Total Market value	Total Cost price
Credit Cards	1,241	370	339	591	7	2,548	2,587
Autos	309	88	106	41	181	725	726
Small Business Loans	293	5	8	15	1	322	465
CDOs backed by ABS, Corp Bonds, Bank Loans	357	162	33	15	29	596	719
Other ABS	496	110	213	160	46	1,025	1,215
AT DECEMBER 31, 2009	**2,696**	**735**	**699**	**822**	**264**	**5,216**	**5,712**
Credit Cards	1,114	110	178	467	38	1,907	2,865
Autos	307	161	162	53	22	705	918
Small Business Loans	316	3	7	15	1	342	515
CDOs backed by ABS, Corp Bonds, Bank Loans	469	74	3	27	17	590	881
Other ABS	598	172	266	74	29	1,139	1,452
AT DECEMBER 31, 2008	**2,804**	**520**	**616**	**636**	**107**	**4,683**	**6,631**

The fair values of AEGON USA's ABS- non housing instruments were determined as follows:

			2009
	Level II	Level III	**Total**
ABSs – non housing	3,948	1,268	5,216

Small business loans

The unrealized loss in the small business loan ABS portfolio is a function of decreased liquidity and increased spreads as new issuance within this sector has come to a halt. Additionally, delinquencies and losses in the collateral pools within AEGON's small business loan securitizations have increased since 2007, as a result of the overall economic slowdown which has resulted in decreased sales and profits at small businesses nationwide. Banks and finance companies have also scaled back their lending to small businesses.

AEGON's small business loan ABS portfolio is concentrated in senior note classes (99% of par value). In addition to credit enhancement provided by the excess spread, reserve account, and over-collateralization, AEGON's positions are also supported by subordinated note classes. AEGON's small business loan ABS portfolio is also primarily secured by commercial real estate (99% of par value), with the original LTV of the underlying loans typically ranging between 60-70%.

ABS-CDOs

ABS-CDO are primarily secured by pools of corporate bonds and leveraged bank loans. The unrealized loss is a function of decreased liquidity and increased credit spreads in the market for structured finance and monoline guaranteed securities. Where there have been rating downgrades to below investment grade, the individual bonds have been modeled using the current collateral pool and capital structure.

Other ABS

ABS-other includes debt issued by securitization trusts collateralized by various other assets including student loans, timeshare loans, franchise loans and other asset categories. The unrealized losses are a function of decreased liquidity and increased credit spreads in the market. Over 98% of the securities in an unrealized loss in this section are rated investment grade. Where ratings have declined to below investment grade, the individual bonds have been modeled to determine if cash flow models indicate a credit event will impact future cash flows and resulting impairments have been taken.

FINANCIAL

Financial – Banking

AEGON holds EUR 11,871 million (2008: EUR 8,367 million) of bonds issued by banks. The net unrealized loss on these bonds amount to EUR 799 million (2008: EUR 2,355 million).

The capital bases of banks and other financial firms have been strained as they are forced to retain assets on their balance sheets that had previously been securitized and to write down certain mortgage-related and corporate credit-related assets. Financial companies within AEGON's financial sector are generally high in credit quality, and as a whole represent a large portion of the corporate debt market. The financial sector has seen a large impact to valuations from the broader market volatility given it is a focal point of the current concerns. Governments across the world have attempted to stabilize market liquidity and investor confidence via extraordinary measures, including providing substantial support to banks and insurance companies.

EXPOSURE TO CAPITAL SECURITIES IN THE BANKING SECTOR

The value of AEGON's investments in deeply subordinated securities in the financial services sector may be significantly impacted if the issuers of such securities exercise the option to defer payment of optional coupons or dividends, are forced to accept government support or intervention, or grant majority equity stakes to their respective governments. These securities are broadly referred to as capital securities which can be categorized as Trust Preferred, Hybrid, Tier 1 or Upper Tier 2.

The 'Trust Preferred' category is comprised of capital securities issued by U.S.-based financial services entities where the capital securities typically have an original maturity of 30 years (callable after 10 years) and generally have common structural features, including a cumulative coupon in the event of deferral. The 'Hybrid' category is comprised of capital securities issued by financial services entities which typically have an original maturity of more than 30 years and may be perpetual. In addition, Hybrids have other features that may not be consistent across issues such as a cumulative or non-cumulative coupon, capital replacement and an alternative payment mechanism, and could also be subordinate to the traditional Trust Preferred in the Group's capital structure. Capital securities categorized as 'Tier 1' are issued by non-US banks and are perpetual with a non-cumulative deferrable coupon. Capital securities categorized as 'Upper Tier 2' are also issued by non-US banks but these positions are generally perpetual where the deferrable coupon is cumulative.

The following table highlights AEGON's credit risk to capital securities within the banking sector:

	Americas	The Netherlands	United Kingdom	Other countries	**Total Cost price**	**Total Market value**
Hybrid	228	–	31	1	260	205
Trust preferred	575	–	41	–	616	462
Tier 1	729	255	600	90	1,674	1,328
Upper Tier 2	667	67	248	7	989	759
AT DECEMBER 31, 2009	**2,199**	**322**	**920**	**98**	**3,539**	**2,754**
Hybrid	277	–	12	–	289	173
Trust preferred	553	–	46	–	599	378
Tier 1	930	317	661	89	1,997	1,044
Upper Tier 2	616	88	317	14	1,035	640
AT DECEMBER 31, 2008	**2,376**	**405**	**1,036**	**103**	**3,920**	**2,235**

Financial Other

The unrealized losses in the brokerage, insurance and other finance sub-sector primarily reflect general spread widening on financial services companies (due to broad housing, mortgage market, equity market and economic issues plus increased liquidity and capital markets concerns).

Monoline Exposure

About EUR 1.7 billion of the bonds in AEGON USA's portfolio are wrapped by monoline insurers (2008: EUR 2.6 billion), of which EUR 381 million of bonds (2008: EUR 792 million) in the EUR 1,200 million subprime portfolio (2008: EUR 2.6 billion). Expected claims against the monolines amount to EUR 160 million (2008: EUR 157 million), although an insolvency by one of the monolines could create significant market price volatility for the affected holdings.

The following table breaks down bonds in AEGON USA's portfolio that are wrapped by monoline insurers. The disclosure by rating follows a hierarchy of S&P, Moody's, Fitch, internal, and NAIC.

	2009		**2008**	
Bonds wrapped by monoline insurers	Cost price	Market value	Cost price	Market value
AAA	439	343	551	391
AA	51	45	97	63
<AA	1,171	829	1,956	1,320
AT DECEMBER 31	**1,661**	**1,217**	**2,604**	**1,774**

The rating that is provided by the rating agencies on these guaranteed bonds is the higher of the guarantor's rating or the rating of the underlying bond itself.

Of the EUR 1,661 million (2008: EUR 2,604 million) indirect exposure on the monoline insurers 35% relates to MBIA, 29% to AMBAC, 9% to FGIC and 14% to FSA (2008: 29% related to MBIA, 25% to AMBAC, 19% to FGIC and 15% to FSA).

Of the remaining 13% (2008: 12%), no individual monoline insurer represents more than 10% of the total wrapped portfolio.

In addition to its indirect exposure via wrapped bonds, AEGON USA also has direct exposure of EUR 38 million (2008: EUR 37 million) via holdings in monoline insurers and derivative counterparty exposure where monoline insurers are AEGON's counterparty.

Of AEGON's direct exposure 36% relates to XL, 25% to MBIA and 39% to AMBAC (2008: 34% related to Syncora, 14% to MBIA, 29% to AMBAC). There are no other individual monoline insurers that represent more than 10% (2008: 10%) of the total direct exposure.

Past due and impaired assets

The tables that follow provide information on past due and individually impaired financial assets. An asset is past due when a counterparty has failed to make a payment when contractually due. Assets are impaired when an impairment loss has been charged to the income statement relating to this asset. After the impairment loss is reversed in subsequent periods, the asset is no longer considered to be impaired.

When the terms and conditions of financial assets have been renegotiated, the terms and conditions of the new agreement apply in determining whether the financial assets are past due. There were renegotiated assets of EUR 13 million that would have been past due or impaired if they had not been renegotiated in the reporting year (2008: nil). At December 31, 2009 EUR 165 million (2008: EUR 140 million) collateral and other credit enhancements are held related to financial assets that were past due or individually impaired.

AEGON's policy is to pursue realization of the collateral in an orderly manner as and when liquidity permits. AEGON generally does not use the non-cash collateral for its own operations.

				2009				2008
Past due but not impaired assets	0 - 6 months	6 - 12 months	> 1 year	**Total**	0 - 6 months	6 - 12 months	> 1 year	Total
Debt securities - carried at fair value	19	–	1	20	36	–	–	36
Mortgage loans	77	11	77	165	247	7	1	255
Other loans	–	–	–	–	–	–	1	1
Accrued Interest	2	–	–	2	1	–	–	1
AT DECEMBER 31	**98**	**11**	**78**	**187**	**284**	**7**	**2**	**293**

Impaired financial assets	**Carrying amount 2009**	Carrying amount 2008
Shares	344	371
Debt securities - carried at fair value	669	203
Debt securities - carried at amortized cost	–	3
Money market and other short-term investments	–	51
Mortgage loans	619	131
Other loans	8	13
Other financial assets - carried at fair value	41	3
Renegotiated assets	–	2
AT DECEMBER 31	**1,681**	**777**

EQUITY MARKET AND OTHER INVESTMENT RISKS

Fluctuations in the equity, real estate and capital markets have affected AEGON's profitability, capital position and sales of equity related products in the past and may continue to do so. Exposure to equity, real estate and capital markets exists in both assets and liabilities. Asset exposure exists through direct equity investment, where AEGON bears all or most of the volatility in returns and investment performance risk. Equity market exposure is also present in insurance and investment contracts for account of policyholders where funds are invested in equities, such as variable annuities, unit-linked products and mutual funds. Although most of the risk remains with the policyholder, lower investment returns can reduce the asset management fee earned by AEGON on the asset balance in these products. In addition, some of this business has minimum return or accumulation guarantees.

The general account equity, real estate and other non-fixed-income portfolio of AEGON is as follows:

Equity, real estate and non-fixed income exposure	Americas	The Nether-lands	United Kingdom	Other Countries	Holding and other activities	Total 2009
Equity funds	854	288	–	46	–	1,188
Common shares [1]	367	282	54	3	(3)	703
Preferred shares	112	14	–	–	–	126
Investments in real estate	496	2,084	–	–	–	2,580
Hedge funds	528	77	–	–	–	605
Other alternative investments	1,372	–	–	–	–	1,372
Other financial assets	488	40	–	4	–	532
AT DECEMBER 31	**4,217**	**2,785**	**54**	**53**	**(3)**	**7,106**

[1] Common shares in Holdings and Other activities reflect the elimination of treasury shares.

Equity, real estate and non-fixed income exposure	Americas	The Nether-lands	United Kingdom	Other Countries	Holding and other activities	Total 2008
Equity funds	605	706	–	53	–	1,364
Common shares	284	317	41	105	52	799
Preferred shares	82	10	–	–	–	92
Investments in real estate	488	2,040	–	–	–	2,528
Hedge funds	854	264	–	23	–	1,141
Other alternative investments	1,449	–	–	–	–	1,449
Other financial assets	615	112	–	13	–	740
AT DECEMBER 31	**4,377**	**3,449**	**41**	**194**	**52**	**8,113**

The tables that follow present specific market risk concentration information for general account shares.

Market risk concentrations - shares	Americas	The Netherlands	United Kingdom	Other countries	Total 2009 [1]
Communication	32	–	–	–	32
Consumer cyclical	2	9	–	–	11
Consumer non-cyclical	2	20	–	–	22
Financials	1,184	39	6	30	1,256
Funds	–	245	47	19	311
Industries	15	33	–	3	51
Resources	–	24	–	–	24
Services cyclical	–	7	–	–	7
Services non-cyclical	–	7	–	–	7
Technology	7	18	–	–	25
Other	5	–	–	1	6
Total	**1,247**	**402**	**53**	**53**	**1,752**
Past due and / or impaired assets	83	260	1	–	344
AT DECEMBER 31	**1,330**	**662**	**54**	**53**	**2,096**

[1] Includes investments of Holding and other activities.

Market risk concentrations - shares	Americas	The Netherlands	United Kingdom	Other countries	Total 2008 [1]
Communication	27	–	–	9	36
Consumer cyclical	2	1	–	7	10
Consumer non-cyclical	4	11	–	–	15
Financials	499	28	5	25	555
Funds	432	1,027	34	58	1,551
Industrial	1	7	–	11	19
Resources	–	1	–	–	1
Technology	1	1	–	–	2
Transport	–	–	–	1	1
Other	12	2	–	27	41
Total	**978**	**1,078**	**39**	**138**	**2,231**
Past due and / or impaired assets	54	219	1	45	371
AT DECEMBER 31	**1,032**	**1,297**	**40**	**183**	**2,602**

[1] Includes investments of Holding and other activities.

The table that follows sets forth the closing levels of certain major indices at the end of the last five years.

Year-end	2009	2008	2007	2006	2005
S&P 500	1,115	903	1,468	1,418	1,248
Nasdaq	2,269	1,577	2,652	2,415	2,205
FTSE 100	5,413	4,434	6,457	6,221	5,619
AEX	335	247	516	495	437

The sensitivity analysis of net income and equity to changes in equity prices is presented in the table on the next page. The sensitivity of shareholders' equity and net income to changes in equity markets reflects changes in the market value of AEGON's portfolio, changes in DPAC amortization, contributions to pension plans for AEGON's employees and the strengthening of the guaranteed minimum benefits, when applicable. The results of equity sensitivity tests are non-linear. The main reason for this is due to equity options sold to clients that are embedded in some of these products and that more severe scenarios could cause accelerated DPAC amortization and guaranteed minimum benefits provisioning, while moderate scenarios may not. Changes in sensitivities between 2009 and 2008 arise mainly as a result of additional equity hedges during 2009 which reduces the impact of market movements. Also, the guarantees contracts that expose AEGON to equity risk are less in the money decreasing the sensitivity on DPAC amortization. The equity sensitivities related to the guarantees are non linear because of the impact of guarantees and DPAC amortization.

Sensitivity analysis of net income and shareholders' equity to equity markets Immediate change of	Estimated approximate effects on net income	Estimated approximate effects on equity
2009		
Equity increase 10%	93	150
Equity decrease 10%	(92)	(147)
Equity increase 20%	175	287
Equity decrease 20%	(201)	(304)
2008		
Equity increase 10%	183	274
Equity decrease 10%	(355)	(402)
Equity increase 20%	354	536
Equity decrease 20%	(764)	(840)

LIQUIDITY RISK

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

AEGON operates a Liquidity Risk Policy under which country units are obliged to maintain sufficient levels of highly liquid assets to meet cash demands by policyholders and accountholders over the next two years. Potential cash demands are assessed under a stress scenario including spikes in disintermediation risk due to rising interest rates and concerns over AEGON's financial strength due to multiple downgrades of the Group's credit rating. At the same time, the liquidity of assets other than cash and government issues is assumed to be severely impaired for an extended period of time. All units and AEGON Group must maintain enough liquidity in order to meet all cash needs under this extreme scenario.

AEGON holds EUR 28,389 million of general account investments in cash, money market products and sovereign bonds that are readily saleable or redeemable on demand. The Group expects to meet its obligations, even in a stressed liquidity event, from operating cash flows and the proceeds of maturing assets as well as these highly liquid assets. Further, the Group has access to back up credit facilities, as described in note 24, amounting to EUR 2,412 million which were unused at the end of the reporting period (2008: EUR 2,532 million).

The maturity analysis on the next page shows the remaining contractual maturities of each category of financial liabilities (including coupon interest). When the counterparty has a choice of when an amount is paid, the liability is included on the basis of the earliest date on which it can be required to be paid. Financial liabilities that can be required to be paid on demand without any delay are reported in the category "On demand". If there is a notice period, it has been assumed that notice is given immediately and the repayment has been presented at the earliest date after the end of the notice period. When the amount payable is not fixed, the amount reported is determined by reference to the conditions existing at the reporting date. For example, when the amount payable varies with changes in an index, the amount disclosed may be based on the level of the index at the reporting date. The amounts included below for financial guarantee contracts are the maximum amounts the Group could be forced to settle under the arrangement for the full guaranteed amount if that amount is claimed by the counterparty to the guarantee. Based on expectations at the end of the reporting period, the Group considers that it is more likely than not that no amount will be payable under the arrangement.

Maturity analysis – gross undiscounted contractual cash flows (for non-derivatives)	On demand	< 1 yr Amount	1 < 5 yrs Amount	5 < 10 yrs Amount	> 10 yrs Amount	Total amount
2009						
Trust pass-through securities	–	8	32	40	197	277
Borrowings [1]	–	2,267	3,149	933	3,641	9,990
Investment contracts [2]	9,451	5,466	11,205	1,374	2,369	29,865
Investment contracts for account of policyholders [2]	12,791	7,592	–	–	–	20,383
Other financial liabilities	5,123	4,589	152	1,489	491	11,844
Financial guarantee contracts	–	459	1	–	–	460
2008						
Trust pass-through securities	–	30	32	41	197	300
Subordinated loans	–	34	–	–	–	34
Borrowings [1]	–	2,265	1,614	986	3,214	8,079
Investment contracts [2]	9,090	9,938	13,769	2,196	4,038	39,031
Investment contracts for account of policyholders [2]	9,685	7,078	–	–	–	16,763
Other financial liabilities	9,802	6,438	135	–	–	16,375

[1] Borrowings include debentures and other loans, short term deposits, bank overdrafts and commercial paper; refer to note 24 for more details.
[2] Excluding investment contracts with discretionary participating features.

AEGON's liquidity management is based on expected claims and benefit payments rather than on the contractual maturities. The projected cash benefit payments in the table below are based on management's best estimates of the expected gross benefits and expenses, partially offset by the expected gross premiums, fees and charges relating to the existing business in force.

Estimated cash benefit payments are based on mortality, morbidity and lapse assumptions comparable with AEGON's historical experience, modified for recently observed trends. Actual payment obligations may differ if experience varies from these assumptions. The cash benefit payments are presented on an undiscounted basis and are before deduction of tax and before reinsurance.

Financial liabilities relating to insurance and investment contracts [1]	On Demand	< 1 yr Amount	1 < 5 yrs Amount	5 < 10 yrs Amount	> 10 yrs Amount	Total
2009						
Insurance contracts	–	6,169	24,766	20,165	124,647	175,747
Insurance contracts for account of policyholders	–	5,490	21,821	17,945	70,682	115,938
Investment contracts	–	8,140	15,425	2,350	5,916	31,831
Investment contracts for account of policyholders	77	3,698	16,464	19,853	79,368	119,460
2008						
Insurance contracts	–	6,150	22,078	19,653	134,383	182,264
Insurance contracts for account of policyholders	–	3,480	19,162	15,960	76,503	115,105
Investment contracts	–	12,698	17,753	3,473	8,222	42,146
Investment contracts for account of policyholders	189	2,784	13,193	15,117	56,589	87,872

[1] The liability amount in the consolidated financial statement reflects the discounting for interest as well as adjustments for the timing of other factors as described above. As a result, the sum of the cash benefit payments shown for all years in the table exceeds the corresponding liability amounts included in notes 20, 21 and 23.

The following table details the Group's liquidity analysis for its derivative financial instruments, based on the undiscounted contractual net cash inflows and outflows on derivative instruments that settle on a net basis, and the undiscounted gross inflows and outflows on those derivatives that require gross settlement.

Maturity analysis (derivatives [1]) (Contractual cash flows) 2009	On Demand	< 1 yr Amount	1 < 5 yrs Amount	5 < 10 yrs Amount	> 10 yrs Amount	Total amount
Gross settled						
Cash inflows	–	15,805	20,208	18,926	38,119	93,058
Cash outflows	–	(15,906)	(20,791)	(20,035)	(38,933)	(95,665)
Net settled						
Cash inflows	–	545	1,640	1,633	5,750	9,568
Cash outflows	–	(625)	(1,731)	(1,697)	(4,970)	(9,023)

[1] Financial derivatives include all derivatives regardless whether they have a positive or a negative value. It does not include bifurcated embedded derivatives. These are presented together with the host contract. For interest rate derivatives only cash flows related to the pay leg are taken into account for determining the gross undiscounted cash flows.

In accordance with first time adoption requirements of the amendment to IFRS 7, this information is required only for the current year and comparative information is not required.

UNDERWRITING RISK

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

Sources of underwriting risk include policy lapses and policy claims (such as mortality and morbidity). In general, AEGON is at risk if policy lapses increase as sometimes AEGON is unable to fully recover up front expenses in selling a product despite the presence of commission recoveries or surrender charges and fees.

For mortality and morbidity risk, AEGON sells certain types of policies that are at risk if mortality or morbidity increases, such as term life insurance and accident insurance, and sells certain types of policies that are at risk if mortality decreases (longevity risk) such as annuity products. AEGON is also at risk if expenses are higher than assumed by management.

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

Sensitivity analysis of net income and shareholders' equity to various underwriting risks is shown in the table that follows on the next page. The sensitivities represent an increase or decrease of mortality and morbidity rates over 2009. Increases in mortality rates lead to an increase in the level of benefits and claims. The impact on net income and equity of sales transactions of investments required to meet the higher cash outflow is reflected in the sensitivities.

Sensitivity analysis of net income and shareholders' equity to changes in various underwriting risks Estimated approximate effect	2009		2008	
	On Equity	On Net income	On Equity	On Net income
20% increase in lapse rates	(30)	(29)	(58)	(58)
20% decrease in lapse rates	26	25	44	44
10% increase in mortality rates	(102)	(102)	(142)	(142)
10% decrease in mortality rates	104	103	122	122
10% increase in morbidity rates	(67)	(67)	(72)	(72)
10% decrease in morbidity rates	66	66	71	71

A change in actual experience with mortality or morbidity rates may not lead to a change in the assumptions underlying the measurement of the insurance liabilities as management may recognize that the change is temporary. Life insurers are also exposed to longevity risk. In practice, however, this longevity risk can be mitigated, for example by adjusting premium.

OTHER RISKS

As required under European Union state aid rules, the Dutch State notified the European Commission of the issuance by us in December 2008 of EUR 3 billion of non-voting convertible core capital securities to Vereniging AEGON, which was funded by the Dutch State. Last year, the European Commission found the aid provided by the Dutch State to be compatible with the common market, raised no objection against the notified aid and authorized it as emergency intervention in the face of the financial crisis for a period of six months. Emergency intervention is required to be re-evaluated after six months on the basis of a credible and substantiated plan for the long term viability of AEGON. Provided a credible plan is submitted, the authorization of the emergency intervention is automatically prolonged until the European Commission reaches its decision on this viability plan. The European Commission distinguishes between institutions which are fundamentally sound and institutions suffering from more structural solvency problems. Should the European Commission conclude that we do not qualify as a fundamentally sound institution, the European Commission might expect us to take other and additional (restructuring) measures than those currently foreseen in order to find the Dutch State aid compatible with the common market. Should the European Commission conclude that, on the basis of the viability plan or at any time as long as the Dutch State loan to Vereniging AEGON is in place, the Dutch State aid ceases to be compatible with the common market, the European Commission might ultimately oblige the Dutch State to unwind the December 2008 transaction, which would require the EUR 2 billion remaining outstanding to be repaid to the Dutch State. The Dutch State recently submitted a viability plan regarding AEGON to the European Commission, which is evaluating the plan. Due to a lack of sufficient certainty about the application of state aid provided to financial institutions in the context of the current global financial crisis, it is not possible to provide additional specificity on either the timing or likelihood of outcome of the European Commission's evaluation. A failure by the European Commission to reach a final decision on the acceptability of this viability plan within a reasonable timeframe could have a material adverse effect on our business, results of operations and financial condition, primarily due to uncertainty regarding the possible consequences of such a decision.

NOTE 5 SEGMENT INFORMATION

Income statement - Underlying earnings	Americas	The Nether-lands	United Kingdom	Other countries	Holding and other activities	Elimi-nations	**Total**
2009							
Underlying earnings before tax geographically	**805**	**398**	**48**	**161**	**(252)**	**–**	**1,160**
Over / (under) performance of fair value items	(30)	(247)	6	–	(189)	–	(460)
Total operating earnings before tax	**775**	**151**	**54**	**161**	**(441)**	**–**	**700**
Gains and losses on investments	6	224	101	7	94	–	432
Impairment charges	(1,065)	(133)	(183)	(23)	(5)	–	(1,409)
Impairment reversals	114	22	–	–	–	–	136
Other income / (charges)	(3)	–	66	(387)	–	1	(323)
Income / (loss) before tax	**(173)**	**264**	**38**	**(242)**	**(352)**	**1**	**(464)**
Income tax	669	(23)	(33)	(43)	98	–	668
NET INCOME / (LOSS)	**496**	**241**	**5**	**(285)**	**(254)**	**1**	**204**
Inter-segment underlying earnings	*(19)*	*(11)*	*3*	*(5)*	*32*		
2008							
Underlying earnings before tax geographically	**1,073**	**378**	**141**	**93**	**(130)**	**18**	**1,573**
Over / (under) performance of fair value items	(1,660)	(165)	(19)	–	225	–	(1,619)
Total operating earnings before tax	**(587)**	**213**	**122**	**93**	**95**	**18**	**(46)**
Gains and losses on investments	(71)	20	(21)	(10)	117	–	35
Impairment charges	(812)	(138)	(22)	(68)	(34)	–	(1,074)
Impairment reversals	36	–	–	–	–	–	36
Other income / (charges)	4	–	(17)	1	(1)	1	(12)
Income / (loss) before tax	**(1,430)**	**95**	**62**	**16**	**177**	**19**	**(1,061)**
Income tax	51	(1)	18	(25)	(64)	–	(21)
NET INCOME / (LOSS)	**(1,379)**	**94**	**80**	**(9)**	**113**	**19**	**(1,082)**
Inter-segment underlying earnings	*(69)*	*(35)*	*2*	*(6)*	*108*		
2007							
Underlying earnings before tax geographically	**1,993**	**418**	**271**	**142**	**(195)**	**10**	**2,639**
Over / (under) performance of fair value items	109	(381)	–	–	–	–	(272)
Total operating earnings before tax	**2,102**	**37**	**271**	**142**	**(195)**	**10**	**2,367**
Gains and losses on investments	275	465	(8)	14	–	–	746
Impairment charges	(104)	(31)	(4)	–	–	–	(139)
Impairment reversals	56	7	–	–	–	–	63
Other income / (charges)	–	30	8	–	1	1	40
Income / (loss) before tax	**2,329**	**508**	**267**	**156**	**(194)**	**11**	**3,077**
Income tax	(733)	98	–	(83)	192	–	(526)
NET INCOME / (LOSS)	**1,596**	**606**	**267**	**73**	**(2)**	**11**	**2,551**
Inter-segment underlying earnings	*(57)*	*(35)*	*–*	*(1)*	*93*		

Revenues 2009	Americas	The Netherlands	United Kingdom	Other countries	Holding and other act.	Elimi- nations	**Total**
Life insurance gross premiums	5,889	3,066	7,014	934	–	–	16,903
Accident and health insurance	1,689	206	–	70	–	–	1,965
General insurance	–	457	–	148	–	–	605
Total gross premiums	**7,578**	**3,729**	**7,014**	**1,152**	**–**	**–**	**19,473**
Investment income	3,908	2,211	2,316	203	87	(44)	8,681
Fee and commission income	896	383	195	119	–	–	1,593
Other revenues	2	–	–	2	–	–	4
TOTAL REVENUES	**12,384**	**6,323**	**9,525**	**1,476**	**87**	**(44)**	**29,751**
Inter-segment revenues	*1*	*2*	*3*	*–*	*38*		
2008							
Life insurance gross premiums	5,937	3,204	9,017	1,637	–	–	19,795
Accident and health insurance	1,713	210	–	74	–	–	1,997
General insurance	–	458	–	159	–	–	617
Total gross premiums	**7,650**	**3,872**	**9,017**	**1,870**	**–**	**–**	**22,409**
Investment income	4,677	2,387	2,521	282	218	(120)	9,965
Fee and commission income	938	416	239	110	–	–	1,703
Other revenues	2	–	–	2	1	–	5
TOTAL REVENUES	**13,267**	**6,675**	**11,777**	**2,264**	**219**	**(120)**	**34,082**
Inter-segment revenues	*4*	*–*	*2*	*–*	*114*		
2007							
Life insurance gross premiums	7,955	3,175	10,811	2,269	–	–	24,210
Accident and health insurance	1,848	203	–	71	–	–	2,122
General insurance	–	432	–	136	–	–	568
Total gross premiums	**9,803**	**3,810**	**10,811**	**2,476**	**–**	**–**	**26,900**
Investment income	5,471	2,120	2,560	241	180	(115)	10,457
Fee and commission income	1,056	443	321	80	–	–	1,900
Other revenues	10	–	–	1	3	–	14
TOTAL REVENUES	**16,340**	**6,373**	**13,692**	**2,798**	**183**	**(115)**	**39,271**
Inter-segment revenues	*11*	*–*	*–*	*–*	*104*		

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

	Note	2009	2008	2007
Underlying earnings before tax		**1,160**	**1,573**	**2,639**
Over / (under) performance of fair value items	2.5	(460)	(1,619)	(272)
Total operating earnings before tax	36	**700**	**(46)**	**2,367**
Realized gains and (losses) on financial investments	36	475	99	957
Gains and (losses) on investments in real estate	36	(179)	(48)	137
Fair value changes on economic hedges for which no hedge accounting is applied	36	152	(46)	(340)
Ineffective portion of hedge transactions for which hedge accounting is applied	36	(41)	50	16
Realized gains and (losses) on repurchased debt	40	11	–	–
DPAC/VOBA offset		78	14	1
Impairment (charges) / reversals of financial assets, excluding receivables	41	(1,331)	(1,072)	(88)
Other income / (charges)	37, 38, 43	(329)	(12)	27
INCOME / (LOSS) BEFORE TAX		**(464)**	**(1,061)**	**3,077**

Other selected income statement items	Americas	The Nether-lands	United Kingdom	Other countries	Holding and other activities	Total
2009						
Amortization of deferred expenses, VOBA and future servicing rights	1,118	125	237	89	–	1,569
Depreciation	39	23	14	13	1	90
Impairment charges / (reversals) on financial assets, excluding receivables	1,005	111	183	23	5	1,327
Impairment charges / (reversals) on non-financial assets and receivables	22	15	1	–	–	38
2008						
Amortization of deferred expenses, VOBA and future servicing rights	999	133	246	179	–	1,557
Depreciation	38	17	14	14	1	84
Impairment charges / (reversals) on financial assets, excluding receivables	815	138	22	70	34	1,079
Impairment charges / (reversals) on non-financial assets and receivables	38	–	–	3	–	41
2007						
Amortization of deferred expenses, VOBA and future servicing rights	743	161	278	99	–	1,281
Depreciation	41	16	17	11	1	86
Impairment charges / (reversals) on financial assets, excluding receivables	44	24	3	–	–	71
Impairment charges / (reversals) on non-financial assets and receivables	28	–	–	2	–	30

Number of employees	Americas	The Nether-lands	United Kingdom	Other countries	Holding and other activities	Total
2009						
Employees – excluding agents	12,714	4,852	4,759	2,498	267	25,090
Agent employees	1,480	658	92	1,062	–	3,292
TOTAL	**14,194**	**5,510**	**4,851**	**3,560**	**267**	**28,382**
2008						
Employees – excluding agents	13,431	5,226	5,068	3,000	254	26,979
Agent employees	1,641	945	121	1,739	–	4,446
TOTAL	**15,072**	**6,171**	**5,189**	**4,739**	**254**	**31,425**
2007						
Employees – excluding agents	12,778	5,138	4,851	2,488	191	25,446
Agent employees	2,379	1,062	139	1,388	–	4,968
TOTAL	**15,157**	**6,200**	**4,990**	**3,876**	**191**	**30,414**

Analysis of operating earnings before tax from non-life business	Accident and health insurance	General insurance	Total
			2009
Premium income	1,965	605	2,570
Investment income	262	37	299
Fee and commission income	102	–	102
Income from reinsurance ceded	275	–	275
Gains and losses on investments	(2)	2	–
Premiums to reinsurers	(280)	(25)	(305)
Policyholder claims and benefits	(1,268)	(372)	(1,640)
Commissions and expenses	(815)	(211)	(1,026)
Other revenue	2	–	2
TOTAL	**241**	**36**	**277**

Analysis of operating earnings before tax from non-life business	Accident and health insurance	General insurance	Total
			2008
Premium income	1,997	616	2,613
Investment income	251	49	300
Fee and commission income	98	–	98
Income from reinsurance ceded	264	8	272
Gains and losses on investments	(21)	(2)	(23)
Premiums to reinsurers	(294)	(22)	(316)
Policyholder claims and benefits	(1,252)	(360)	(1,612)
Commissions and expenses	(796)	(244)	(1,040)
TOTAL	**247**	**45**	**292**

Analysis of operating earnings before tax from non-life business	Accident and health insurance	General insurance	Total
			2007
Premium income	2,124	568	2,692
Investment income	258	52	310
Fee and commission income	115	–	115
Income from reinsurance ceded	331	(2)	329
Gains and losses on investments	10	2	12
Premiums to reinsurers	(307)	(19)	(326)
Policyholder claims and benefits	(1,344)	(345)	(1,689)
Commissions and expenses	(820)	(209)	(1,029)
TOTAL	**367**	**47**	**414**

Summarized assets and liabilities per segment	Americas	The Nether-lands	United Kingdom	Other countries	Holding and other activities	Elimi-nations	Total
2009							
ASSETS							
VOBA and future servicing rights	2,741	155	757	203	–	–	3,856
Investments general account	85,770	36,144	7,917	2,706	1,671	(3)	134,205
Investments for account of policyholders	49,920	21,749	51,768	2,413	–	(5)	125,845
Investments in associates	72	53	8	560	4	(1)	696
Deferred expenses	7,495	432	3,108	193	–	–	11,228
Other assets	9,579	7,589	2,672	873	30,088	(27,997)	22,804
TOTAL ASSETS	**155,577**	**66,122**	**66,230**	**6,948**	**31,763**	**(28,006)**	**298,634**
LIABILITIES							
Insurance contracts general account	62,575	20,833	8,422	1,960	–	–	93,790
Insurance contracts for account of policyholders	37,092	22,318	7,924	2,426	–	–	69,760
Investment contracts general account	20,939	6,237	614	142	–	–	27,932
Investment contracts for account of policyholders	12,882	2	44,533	4	–	–	57,421
Other liabilities	9,876	13,188	2,249	681	12,880	(8,026)	30,848
TOTAL LIABILITIES	**143,364**	**62,578**	**63,742**	**5,213**	**12,880**	**(8,026)**	**279,751**

Summarized assets and liabilities per segment	Americas	The Nether-lands	United Kingdom	Other countries	Holding and other activities	Elimi-nations	Total
2008							
ASSETS							
VOBA and future servicing rights	3,530	174	732	205	–	–	4,641
Investments general account	86,793	32,163	5,212	6,243	72	(2)	130,481
Investments for account of policyholders	42,353	19,133	41,856	2,067	–	(9)	105,400
Investments in associates	21	55	14	503	4	(2)	595
Deferred expenses	8,815	520	2,762	434	–	–	12,531
Other assets	14,095	13,548 [1]	4,057	1,021	28,273	(25,601)	35,393
TOTAL ASSETS	**155,607**	**65,593**	**54,633**	**10,473**	**28,349**	**(25,614)**	**289,041**
LIABILITIES							
Insurance contracts general account	61,584	23,542	6,730	5,521	–	–	97,377
Insurance contracts for account of policyholders	32,787	18,563	7,520	1,938	–	–	60,808
Investment contracts general account	30,233	5,313	535	150	–	–	36,231
Investment contracts for account of policyholders	9,621	4	35,861	128	–	–	45,614
Other liabilities	13,748	15,217 [1]	2,666	787	14,589	(11,756)	35,251
TOTAL LIABILITIES	**147,973**	**62,639**	**53,312**	**8,524**	**14,589**	**(11,756)**	**275,281**

[1] 2008 balance has been reclassified for comparative purposes.

Investments	Americas	The Netherlands	United Kingdom	Other countries	Holding and other activities	Eliminations	Total
2009							
Shares	1,331	661	54	53	–	(3)	2,096
Bonds	60,182	20,384	7,852	2,001	1,049	–	91,468
Loans	11,978	12,975	11	604	–	–	25,568
Other financial assets	11,783	40	–	48	622	–	12,493
Investments in real estate	496	2,084	–	–	–	–	2,580
Investments general account	**85,770**	**36,144**	**7,917**	**2,706**	**1,671**	**(3)**	**134,205**
Shares	–	7,184	26,524	895	–	(5)	34,598
Bonds	–	13,777	14,367	159	–	–	28,303
Separate accounts and investment funds	49,920	–	4,772	1,117	–	–	55,809
Other financial assets	–	788	5,057	242	–	–	6,087
Investments in real estate	–	–	1,048	–	–	–	1,048
Investments for account of policyholders	**49,920**	**21,749**	**51,768**	**2,413**	**–**	**(5)**	**125,845**
Investments on balance sheet	135,690	57,893	59,685	5,119	1,671	(8)	260,050
Off balance sheet investments third parties	77,676	12,968	3,116	7,208	–	–	100,968
TOTAL REVENUE GENERATING INVESTMENTS	**213,366**	**70,861**	**62,801**	**12,327**	**1,671**	**(8)**	**361,018**
Investments							
Available-for-sale	69,211	20,944	7,819	1,888	1,049	–	100,911
Loans	11,978	12,975	11	604	–	–	25,568
Held-to-maturity	–	–	–	70	–	–	70
Financial assets at fair value through profit or loss	54,005	21,890	50,807	2,557	622	(8)	129,873
Investments in real estate	496	2,084	1,048	–	–	–	3,628
TOTAL INVESTMENTS ON BALANCE SHEET	**135,690**	**57,893**	**59,685**	**5,119**	**1,671**	**(8)**	**260,050**
Investments in associates	72	53	8	560	4	(1)	696
Other assets	19,815	8,176	6,537	1,269	30,088	(27,997)	37,888
CONSOLIDATED TOTAL ASSETS	**155,577**	**66,122**	**66,230**	**6,948**	**31,763**	**(28,006)**	**298,634**

Investments	Americas	The Nether-lands	United Kingdom	Other countries	Holding and other activities	Elimi-nations	Total
2008							
Shares	1,031	1,297	41	183	52	(2)	2,602
Bonds	60,247	18,298	5,161	4,830	20	–	88,556
Loans	13,792	10,416	10	1,115	–	–	25,333
Other financial assets	11,235	112	–	115	–	–	11,462
Investments in real estate	488	2,040	–	–	–	–	2,528
Investments general account	**86,793**	**32,163**	**5,212**	**6,243**	**72**	**(2)**	**130,481**
Shares	–	6,416	18,225	167	–	(9)	24,799
Bonds	–	11,675	13,307	330	–	–	25,312
Separate accounts and investment funds	42,353	–	2,500	1,420	–	–	46,273
Other financial assets	–	1,042	6,693	150	–	–	7,885
Investments in real estate	–	–	1,131	–	–	–	1,131
Investments for account of policyholders	**42,353**	**19,133**	**41,856**	**2,067**	**–**	**(9)**	**105,400**
Investments on balance sheet	129,146	51,296	47,068	8,310	72	(11)	235,881
Off balance sheet investments third parties	76,478	11,783	2,403	5,299	–	–	95,963
TOTAL REVENUE GENERATING INVESTMENTS	**205,624**	**63,079**	**49,471**	**13,609**	**72**	**(11)**	**331,844**
Investments							
Available-for-sale	67,862	19,110	5,101	2,602	72	–	94,747
Loans	13,792	10,416	10	1,115	–	–	25,333
Held-to-maturity	–	–	–	2,270	–	–	2,270
Financial assets at fair value through profit or loss	47,004	19,730	40,826	2,323	–	(11)	109,872
Investments in real estate	488	2,040	1,131	–	–	–	3,659
TOTAL INVESTMENTS ON BALANCE SHEET	**129,146**	**51,296**	**47,068**	**8,310**	**72**	**(11)**	**235,881**
Investments in associates	21	55	14	503	4	(2)	595
Other assets	26,440	14,242 [1]	7,551	1,660	28,273	(25,601)	52,565
CONSOLIDATED TOTAL ASSETS	**155,607**	**65,593**	**54,633**	**10,473**	**28,349**	**(25,614)**	**289,041**

[1] 2008 balance has been reclassified for comparative purposes.

NOTE 6 INTANGIBLE ASSETS

Net book value	Goodwill	VOBA	Future servicing rights	Software	Other	Total
At January 1, 2008	433	3,927	441	33	60	4,894
At December 31, 2008	720	4,119	522	29	35	5,425
AT DECEMBER 31, 2009	**720**	**3,362**	**493**	**18**	**16**	**4,609**
Cost						
At January 1, 2009	720	6,996	650	207	69	8,642
Additions	–	4	–	7	–	11
Acquisitions through business combinations	6	–	8	–	–	14
Capitalised subsequent expenditure	–	–	–	2	–	2
Disposals	–	–	–	(12)	–	(12)
Disposal of a business	–	–	–	(5)	–	(5)
Net exchange differences	(6)	(35)	(10)	11	(1)	(41)
AT DECEMBER 31, 2009	**720**	**6,965**	**648**	**210**	**68**	**8,611**
Accumulated amortization, depreciation and impairment losses						
At January 1, 2009	–	2,877	128	178	34	3,217
Amortization / depreciation through income statement	–	332	26	18	3	379
Shadow accounting adjustments	–	427	–	–	–	427
Impairment losses	–	–	1	–	15	16
Disposals	–	–	–	(12)	–	(12)
Disposal of a business	–	–	–	(1)	–	(1)
Net exchange differences	–	(33)	–	9	–	(24)
AT DECEMBER 31, 2009	**–**	**3,603**	**155**	**192**	**52**	**4,002**
Cost						
At January 1, 2008	433	7,024	555	268	64	8,344
Additions	–	24	2	11	1	38
Acquisitions through business combinations	297	42	111	–	3	453
Disposals	–	–	–	(26)	–	(26)
Net exchange differences	(6)	(94)	(18)	(46)	1	(163)
Other	(4)	–	–	–	–	(4)
AT DECEMBER 31, 2008	**720**	**6,996**	**650**	**207**	**69**	**8,642**
Accumulated amortization, depreciation and impairment losses						
At January 1, 2008	–	3,097	114	235	4	3,450
Amortization / depreciation through income statement	–	212	13	11	4	240
Shadow accounting adjustments	–	(444)	–	–	–	(444)
Impairment losses	–	–	10	–	26	36
Disposals	–	–	–	(25)	–	(25)
Net exchange differences	–	12	(9)	(43)	–	(40)
AT DECEMBER 31, 2008	**–**	**2,877**	**128**	**178**	**34**	**3,217**

In the preparation of the Opening Balance Sheet under IFRS as at January 1, 2004, business combinations prior to that date have not been restated and goodwill previously written off through equity has not been reinstated.

Amortization and depreciation through the income statement is included in 'Commissions and expenses'.

None of the intangible assets have titles that are restricted or have been pledged as security for liabilities.

Of additions to goodwill in 2008 of EUR 297 million, an amount of EUR 229 million relates to acquisitions of joint ventures by AEGON Spain during 2008 and amounts of EUR 6 million, EUR 30 million and EUR 39 million relates to acquisition in Hungary, Turkey and Poland respectively.

Of additions to goodwill in 2009 of EUR 6 million, an amount of EUR 3 million, EUR 1 million and EUR 2 million relates to acquisitions in Romania, United States and the Netherlands respectively. Refer to note 52 for further information on the business combinations entered into by AEGON in 2008 and 2009.

The goodwill balance has been allocated across the cash-generating units which are expected to benefit from the synergies inherent in the goodwill. Goodwill is tested for impairment both annually and in addition, when there are specific indicators of a potential impairment. The recoverable amount is the higher of the value in use and fair value less costs to sell for a cash-generating unit. A geographical summary of the cash-generating units to which the goodwill is allocated is as follows:

	2009	2008
Americas		
- USA	210	216
Other countries		
- Spain	336	336
- Central and Eastern Europe	107	103
Other	67	65
AT DECEMBER 31	**720**	**720**

Goodwill in AEGON USA is allocated to its divisions.

Value in use calculations have been actuarially determined based on business plans covering a period of typically 5 years and pre-tax risk adjusted discount rates ranging between 11% and 17% (2008: between 9% and 17%). Projections beyond that date have been extrapolated using a declining growth rate up to a maximum of 5% (2008: 5%). Key assumptions used for the calculation include new business, renewals, value of new business, asset fees, investment return, persistency, expense inflation and mortality.

Fair value less costs to sell calculations were estimated based on the appraisal value for the cash-generating units using embedded value principles. Appraisal value represents available net asset value and the shareholders' interest in the long-term business plus a multiple of the value of new business. Key assumptions used for the calculation were pre-tax risk adjusted discount rates of 11% (2008: 11%), future premiums, commissions, inflation, persistency, mortality, morbidity and future investment returns.

The operating assumptions used in all the calculations are best estimate assumptions and based on historical data where available. The economic assumptions used in all the calculations are based on observable market data and projections of future trends.

All the cash-generating units tested showed that the recoverable amounts were higher than their carrying values, including goodwill. A reasonably possible change in any key assumption is not expected to cause the carrying value of the cash-generating units to exceed its recoverable amount.

The value in use test in the USA includes two cash generating units for which the following key assumptions were used:
- Employer solutions & pensions (EUR 81 million): business plans covering a period of 5 years further extrapolated to 15 years where the new business levels for years 6-15 were set equal to the year 5 new business level, pre-tax risk adjusted discount rate of 12%.
- Individual savings & retirement (EUR 127 million): business plans covering a period of 5 years further extrapolated to 10 years where the new business levels for years 6-10 assumed a 5% growth rate, pre-tax risk adjusted discount rate of 17%.

The fair value less cost to sell for our business in AEGON Spain were based on business plans covering a period of 5 years, pre-tax risk adjusted discount rate of 11% and assumptions for future premiums, commissions, inflation, persistency, mortality, morbidity and future investment returns in line with AEGON's European embedded value assumptions.

With the exception of goodwill, all intangible assets have a finite useful life and are amortized accordingly. VOBA and Future servicing rights are amortized over the term of the related insurance contracts, which can vary significantly depending on the maturity of the acquired portfolio.

The VOBA currently recognized is amortized over an average period of 12 to 15 years, with an average remaining amortization period of 11 years (2008: 11 years). Future servicing rights are amortized over an average period up to 35 years, of which 13 remains at December 31, 2009 (2008: 13 years). Software is generally depreciated over a period of three to five years. At December 31, 2009, the remaining depreciation period was 2 years (2008: 2 years).

NOTE 7 INVESTMENTS

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

	Note	2009	2008
Available-for-sale (AFS)		100,911	94,747
Loans		25,568	25,333
Held-to-maturity (HTM)		70	2,270
Financial assets at fair value through profit or loss (FVTPL) [1]		5,076	5,603
Total financial assets, excluding derivatives	**7.1**	**131,625**	**127,953**
Investments in real estate	7.2	2,580	2,528
TOTAL INVESTMENTS FOR GENERAL ACCOUNT		**134,205**	**130,481**

[1] Refer to note 49 for a summary of all financial assets and financial liabilities at fair value through profit or loss.

NOTE 7.1 FINANCIAL ASSETS, EXCLUDING DERIVATIVES

	AFS	FVTPL	HTM	Loans	Total	Fair value
2009						
Shares	1,097	999	–	–	2,096	2,096
Debt securities	89,716	1,682	70	–	91,468	91,468
Money market and other short-term investments	9,189	875	–	–	10,064	10,064
Mortgages	–	–	–	21,525	21,525	21,208
Private loans	–	–	–	760	760	820
Deposits with financial institutions	–	–	–	1,047	1,047	1,047
Policy loans	–	–	–	2,039	2,039	2,039
Receivables out of share lease agreements	–	–	–	39	39	39
Other	909	1,520	–	158	2,587	2,587
AT DECEMBER 31, 2009	**100,911**	**5,076**	**70**	**25,568**	**131,625**	**131,368**
2008						
Shares	1,429	1,173	–	–	2,602	2,602
Debt securities	84,019	2,282	2,255	–	88,556	88,690
Money market and other short-term investments	8,318	146	–	–	8,464	8,464
Mortgages	–	–	–	20,166	20,166	19,293
Private loans	–	–	–	822	822	818
Deposits with financial institutions	–	–	–	1,640	1,640	1,640
Policy loans	–	–	–	2,473	2,473	2,473
Receivables out of share lease agreements	–	–	–	54	54	54
Other	981	2,002	15	178	3,176	3,176
AT DECEMBER 31, 2008	**94,747**	**5,603**	**2,270**	**25,333**	**127,953**	**127,210**

Of the debt securities, money market and other short-term investments, mortgages and private loans EUR 23,788 million is current (2008: EUR 17,883 million).

DERECOGNITION

As part of the AEGON Levensverzekering N.V. funding program the company regularly enters into securitization contracts for its mortgage loans. At December 31, 2009 a total of five publicly placed and one privately placed securitization contracts were outstanding with a total value of EUR 3.9 billion (2008: EUR 4.0 billion).

In the last quarter of 2007 the first of the publicly placed securitizations (SAECURE 1) was called by the special purpose vehicle. In 2006, AEGON Levensverzekering N.V. terminated one of the two privately placed securitization transactions reported in prior years. Also, it completed one publicly placed securitization transaction in 2006, whereby the economic ownership of EUR 2.1 billion of aggregate mortgage receivables was conveyed to a special purpose company. The special purpose company funded the purchase of mortgages from AEGON Nederland with the issuance of mortgage-backed securities. The transfer of ownership title will take place only if the borrowers are duly notified by the special purpose company upon the occurrence of certain pre-defined 'notification events'. At the same time AEGON entered into a fixed-to-floating swap agreement with the contract parties under which AEGON agreed to pay the floating rate (EURIBOR based) and receive the fixed rate (yield from the mortgage receivables). After a period of seven years, the interest of the notes issued by the special purpose company in respect of this transaction will step-up, together with a similar step-up in the fixed-to-floating swap agreement. At that same time, the special purpose company has the right to call the notes. A deferred purchase arrangement forming part of the contract to sell the mortgage loans to the special purpose company entitles AEGON Levensverzekering N.V. to any specified residual positive value of the special purpose entity at maturity.

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 3.3% portion of securitized mortgage loans forming part of SAECURE 4 and amounting to EUR 13 million (2008: EUR 13 million) continues to be recognized as a financial asset on balance, representing the interest rate risk retained by AEGON in respect of the fourth publicly placed securitization contract.

MEASUREMENT

AEGON owns EUR 194 million (2008: EUR 201 million) of shares in the Federal Home Loan Bank that are measured at par, which equals the amortized cost value. The bank has implicit financial support from the United States government. The redemption value of the shares is fixed at par and can only be redeemed by the bank.

Only other insignificant amounts of unquoted equity instruments are measured at cost.

Refer to note 3 for information on the fair value measurement.

OTHER

Movement on the loan allowance account during the year were as follows:

	2009	2008
At January 1	(90)	(58)
Addition charged to income statement	(132)	(49)
Reversal to income statement	20	–
Amounts written off	50	19
Net exchange differences	2	(2)
AT DECEMBER 31	**(150)**	**(90)**

Refer to note 51 for a discussion of collateral received and paid.

NOTE 7.2 INVESTMENTS IN REAL ESTATE

	2009	2008
At January 1	2,528	2,521
Additions	139	161
Subsequent expenditure capitalized	4	4
Transfers to other headings	164	102
Disposals	(58)	(241)
Fair value gains / (losses)	(179)	(48)
Net exchange differences	(18)	29
AT DECEMBER 31	**2,580**	**2,528**

In 2009, 89% of the value of AEGON's properties, both for general account and for account of policyholders, were appraised (2008: 95%), of which 92% was performed by independent external appraisers (2008: 84%).

AEGON USA has entered into commercial property leases on its investment property portfolio, consisting of office, retail and industrial buildings. These non-cancellable leases have remaining lease terms up to 20 years. Most leases include a clause to enable upward revision of the rental charge on an annual basis according to either a fixed schedule or prevailing market conditions.

AEGON The Netherlands has entered into long-term residential property leases that can be terminated subject to a short-term notice. Under Dutch law, the maximum annual rent increase on residential property rented in the affordable housing segment is specified by the Dutch national government and equals the annual inflation rate plus a small margin.

Refer to note 50 for description of non-cancellable lease rights.

Rental income of EUR 86 million (2008: EUR 96 million; 2007: EUR 89 million) is reported as part of investment income in the income statement. EUR 7 million (2008: nil; 2007: nil) is attributable to rent on foreclosed real estate.

Direct operating expenses (including repairs and maintenance) arising from investment property that generated rental income during the period amounted to EUR 65 million (2008: EUR 53 million; 2007: EUR 53 million). EUR 2 million (2008: EUR 1 million; 2007: EUR 1 million) of direct operating expenses is related to investment property that did not generate rental income during the period.

There are no restrictions on the realizability of investment property or the remittance of income and proceeds of disposal.

Refer to note 50 for a summary of contractual obligations to purchase investment property or for repairs, maintenance or enhancements.

NOTE 8 INVESTMENTS FOR ACCOUNT OF POLICYHOLDERS

Investments for account of policyholders comprise financial assets at fair value through profit or loss, excluding derivatives, and investments in real estate.

	Note	2009	2008
Shares		34,598	24,799
Debt securities		28,303	25,312
Money market and other short-term investments		2,925	3,761
Deposits with financial institutions		2,357	3,070
Separate accounts and unconsolidated investment funds		55,809	46,273
Other		805	1,054
Total investments for account of policyholders at fair value through profit or loss, excluding derivatives [1]		**124,797**	**104,269**
Investments in real estate	8.1	1,048	1,131
TOTAL INVESTMENTS FOR ACCOUNT OF POLICYHOLDERS		**125,845**	**105,400**

[1] Refer to note 49 for a summary of all financial assets and financial liabilities at fair value through profit or loss.

NOTE 8.1 INVESTMENTS IN REAL ESTATE

	2009	2008
At January 1	1,131	2,508
Additions	77	–
Subsequent expenditure capitalized	12	3
Disposals	(217)	(411)
Fair value gains / (losses)	(37)	(550)
Net exchange differences	82	(419)
AT DECEMBER 31	**1,048**	**1,131**

The investment property is fully leased out under operating leases.

Rental income of EUR 76 million (2008: EUR 115 million) is reported as part of investment income in the income statement. There are no restrictions on the realizability of investment property or the remittance of income and proceeds of disposal.

Refer to note 50 for a summary of contractual obligations to purchase investment property or for repairs, maintenance or enhancements.

NOTE 9 DERIVATIVES

	Derivative asset		Derivative liability	
	2009	2008	2009	2008
Derivatives for general account				
Derivatives not designated in a hedge [1]	3,614	5,889	4,375	5,504
Derivatives designated as fair value hedges	340	761	606	1,362
Derivatives designated as cash flow hedges	315	1,584	354	507
Net foreign investment hedges	159	277	138	202
	4,428	**8,511**	**5,473**	**7,575**
Derivatives for account of policyholders				
Derivatives not designated in a hedge	489	1,328	243	296
	489	**1,328**	**243**	**296**
TOTAL DERIVATIVES [2]	**4,917**	**9,839**	**5,716**	**7,871**

[1] 2008 balance has been reclassified for comparative purposes.
[2] Refer to note 49 for a summary of all financial assets and financial liabilities at fair value through profit or loss.

Of these derivatives EUR 77 million net liability is current (2008: EUR 374 million net liability).

See note 3 for details on measurement of derivatives.

USE OF DERIVATIVES

	Derivative asset		Derivative liability	
Derivatives not designated in a hedge – general account	2009	2008	2009	2008
Derivatives held as an economic hedge	3,541	5,568	2,642	2,125
Bifurcated embedded derivatives	22	112	1,671	2,628
Other	51	209	62	751
TOTAL	**3,614**	**5,889**	**4,375**	**5,504**

AEGON utilizes derivative instruments as a part of its asset liability risk management practices. The derivatives held for risk management purposes are classified as economic hedges to the extent that they do not qualify for hedge accounting, or that AEGON has elected not to apply hedge accounting. The economic hedges of certain exposures relate to an existing asset or liability or the future reinvestment risk. In all cases, these are in accordance with internal risk guidelines and are closely monitored for continuing compliance.

Embedded derivatives that are not closely related to the host contracts have been bifurcated and recorded at fair value in the balance sheet. These bifurcated embedded derivatives are embedded in various institutional products, modified coinsurance and unit linked insurance contracts in the form of guarantees for minimum benefits. As a result of movements in financial markets in 2009 (increased long-term interest rates, lower implied equity volatilities and increased equity markets) the market value of the guarantees embedded in the written insurance contracts decreased significantly. Please refer to note 47 for more disclosures about these guarantees.

Certain derivatives are used to add risk by selling protection in the form of single name credit default swaps and tranches of synthetic collateralized debt and commodity obligations. Another strategy used is to synthetically replicate corporate credit exposures with credit derivatives. This involves the purchase of high quality low risk assets and the sale of credit derivatives. The program is designed to purchase asset positions that are already subject to review by management, but may not be available under the same terms and conditions in the cash bond market. AEGON holds financial derivatives for trading purposes.

In August 2007, the Canadian asset backed commercial paper market experienced a disruption, which included Canadian government intervention and subsequent market litigation. A consortium was established to bring all interested parties together and an agreement was reached in January 2009. The market disruption resulted in AEGON and the counterparty negotiating settlement terms for EUR 99 million notional liquidity facility agreement. Per these terms, AEGON issues embedded contingent options, which reflects potential exposure to underlying senior tranches of synthetic CDOs with a notional of EUR 1.8 billion when losses exceed the fair value of collateral assigned by the counterparty (fair value of collateral is EUR 342 million at December 31, 2009). These embedded options were marked to market at December 31, 2009 (EUR 5 million liability). When the contingent options are exercised, AEGON is exposed to the underlying tranches of the synthetic CDOs. The maturity dates of the underlying synthetic CDOs range from 2013 to 2016.

Furthermore, synthetic Guaranteed Investment Contracts (GICs), liquidity agreements and principal protection agreements have been sold by AEGON to earn a fee.

DERIVATIVE INSTRUMENTS DESIGNATED AS FAIR VALUE HEDGES

AEGON has entered into interest rate swap agreements that effectively convert certain fixed-rate assets and liabilities to a floating-rate basis (generally to six months or less LIBOR). These hedges are used for portfolio management to better match assets to liabilities or to protect the value of the hedged item from interest rate movements. These agreements involve the payment or receipt of fixed-rate interest amounts in exchange for floating-rate interest amounts over the life of the agreement without the exchange of the underlying principal amounts.

AEGON has entered into cross-currency interest rate swap agreements that effectively convert certain foreign currency fixed-rate and floating-rate assets and liabilities to US dollar floating-rate assets and liabilities. These agreements involve the exchange of the underlying principal amounts.

For the years ended December 31, 2009, 2008 and 2007, AEGON recognized gains and (losses) related to the ineffective portion of designated fair value hedges of EUR (31) million, EUR 38 million and EUR 11 million respectively. No portion of derivatives was excluded when assessing hedge effectiveness.

DERIVATIVE INSTRUMENTS DESIGNATED AS CASH FLOW HEDGES

AEGON has entered primarily into interest rate swap agreements that effectively convert certain variable-rate assets and liabilities to a fixed-rate basis in order to match the cash flows of the assets and liabilities within AEGON's portfolio more closely. These agreements involve the payment or receipt of variable-rate interest amounts in exchange for fixed-rate interest amounts over the life of the agreement without the exchange of the underlying principal amounts. AEGON is hedging its exposure to the variability of future cash flows from the interest rate movements for terms up to 32 years for hedges converting existing floating-rate assets and liabilities to fixed-rate assets.

AEGON uses forward starting interest rate swap agreements to hedge the variability in future cash flows associated with the forecasted purchase of fixed-income assets. These agreements reduce the impact of future interest rate changes on the forecasted transaction. Fair value adjustments for these interest rate swaps are deferred and recorded in equity until the occurrence of the forecasted transaction at which time the interest rate swaps will be terminated. The accumulated gain or loss in equity will be amortized into investment income as the acquired asset affects income. AEGON is hedging its exposure to the variability of future cash flows from interest rate movements for terms up to 23 years. The cash flows from these hedging instruments are expected to affect the profit and loss for approximately the next 42 years. For the year ended December 31, 2009, the contracts for which cash flow hedge accounting was terminated resulted in deferred gains of EUR 35 million that are recognized directly in equity to be reclassified into net income during the period when the cash flows occur of the underlying hedged items. For the same year, none of AEGON's cash flow hedges were discontinued, as it was probable that the original forecasted transactions would occur by the end of the originally specified time period documented at the inception of the hedging relationship.

In addition, AEGON also makes use of cross currency swaps to convert variable or fixed foreign currency cash flows into fixed cash flows in local currencies. The cash flows from these hedging instruments are expected to occur over the next 7 to 8 years. These agreements involve the exchange of the underlying principal amounts.

For the year ended December 31, 2009, AEGON recognized a loss of EUR 10 million of hedge ineffectiveness on cash flow hedges. In 2008 and 2007 gains of EUR 12 million and EUR 5 million respectively of hedge ineffectiveness were recorded in the income statement. In 2009 EUR (117) million was reclassed from equity into interest income (2008: EUR 306 million, 2007 EUR 25 million). The amount of deferred gains or losses to be reclassified from equity into net income during the next twelve months is expected to be EUR 6 million.

The periods when the cash flows are expected to occur are as follows:

	< 1 year	1 - 5 years	5 - 10 years	> 10 years	2009 Total
Cash inflows	391	1,743	1,779	1,892	5,805
Cash outflows	2	5	–	–	7
NET CASH FLOWS	**389**	**1,738**	**1,779**	**1,892**	**5,798**

	< 1 year	1 - 5 years	5 - 10 years	> 10 years	2008 Total
Cash inflows	298	1,864	2,154	2,148	6,464
Cash outflows	3	12	–	–	15
NET CASH FLOWS	**295**	**1,852**	**2,154**	**2,148**	**6,449**

DERIVATIVE INSTRUMENTS DESIGNATED AS NET FOREIGN INVESTMENT HEDGES

AEGON funds its investments in insurance subsidiaries with a mixture of debt and equity. AEGON aims to denominate debt funding in the same currency as the functional currency of the investment. Investments outside the Eurozone, the United States, United Kingdom and Canada are funded in Euros. When the debt funding of investments is not in the functional currency of the investment, AEGON uses derivatives to swap the currency exposure of the debt instrument to the appropriate functional currency. This policy will ensure that total capital will reflect currency movements without distorting debt to shareholders' equity ratios. AEGON utilizes various financial instruments as designated hedging instruments of its foreign investments. These instruments include subordinated borrowings, long-term and short-term borrowings, short-term debts to credit institutions, cross currency swap contracts and forward foreign exchange contracts.

NOTE 10 INVESTMENTS IN ASSOCIATES

	2009	2008
At January 1	595	472
Additions	112	111
Share in net income	23	24
Share in changes in associate's equity (note 15.5)	27	(7)
Deferred gains on disposal	1	–
Impairment losses	(6)	–
Dividend	(53)	(4)
Net exchange difference	5	–
Other	(8)	(1)
AT DECEMBER 31	**696**	**595**

All associates are unlisted and are accounted for using the equity method and are considered to be non-current. The investments in associates include interest in insurance companies that are required to maintain a minimum solvency margin based on local directives. Such restrictions can affect the ability of these associates to transfer funds in the form of cash dividends, or repayment of loans or advances, and therefore, there can be no assurance that these restrictions will not become a limitation in the future. There are no unrecognized shares of losses of associates.

Summarized financial information of associates	2009	2008
Assets	11,070	10,176
Liabilities	10,662	9,832
Revenue	2,050	1,788
Net income	23	24

The summarized financial information is based on the Group's relative holding and excludes any goodwill included in the measurement of the investment in associates.

Refer to note 53 for a listing of the principal investments in associates and the Group's percentage holding.

NOTE 11 REINSURANCE ASSETS

Assets arising from reinsurance contracts related to:	2009	2008
Life insurance general account	4,061	3,890
Life insurance for account of policyholders	157	177
Non-life insurance	881	858
Investment contracts	11	88
AT DECEMBER 31	**5,110**	**5,013**

Amounts due from reinsurers in respect of claims already paid by the Group on the contracts that are reinsured are included in other assets and receivables (note 13).

EUR 46 million of the reinsurance assets are current (2008: EUR 56 million).

Movements during the year in reinsurance assets relating to life insurance:	Life insurance general account	Life insurance for account of policyholders	Total life insurance
At January 1, 2009	3,890	177	4,067
Disposal of a business	(2)	–	(2)
Portfolio transfers and acquisitions	(1)	(4)	(5)
Gross premium and deposits - existing and new business	1,169	60	1,229
Unwind of discount / interest credited	209	11	220
Insurance liabilities released	(1,186)	(92)	(1,278)
Changes to valuation of expected future benefits	(29)	(1)	(30)
Net exchange differences	3	6	9
Other movements	8	–	8
AT DECEMBER 31, 2009	**4,061**	**157**	**4,218**
At January 1, 2008	3,279	237	3,516
Acquisitions through business combinations	10	–	10
Portfolio transfers and acquisitions	300	(19)	281
Gross premium and deposits - existing and new business	803	77	880
Unwind of discount / interest credited	167	(4)	163
Insurance liabilities released	(832)	(85)	(917)
Changes to valuation of expected future benefits	147	(4)	143
Net exchange differences	(51)	(25)	(76)
Other movements	67	–	67
AT DECEMBER 31, 2008	**3,890**	**177**	**4,067**

Movements during the year in reinsurance assets relating to non-life insurance:	2009	2008
At January 1	858	792
Gross premium and deposits - existing and new business	211	239
Unwind of discount / interest credited	40	35
Insurance liabilities released	(137)	(138)
Changes to valuation of expected future benefits	10	(2)
Changes in unearned premiums	(99)	(94)
Changes in unexpired risks	(3)	(3)
Incurred related to current year	68	70
Incurred related to prior years	48	2
Release for claims settled current year	(22)	(15)
Release for claims settled prior years	(76)	(74)
Change in IBNR	9	4
Net exchange differences	(27)	42
Other movements	1	–
AT DECEMBER 31	**881**	**858**

NOTE 12 DEFERRED EXPENSES AND REBATES

	2009	2008
DPAC for insurance contracts and investment contracts with discretionary participation features	10,900	12,224
Deferred transaction costs for investment management services	328	307
Unamortized interest rate rebates	253	263
AT DECEMBER 31	**11,481**	**12,794**
Current	1,180	1,116
Non-current	10,301	11,678

	DPAC	Deferred transaction costs	Unamortized interest rate rebates
At January 1, 2009	12,224	307	263
Costs deferred / rebates granted during the year	1,555	57	37
Disposal of group assets	(297)	(1)	–
Amortization through income statement	(1,190)	(33)	(47)
Shadow accounting adjustments	(1,455)	–	–
Net exchange differences	78	5	–
Other	(15)	(7)	–
AT DECEMBER 31, 2009	**10,900**	**328**	**253**

	DPAC	Deferred transaction costs	Unamortized interest rate rebates
At January 1, 2008	10,957	295	236
Costs deferred / rebates granted during the year	1,720	72	77
Amortization through income statement	(1,302)	(30)	(50)
Shadow accounting adjustments	1,396	–	–
Net exchange differences	(530)	(32)	–
Other	(17)	2	–
AT DECEMBER 31, 2008	**12,224**	**307**	**263**

NOTE 13 OTHER ASSETS AND RECEIVABLES

	Note	2009	2008
Real estate held for own use and equipment	13.1	548	540
Receivables	13.2	4,105	4,673
Accrued income	13.3	2,170	2,163
AT DECEMBER 31		**6,823**	**7,376**

NOTE 13.1 REAL ESTATE HELD FOR OWN USE AND EQUIPMENT

Net book value	General account real estate held for own use	Account of policyholders real estate held for own use	Equipment	Total
At January 1, 2008	329	142	202	673
At December 31, 2008	343	6	191	540
AT DECEMBER 31, 2009	**332**	**–**	**216**	**548**
Cost				
At January 1, 2009	383	6	516	905
Additions	101	–	99	200
Capitalized subsequent expenditure	2	–	–	2
Disposals	(11)	(6)	(89)	(106)
Disposal on group of assets	–	–	(9)	(9)
Unrealized gains / (losses) through equity	(1)	–	–	(1)
Realized gains / (losses) through income statement	1	–	–	1
Transfers to investments in real estate	(91)	–	–	(91)
Net exchange differences	(7)	–	2	(5)
Other	9	–	–	9
AT DECEMBER 31, 2009	**386**	**–**	**519**	**905**
Accumulated depreciation and impairment losses				
At January 1, 2009	40	–	325	365
Depreciation through income statement	7	–	61	68
Disposals	–	–	(83)	(83)
Disposal on group of assets	–	–	(2)	(2)
Transfers to investments in real estate	(1)	–	–	(1)
Net exchange differences	(1)	–	2	1
Other	9	–	–	9
AT DECEMBER 31, 2009	**54**	**–**	**303**	**357**
Cost				
At January 1, 2008	363	142	555	1,060
Additions	86	–	73	159
Acquired through business combinations	–	–	7	7
Capitalized subsequent expenditure	5	–	–	5
Disposals	(11)	(115)	(101)	(227)
Unrealized gains / (losses) through equity	7	–	–	7
Realized gains / (losses) through income statement	1	(7)	–	(6)
Transfers to investments in real estate	(78)	–	–	(78)
Net exchange differences	10	(14)	(18)	(22)
AT DECEMBER 31, 2008	**383**	**6**	**516**	**905**
Accumulated depreciation and impairment losses				
At January 1, 2008	34	–	353	387
Depreciation through income statement	7	–	62	69
Disposals	–	–	(78)	(78)
Transfers to investments in real estate	(1)	–	–	(1)
Net exchange differences	1	–	(12)	(11)
Other	(1)	–	–	(1)
AT DECEMBER 31, 2008	**40**	**–**	**325**	**365**

None of the equipment is held for lease (2008: EUR 0 million). Equipment has not been pledged as security for liabilities, nor are there any restrictions on title. Depreciation expenses have been charged in 'Commissions and expenses' in the income statement. Equipment is generally depreciated over a period of three to five years.

General account real estate held for own use are mainly held by AEGON USA and AEGON The Netherlands, with relatively smaller holdings in Hungary and Spain and are carried at revalued amounts. The carrying value under a historical cost model amounts to EUR 297 million (2008: EUR 210 million).

54% of the value of the general account real estate held for own use was last revalued in 2009 (2008: 47%), based on market value appraisals by qualified internal and external appraisers. 98% of the appraisals in 2009 were performed by independent external appraisers (2008: 76%).

General account real estate held for own use has not been pledged as security for liabilities, nor are there any restrictions on title. Depreciation expenses are charged in 'Commissions and expenses' in the income statement. The useful lives of buildings range between 40 and 50 years.

Refer to note 50 for a summary of contractual commitments for the acquisition of general account real estate held for own use.

NOTE 13.2 RECEIVABLES

	2009	2008
Loans to associates	38	41
Finance lease assets	31	37
Receivables from policyholders	1,551	2,178
Receivables from brokers and agents	147	126
Receivables from reinsurers	316	469
Cash outstanding from assets sold	48	108
Trade receivables	313	246
Cash collateral	420	128
Reverse repurchase agreements	9	8
Income tax receivable	431	555
Other	963	919
Provision for doubtful debts	(162)	(142)
AT DECEMBER 31	**4,105**	**4,673**
Current	3,830	4,165
Non-current	275	508
Fair value non-current receivables	275	507

The movements in the provision for doubtful debts during the year were as follows:

	2009	2008
At January 1	(142)	(163)
Additions charged to earnings	(21)	(4)
Net exchange differences	2	(3)
Other	(1)	28
AT DECEMBER 31	**(162)**	**(142)**

NOTE 13.3 ACCRUED INCOME

	2009	2008
Accrued interest	2,161	2,159
Other	9	4
AT DECEMBER 31	**2,170**	**2,163**

EUR 2,166 million of the accrued income is current (2008: EUR 2,163 million).

NOTE 14 CASH AND CASH EQUIVALENTS

	2009	2008
Cash at bank and in hand	1,361	880
Short-term deposits	1,614	4,179
Money market investments	347	489
Short term collateral	992	4,675
AT DECEMBER 31	**4,314**	**10,223**

The carrying amounts disclosed reasonably approximate the fair values as at the year end.

EUR 8.9 billion (2008: EUR 13.0 billion) cash collateral is received of which EUR 992 million (2008: EUR 4.7 billion) is included in cash and cash equivalents. This collateral relates to security lending and repurchase agreements and margins on derivatives transactions. A corresponding liability to repay the cash is recognized in other liabilities (note 29). Refer to note 51 for a discussion of collateral received and paid. Investment of cash collateral received is restricted through limitations on credit worthiness, duration, approved investment categories and borrower limits. AEGON earns a share of the spread between the collateral earnings and the rebate paid to the borrower of the securities. Income from security lending programs was approximately EUR 16 million (2008: EUR 47 million; 2007: EUR 23 million).

The weighted effective interest rate on short-term deposits was 0.49% (2008: 1.96%) and these deposits have an average maturity of 4.27 days (2008: 8.52 days).

Included in the short-term deposits is EUR 0 million (2008: EUR 105 million) of deposits which have a charge over them relating to loans made by banks to unit linked funds.

For the purposes of the cash flow statement, cash and cash equivalents comprise the following:

	Note	2009	2008
Cash and cash equivalents		4,314	10,223
Bank overdrafts	24	(301)	(717)
NET CASH AND CASH EQUIVALENTS		**4,013**	**9,506**

The majority of cash is not subject to any restrictions. However, the Dutch Central Bank requires AEGON The Netherlands to hold 2% of its assets relating to banking activities in an account with the Dutch Central Bank. This amount on deposit is reassessed on a monthly basis and carries interest at approximately 1.0% (2008: 2.5%). The balance at the end of the year was EUR 98 million (2008: EUR 86 million).

NOTE 15 SHAREHOLDERS' EQUITY

Issued share capital and reserves attributable to shareholders of AEGON N.V.

	Note	2009	2008	2007
Share capital - par value	15.1	278	251	258
Share premium	15.2	7,906	7,096	7,101
Total share capital		**8,184**	**7,347**	**7,359**
Retained earnings		8,246	8,818	12,402
Treasury shares	15.3	(251)	(725)	(2,053)
Total retained earnings		**7,995**	**8,093**	**10,349**
Revaluation reserves	15.4	(1,709)	(7,167)	(516)
Other reserves	15.5	(2,306)	(2,218)	(2,041)
TOTAL SHAREHOLDERS' EQUITY		**12,164**	**6,055**	**15,151**

On August 13, 2009 AEGON completed a share issuance raising EUR 1 billion of capital. As part of the issuance 157.8 million ordinary shares with a par value of EUR 0.12 were issued and 32.7 million treasury shares were reissued. The shares were issued at EUR 5.25 per share. Expenses relating to this share issuance amounting to EUR 14 million have been charged to retained earnings. On October 1, 2009 Vereniging AEGON used its right to purchase preferred shares B for an amount of EUR 8.5 million representing 33.9 million shares at par value. After the transaction Vereniging AEGON holds 22.8% of the voting rights in AEGON N.V.

NOTE 15.1 SHARE CAPITAL - PAR VALUE

	2009	2008	2007
Common shares	208	189	196
Preferred shares A	53	53	53
Preferred shares B	17	9	9
AT DECEMBER 31	**278**	**251**	**258**

Common shares	2009	2008	2007
Authorized share capital	360	360	360
Number of authorized shares (in million)	3,000	3,000	3,000
Par value in cents per share	12	12	12

	Number of shares (thousands)	Total amount
At January 1, 2007	**1,622,927**	**195**
Withdrawal	(11,600)	(2)
Share dividend	25,218	3
At December 31, 2007	**1,636,545**	**196**
Withdrawal	(99,770)	(12)
Share dividend	41,452	5
At December 31, 2008	**1,578,227**	**189**
Share issuance	157,822	19
AT DECEMBER 31, 2009	**1,736,049**	**208**

Preferred shares	2009	2008	2007
Authorized share capital	250	250	250
Par value in cents per share	25	25	25

	Preferred shares A		Preferred shares B	
	Number of shares (thousands)	Total amount	Number of shares (thousands)	Total amount
At January 1, 2007	**211,680**	**53**	**29,290**	**7**
Shares issued	–	–	5,880	2
At December 31, 2007	**211,680**	**53**	**35,170**	**9**
Shares issued	–	–	–	–
At December 31, 2008	**211,680**	**53**	**35,170**	**9**
Shares issued	–	–	33,860	8
AT DECEMBER 31, 2009	**211,680**	**53**	**69,030**	**17**

All issued common and preferred shares are fully paid. Repayment of capital can only be initiated by the Executive Board, is subject to approval of the Supervisory Board and must be resolved by the General Meeting of Shareholders. Moreover, repayment on preferred shares needs approval of the related shareholders. Refer to Other information for further information on dividend rights.

There are restrictions on the amount of funds that companies within the Group may transfer in the form of cash dividends or otherwise to the parent company. These restrictions stem from solvency and legal requirements. Refer to note 48 for a description of these requirements.

Vereniging AEGON, based in The Hague, holds all of the issued preferred shares.

Vereniging AEGON, in case of an issuance of shares by AEGON N.V., may purchase as many class B preferred shares as would enable Vereniging AEGON to prevent or correct dilution to below its actual percentage of voting shares, unless Vereniging AEGON as a result of exercising these option rights would increase its voting power to more than 33 percent. Class B preferred shares will then be issued at par value (EUR 0.25), unless a higher issue price is agreed.

In the years 2003 through 2007 35,170,000 class B preferred shares were issued under these option rights. In 2008, no option rights were exercised. In 2009, Vereniging AEGON exercised its option rights to purchase in aggregate 33,860,000 class B preferred shares at par value to correct dilution caused by AEGON's EUR 1 billion equity issue as completed in August 2009.

AEGON N.V. and Vereniging AEGON have entered into a preferred shares voting rights agreement, pursuant to which Vereniging AEGON has voluntarily waived its right to cast 25/12 vote per class A or class B preferred share. Instead, Vereniging AEGON has agreed to exercise one vote only per preferred share, except in the event of a 'special cause', such as the acquisition of a 15% interest in AEGON N.V., a tender offer for AEGON N.V. shares or a proposed business combination by any person or group of persons, whether individually or as a group, other than in a transaction approved by the Executive Board and Supervisory Board. If, in its sole discretion, Vereniging AEGON determines that a 'special cause' has occurred, Vereniging AEGON will notify the General Meeting of Shareholders and retain its right to exercise the full voting power of 25/12 vote per preferred share for a limited period of six months.

With regard to granted share appreciation rights and option rights and their valuation refer to note 40.

NOTE 15.2 SHARE PREMIUM

	2009	2008	2007
At January 1	7,096	7,101	7,104
Additions	810	–	–
Share dividend	–	(5)	(3)
AT DECEMBER 31	**7,906**	**7,096**	**7,101**
Share premium relating to:			
- Common shares	5,854	5,044	5,049
- Preferred shares	2,052	2,052	2,052
TOTAL SHARE PREMIUM	**7,906**	**7,096**	**7,101**

The share premium account reflects the balance of paid-in amounts above par value at issuance of new shares less the amounts charged for share dividends.

NOTE 15.3 TREASURY SHARES

On the balance sheet date AEGON N.V. and its subsidiaries held 29,271,309 of its own common shares with a face value of EUR 0.12 each.

Movements in the number of repurchased own shares held by AEGON N.V. were as follows:

	2009	2008	2007
	Number of shares (thousands)	Number of shares (thousands)	Number of shares (thousands)
At January 1	60,265	133,828	37,724
Transactions in 2009:			
Sale: 1 transaction, price EUR 5.25	(32,654)	–	–
Sale: 1 transaction, price EUR 3.18	(39)	–	–
Transactions in 2008:			
Purchase: 10 transactions, average price EUR 8.32	–	26,300	–
Sale: 1 transaction, price EUR 10.28	–	(93)	–
Withdrawal of common share capital	–	(99,770)	–
Transactions in 2007:			
Purchase: 3 transactions, average price EUR 13.71	–	–	33,200
Share repurchase program: various transactions, average price EUR 13.41	–	–	74,570
Sale: 7 transactions, average price EUR 15.53	–	–	(66)
Withdrawal of common share capital	–	–	(11,600)
AT DECEMBER 31	**27,572**	**60,265**	**133,828**

As part of their insurance and investment operations, subsidiaries within the Group also hold AEGON N.V. common shares, both for their own account and for account of policyholders. These shares have been treated as treasury shares and are (de)recognized at the consideration paid or received.

	2009		2008		2007	
	Number of shares (thousands)	Total amount	Number of shares (thousands)	Total amount	Number of shares (thousands)	Total amount
Held by AEGON N.V.	27,572	236	60,265	679	133,828	2,007
Held by subsidiaries	1,699	15	2,513	46	2,503	46
AT DECEMBER 31	**29,271**	**251**	**62,778**	**725**	**136,331**	**2,053**

NOTE 15.4 REVALUATION RESERVES

	Available-for-sale investments	Real estate held for own use	Cash flow hedging reserve	Total
At January 1, 2009	(7,864)	41	656	(7,167)
Disposal of a business	59	–	–	59
Gross revaluation	7,791	1	(592)	7,200
Net (gains) / losses transferred to income statement	640	–	(117)	523
Foreign currency translation differences	61	(1)	(22)	38
Tax effect	(2,623)	(1)	255	(2,369)
Other	8	(1)	–	7
AT DECEMBER 31, 2009	**(1,928)**	**39**	**180**	**(1,709)**
At January 1, 2008	(679)	36	127	(516)
Gross revaluation	(10,970)	7	429	(10,534)
Net (gains) / losses transferred to income statement	718	–	306	1,024
Foreign currency translation differences	(162)	1	63	(98)
Tax effect	3,236	(3)	(269)	2,964
Other	(7)	–	–	(7)
AT DECEMBER 31, 2008	**(7,864)**	**41**	**656**	**(7,167)**
At January 1, 2007	1,536	32	80	1,648
Gross revaluation	(2,150)	9	(5)	(2,146)
Net (gains) / losses transferred to income statement	(891)	–	25	(866)
Foreign currency translation differences	46	(2)	(12)	32
Tax effect	823	(2)	(34)	787
Other	(43)	(1)	73	29
AT DECEMBER 31, 2007	**(679)**	**36**	**127**	**(516)**

The revaluation accounts for both available-for-sale investments and for real estate held for own use include unrealized gains and losses on these investments, net of tax. Upon sale, the amounts realized are recognized in the income statement or transferred to retained earnings. Upon impairment, unrealized losses are recognized in the income statement.

The closing balances of the revaluation reserve for available-for-sale investments relate to the following instruments:

	2009	2008	2007
Shares	119	54	278
Debt securities	(2,050)	(7,910)	(992)
Other	3	(8)	35
REVALUATION RESERVE FOR AVAILABLE-FOR-SALE INVESTMENTS	**(1,928)**	**(7,864)**	**(679)**

The cash flow hedging reserve is made up of (un)realized gains and losses on the effective portions of hedging instruments, net of tax. The amounts are recognized in the income statement at the moment of realization of the hedged position to offset the gain or loss from the hedged cash flow. No amounts have been released from equity to be included in the initial measurement of non-financial assets or liabilities.

NOTE 15.5 OTHER RESERVES

	Foreign currency translation reserve	Net foreign investment hedging reserve	Equity movements of associates	Total
At January 1, 2009	(2,167)	(13)	(38)	(2,218)
Movement in foreign currency translation and net foreign investment hedging reserves	(104)	(94)	–	(198)
Disposal of a business	29	–	–	29
Tax effect	29	25	–	54
Equity movements of associates	–	–	27	27
AT DECEMBER 31, 2009	**(2,213)**	**(82)**	**(11)**	**(2,306)**
At January 1, 2008	(1,760)	(250)	(31)	(2,041)
Movement in foreign currency translation and net foreign investment hedging reserves	(362)	280	–	(82)
Tax effect	(45)	(43)	–	(88)
Equity movements of associates	–	–	(7)	(7)
AT DECEMBER 31, 2008	**(2,167)**	**(13)**	**(38)**	**(2,218)**
At January 1, 2007	(162)	(403)	27	(538)
Movement in foreign currency translation and net foreign investment hedging reserves	(1,594)	57	–	(1,537)
Tax effect	(4)	96	–	92
Equity movements of associates	–	–	(58)	(58)
AT DECEMBER 31, 2007	**(1,760)**	**(250)**	**(31)**	**(2,041)**

The foreign currency translation reserve includes the currency results from investments in non-euro denominated subsidiaries. The amounts are released to the income statement upon the sale of the subsidiary.

The net foreign investment hedging reserve is made up of unrealized gains and losses on the effective portions of hedging instruments, net of tax. The amounts are recognized in the income statement at the moment of realization of the hedged position to offset the gain or loss from the net foreign investment.

The equity movements of associates reflect AEGON's share of changes recognized directly in the associate's equity.

NOTE 16 CONVERTIBLE CORE CAPITAL SECURITIES

	2009	2008	2007
At January 1	3,000	–	–
Additions	–	3,000	–
Repayments	(1,000)	–	–
AT DECEMBER 31	**2,000**	**3,000**	**–**

On December 1, 2008, AEGON's core capital was increased through a transaction with the State of the Netherlands in view of the ongoing uncertainty regarding the financial and economic environment during the year. Vereniging AEGON received a senior loan of EUR 3 billion which was invested in AEGON against issuance of 750 million non-voting convertible core capital securities at EUR 4.00 per security. The newly issued securities rank equal to common shares (pari passu), but carry no voting rights. This structure was designed to avoid dilution of voting rights of existing shareholders. The proceeds from the convertible core capital securities may only be used for general corporate purposes in the ordinary course of business; investments in subsidiaries chargeable to the additional capital in excess of EUR 300 million outside the European Union require prior approval from the Dutch Central Bank.

On November 30, 2009, AEGON repurchased 250 million of convertible core capital securities. The total payment to the Dutch government amounted to EUR 1.15 billon. Under the terms of AEGON's agreement with the Dutch government, the premium for repayment amounted to EUR 108 million based on the volume weighted average share price of AEGON shares of EUR 4.8315 during the five trading days from November 23 until November 27. The amount repaid includes accrued interest from May 22, 2009 of EUR 44 million. AEGON may at any time repurchase the remaining 500 million securities at EUR 6 per security. Alternatively, after two years from now, AEGON may choose to convert these securities into common shares on a one-for-one basis. In this situation, the Dutch government may opt for repayment in cash (at the original issue price of EUR 4).

AEGON retains full discretion over its policy regarding dividends paid on common shares. The coupon on the non-voting securities will be payable only if a dividend is also paid to holders of common shares. As the holder of the non-voting securities, Vereniging AEGON will receive either an annual coupon of EUR 0.34 per security or, if higher, an amount linked to the value of the dividend paid on AEGON common shares. This amount has been fixed at 110% for 2009, rising to 120% for 2010 and 125% for 2011 and beyond. The coupon is not tax deductible. Vereniging AEGON will use income from the non-voting securities to service the loan from the Dutch government.

NOTE 17 OTHER EQUITY INSTRUMENTS

	Junior perpetual capital securities	Perpetual cumulative subordinated bonds	Share options not yet exercised	Total
At January 1, 2009	4,192	453	54	4,699
Share options cost incurred	–	–	13	13
Share options forfeited	–	–	(3)	(3)
AT DECEMBER 31, 2009	**4,192**	**453**	**64**	**4,709**
At January 1, 2008	4,192	567	36	4,795
Share options cost incurred	–	–	19	19
Redemptions	–	(114)	–	(114)
Share options forfeited	–	–	(1)	(1)
AT DECEMBER 31, 2008	**4,192**	**453**	**54**	**4,699**
At January 1, 2007	3,447	567	18	4,032
Instruments issued	745	–	–	745
Share options cost incurred	–	–	18	18
AT DECEMBER 31, 2007	**4,192**	**567**	**36**	**4,795**

Junior perpetual capital securities	Coupon rate	Coupon date, as of	Year of first call	2009	2008	2007
USD 500 million	6.5%	Quarterly, December 15	2010	424	424	424
USD 250 million	floating LIBOR rate [1]	Quarterly, December 15	2010	212	212	212
USD 550 million	6.875%	Quarterly, September 15	2011	438	438	438
EUR 200 million	6.0 %	Annually, July 21	2011	200	200	200
USD 1,050 million	7.25%	Quarterly, December 15	2012	745	745	745
EUR 950 million	floating DSL rate [2]	Quarterly, July 15	2014	950	950	950
USD 500 million	floating CMS rate [3]	Quarterly, July 15	2014	402	402	402
USD 1 billion	6.375%	Quarterly, June 15	2015	821	821	821
AT DECEMBER 31				**4,192**	**4,192**	**4,192**

[1] The coupon of the USD 250 million junior perpetual capital securities is reset each quarter based on the then prevailing three-month LIBOR yield plus a spread of 87.5 basis points, with a minimum of 4%.
[2] The coupon of the EUR 950 million junior perpetual capital securities is reset each quarter based on the then prevailing ten-year Dutch government bond yield plus a spread of ten basis points, with a maximum of 8%.
[3] The coupon of the USD 500 million junior perpetual capital securities is reset each quarter based on the then prevailing ten-year US dollar interest rate swap yield plus a spread of ten basis points, with a maximum of 8.5%.

The interest rate exposure on some of these securities has been swapped to a three-month LIBOR and / or EURIBOR related yield.

The securities have been issued at par. The securities have subordination provisions and rank junior to all other liabilities. The conditions of the securities contain certain provisions for optional and required coupon payment deferral and mandatory payments events. Although the securities have no stated maturity, AEGON has the right to call the securities for redemption at par for the first time on the coupon date in the years as specified, or on any coupon payment date thereafter.

Perpetual cumulative subordinated bonds	Coupon rate	Coupon date	Year of first call	2009	2008	2007
EUR 114 million	7.625%	July 10	–	–	–	114
EUR 203 million	7.125% [1,4]	March 4	2011	203	203	203
EUR 114 million	4.156% [2,4]	June 8	2015	114	114	114
EUR 136 million	5.185% [3,4]	October 14	2018	136	136	136
AT DECEMBER 31				**453**	**453**	**567**

1 The coupon of the EUR 203 million bonds is set at 7.125% until March 4, 2011.
2 The coupon of the EUR 114 million bonds was originally set at 8% until June 8, 2005. As of this date, the coupon is reset at 4.156% until 2015.
3 The coupon of the EUR 136 million bonds was originally set at 7.25% until October 14, 2008. As of this date, the coupon is reset at 5.185% until October 14, 2018.
4 If the bonds are not called on the respective call dates and after consecutive period of ten years, the coupons will be reset at the then prevailing effective yield of ten-year Dutch government securities plus a spread of 85 basis points.

The bonds have the same subordination provisions as dated subordinated debt. In addition, the conditions of the bonds contain provisions for interest deferral and for the availability of principal amounts to meet losses.

Although the bonds have no stated maturity, AEGON has the right to call the bonds for redemption at par for the first time on the coupon date in the years as specified.

NOTE 18 TRUST PASS-THROUGH SECURITIES

	Coupon rate	Coupon date	Year of issue	Year of maturity	Year of first call	2009	2008
USD 12 million [1]	Floating	Quarterly, January 8	2003	2034	–	–	9
USD 18 million [1]	Floating	Quarterly, July 23	2004	2034	2010	13	11
USD 225 million [2]	7.65%	Semi-annually, December 1	1996	2026	n.a.	82	105
USD 190 million [2]	7.625%	Semi-annually, November 15	1997	2037	n.a.	35	36
AT DECEMBER 31						**130**	**161**

1 Issued by a subsidiary of AEGON N.V.
2 Issued by a subsidiary of, and guaranteed by AEGON N.V.

Trust pass-through securities are securities through which the holders participate in a trust. The assets of these trusts consist of junior subordinated deferrable interest debentures issued by Transamerica Corporation and Clark Consulting Inc. The trust pass-through securities carry provisions with regard to deferral of distributions for extension periods up to a maximum of ten consecutive semi-annual periods. The trust pass-through securities are subordinated to all other unsubordinated borrowings and liabilities. There were no defaults or breaches of conditions during the period.

The fair value of these loans amounts to EUR 88 million (2008: EUR 96 million).

NOTE 19 SUBORDINATED BORROWINGS

	2009	2008
AT DECEMBER 31	**–**	**41**

In 2008, these loans were subordinated to all other unsubordinated borrowings and liabilities. There were no defaults or breaches of conditions during the period.

The fair value of these loans amount to EUR 41 million at December 31, 2008.

NOTE 20 INSURANCE CONTRACTS

	2009	2008
Life insurance	85,520	89,163
Non-life insurance		
- Unearned premiums and unexpired risks	2,890	2,860
- Outstanding claims	1,604	1,550
- Incurred but not reported claims	721	790
Incoming reinsurance	3,055	3,014
AT DECEMBER 31	**93,790**	**97,377**

	2009	2008
Non-life insurance		
- Accident and health insurance	4,478	4,439
- General insurance	737	761
TOTAL NON-LIFE INSURANCE	**5,215**	**5,200**

Movements during the year in life insurance:	2009	2008
At January 1	89,163	81,247
Acquisitions through business combinations	–	593
Disposal of a business	(3,619)	–
Portfolio transfers and acquisitions	228	204
Gross premium and deposits – existing and new business	10,298	12,027
Unwind of discount / interest credited	3,898	3,059
Insurance liabilities released	(10,507)	(11,174)
Changes in valuation of expected future benefits	(1,334)	2,474
Losses recognized as a result of liability adequacy testing	6	–
Shadow accounting adjustments	(165)	133
Net exchange differences	(905)	569
Transfer to insurance contracts for account of policyholders	(1,156)	–
Other	(387)	31
AT DECEMBER 31	**85,520**	**89,163**

Movements during the year in non-life insurance:	2009	2008
At January 1	5,200	4,805
Acquisitions through business combinations	–	2
Gross premiums - existing and new business	2,108	2,143
Unwind of discount / interest credited	203	181
Insurance liabilities released	(1,072)	(1,026)
Changes in valuation of expected future claims	4	(13)
Change in unearned premiums	(1,064)	(1,132)
Change in unexpired risks	(4)	(4)
Incurred related to current year	665	638
Incurred related to prior years	302	114
Release for claims settled current year	(307)	(281)
Release for claims settled prior years	(630)	(477)
Change in IBNR	(46)	70
Net exchange differences	(145)	183
Other	1	(3)
AT DECEMBER 31	**5,215**	**5,200**

Prior year run-off results, compared to opening balances of the non-life reserve, are not material.

Movements during the year in incoming reinsurance:	2009	2008
At January 1	3,014	2,444
Gross premium and deposits - existing and new business	1,625	1,093
Unwind of discount / interest credited	158	83
Insurance liabilities released	(1,593)	(1,161)
Changes in valuation of expected future benefits	(39)	244
Net exchange differences	(106)	163
Other	(4)	148
AT DECEMBER 31	**3,055**	**3,014**

NOTE 21 INSURANCE CONTRACTS FOR ACCOUNT OF POLICYHOLDERS

	2009	2008
Insurance contracts for account of policyholders	**69,760**	**60,808**
At January 1	60,808	78,394
Acquisitions through business combinations	–	8
Disposal of a business	(226)	–
Portfolio transfers and acquisitions	(348)	(395)
Gross premium and deposits – existing and new business	5,760	5,931
Unwind of discount / interest credited	9,697	(14,778)
Insurance liabilities released	(5,697)	(6,379)
Fund charges released	(975)	(968)
Changes in valuation of expected future benefits	(98)	(76)
Transfer from insurance contracts	1,156	–
Net exchange differences	(318)	(1,212)
Other	1	283
AT DECEMBER 31	**69,760**	**60,808**

NOTE 22 INVESTMENT CONTRACTS

	2009	2008
Investment contracts [1]	**27,932**	**36,231**

[1] Refer to note 49 for a summary of all financial assets and financial liabilities at fair value through profit or loss.

	Without discretionary participation features	With discretionary participation features	Total
At January 1, 2009	35,696	535	36,231
Portfolio transfers and acquisitions	9	–	9
Deposits	5,173	–	5,173
Withdrawals	(13,488)	–	(13,488)
Investment contracts liabilities released	–	40	40
Interest credited	863	–	863
Fund charges released	(10)	–	(10)
Movements related to fair value hedges	(362)	–	(362)
Net exchange differences	(814)	39	(775)
Other	251	–	251
AT DECEMBER 31, 2009	**27,318**	**614**	**27,932**

	Without discretionary participation features	With discretionary participation features	**Total**
At January 1, 2008	35,413	676	36,089
Portfolio transfers and acquisitions	110	–	110
Deposits	10,189	–	10,189
Withdrawals	(13,824)	–	(13,824)
Investment contracts liabilities released	–	17	17
Interest credited	1,285	–	1,285
Fund charges released	(11)	–	(11)
Movements related to fair value hedges	564	–	564
Net exchange differences	1,628	(158)	1,470
Other	342	–	342
AT DECEMBER 31, 2008	**35,696**	**535**	**36,231**

	2009	2008
Fair value of investment contracts without discretionary participation features	**27,297**	**35,077**

Investment contract consist of the following:	**2009**	2008
Institutional guaranteed products	14,822	23,578
Fixed annuities	5,805	5,753
Savings accounts	5,660	4,619
Investment contracts with discretionary participation features	614	535
Other	1,031	1,746
AT DECEMBER 31	**27,932**	**36,231**

NOTE 23 INVESTMENT CONTRACTS FOR ACCOUNT OF POLICYHOLDERS

	2009	2008
Investment contracts for account of policyholders [1]	**57,421**	**45,614**

[1] Refer to note 49 for a summary of all financial assets and financial liabilities at fair value through profit or loss.

	Without discretionary participation features	With discretionary participation features	Total
At January 1, 2009	16,829	28,785	45,614
Gross premium and deposits – existing and new business	3,805	5,219	9,024
Withdrawals	(2,578)	–	(2,578)
Disposal of a business	(131)	–	(131)
Interest credited	2,872	5,109	7,981
Investment contracts liabilities released	–	(4,271)	(4,271)
Fund charges released	(94)	–	(94)
Net exchange differences	(179)	2,102	1,923
Other	(47)	–	(47)
AT DECEMBER 31, 2009	**20,477**	**36,944**	**57,421**
At January 1, 2008	21,671	42,085	63,756
Gross premium and deposits – existing and new business	4,645	6,366	11,011
Withdrawals	(3,118)	–	(3,118)
Interest credited	(4,251)	(6,007)	(10,258)
Investment contracts liabilities released	–	(4,690)	(4,690)
Fund charges released	(99)	–	(99)
Net exchange differences	(1,661)	(8,969)	(10,630)
Other	(358)	–	(358)
AT DECEMBER 31, 2008	**16,829**	**28,785**	**45,614**

NOTE 24 BORROWINGS

	2009	2008
Debentures and other loans	6,512	3,840
Commercial paper	520	428
Bank overdrafts	301	717
Short term deposits	152	354
AT DECEMBER 31	**7,485**	**5,339**
Current	2,038	1,716
Non-current	5,447	3,623
Total fair value of borrowings	7,587	5,464

Bank overdrafts are largely part of cash pool agreements with banks and matched by cash balances. IFRS does not permit net presentation of these cash balances and bank overdrafts under the current agreements with these banks.

Debentures and other loans	Coupon rate	Coupon date	Issue / Maturity	2009	2008
USD 133 million Zero Coupon Bonds [1]			1982 / 10	90	82
EUR 900 million ECB Facility [2]	1.00%	July 1	2009 / 10	900	–
USD 200 million Zero Coupon Bonds [1]			1982 / 12	98	89
EUR 1 billion Senior Notes	7.00%	April 29	2009 / 12	996	–
USD 750 million Senior Notes	4.75%	Semi-annually	2003 / 13	521	539
EUR 500 million Medium-Term Notes	4.125%	December 8	2004 / 14	507	421
USD 500 million Senior Unsecured Notes	4.625%	Semi-annually	2009 / 15	345	–
EUR 75 million Medium-Term Notes	4.625%	December 9	2004 / 19	73	57
USD 500 million Senior Notes [1]	5.75%	Semi-annually	2005 / 20	357	333
GBP 92 million Note issue agreement [2,3,4]		April 21	2007 / 21	22	34
GBP 250 million Note issue agreement [2,3,4]		April 21	2008 / 23	242	262
GBP 250 million Medium-Term Notes	6.125%	December 15	1999 / 31	277	258
USD 1.54 billion Variable Funding Surplus Note [1,3]	Floating	Quarterly	2006 / 36	816	705
USD 1.5 billion Variable Funding Surplus Note [1,3]	Floating	Quarterly	2007 / 37	241	295
USD 550 million Floating Rate Guaranteed Note [2,3]	Floating	Quarterly	2007 / 37	382	395
GBP 400 million Senior Unsecured Notes	6.625%	Semi-annually	2009 / 39	443	–
Other				202	370
AT DECEMBER 31				**6,512**	**3,840**

1 Issued by subsidiaries of, and guaranteed by AEGON N.V.
2 Issued by a subsidiary of AEGON N.V.
3 Outstanding amounts can vary up to the maximum stated nominal amount.
4 Private Value-in-Force (ViF) securitization by AEGON UK to monetize a portion of future profits associated with an existing book of unit-linked business.

Included in debentures and other loans is EUR 959 million (2008: EUR 845 million) relating to borrowings measured at fair value. Proceeds have been swapped to US Dollar floating-rate. For the year 2009, AEGON's credit spread had a negative impact of EUR 189 million on income before tax (2008: positive impact of EUR 225 million) and a negative impact of EUR 132 million on shareholders' equity (2008: positive impact of EUR 156 million). The cumulative negative impact of AEGON's credit spread, based on observable market data, on income before tax amounted to EUR 36 million (2008: EUR 225 million).

The difference between the contractually required payment at maturity date and the carrying amount of the borrowing amount to EUR 43 million (2008: EUR 184 million).

The EUR 900 million European Central Bank Facility is part of the Long Term Refinancing Operation (LTRO) program and is fully collateralized.

Undrawn committed borrowing facilities:	2009	2008
Floating-rate		
- Expiring within one year	330	269
- Expiring beyond one year	2,082	2,263
AT DECEMBER 31	2,412	2,532

There were no defaults or breaches of conditions during the period.

NOTE 25 PROVISIONS

	2009	2008
Provisions	421	495
Current	196	274
Non-current	225	221
At January 1	495	293
Acquisition of a subsidiary	–	96
Additional provisions	133	210
Unused amounts reversed through the income statement	(4)	(7)
Unwinding of discount and change in discount rate	9	5
Used during the year	(207)	(109)
Net exchange differences	(5)	7
AT DECEMBER 31	421	495

The provisions include litigation provisions and provisions for contingent consideration relating to business combinations.

NOTE 26 DEFINED BENEFIT PLANS

	2009	2008
Retirement benefit plans	1,533	1,416
Other post-employment benefit plans	215	216
TOTAL DEFINED BENEFIT PLANS	1,748	1,632
Retirement benefit plans in deficit	356	448
Retirement benefit plans in surplus	–	–
TOTAL DEFINED BENEFIT ASSETS	356	448
Retirement benefit plans in deficit	1,889	1,864
Other post-employment benefit plans in deficit	215	216
TOTAL DEFINED BENEFIT LIABILITIES	2,104	2,080

Movements during the year in defined benefit plans:	Retirement benefit plans	Other post-employment benefit plans	Total 2009	Retirement benefit plans	Other post-employment benefit plans	Total 2008
At January 1	1,416	216	1,632	1,550	199	1,749
Disposal of a business	(8)	–	(8)	–	–	–
Defined benefit expenses	237	18	255	125	22	147
Contributions paid	(41)	–	(41)	(90)	–	(90)
Benefits paid	(90)	(15)	(105)	(91)	(15)	(106)
Net exchange differences	17	(5)	12	(59)	8	(51)
Other	2	1	3	(19)	2	(17)
AT DECEMBER 31	**1,533**	**215**	**1,748**	**1,416**	**216**	**1,632**

The amounts recognized in the balance sheet are determined as follows:

Retirement benefit plans:	2009	2008	2007	2006	2005
Present value of wholly or partly funded obligations	2,545	2,144	2,357	2,487	2,542
Fair value of plan assets	(2,092)	(1,786)	(2,541)	(2,620)	(2,570)
	453	**358**	**(184)**	**(133)**	**(28)**
Present value of wholly unfunded obligations	1,831	1,644	1,622	1,768	1,817
Unrecognized actuarial gains / (losses)	(751)	(586)	110	(201)	(420)
Unrecognized past service cost	–	–	2	(1)	–
AT DECEMBER 31	**1,533**	**1,416**	**1,550**	**1,433**	**1,369**

Other post-employment benefit plans:	2009	2008	2007	2006	2005
Present value of wholly or partly funded obligations	3	4	4	4	4
Fair value of plan assets	–	–	–	–	–
	3	**4**	**4**	**4**	**4**
Present value of wholly unfunded obligations	224	231	224	247	254
Unrecognized actuarial gains / (losses)	(12)	(19)	(29)	(42)	(21)
Unrecognized past service cost	–	–	–	–	–
AT DECEMBER 31	**215**	**216**	**199**	**209**	**237**

Defined benefit plans:	2009	2008	2007	2006	2005
Present value of wholly or partly funded obligations	2,548	2,148	2,361	2,491	2,546
Fair value of plan assets	(2,092)	(1,786)	(2,541)	(2,620)	(2,570)
	456	**362**	**(180)**	**(129)**	**(24)**
Present value of wholly unfunded obligations [1]	2,055	1,875	1,846	2,015	2,071
Unrecognized actuarial gains / (losses)	(763)	(605)	81	(243)	(441)
Unrecognized past service cost	–	–	2	(1)	–
AT DECEMBER 31	**1,748**	**1,632**	**1,749**	**1,642**	**1,606**

[1] Assets held by AEGON The Netherlands for retirement benefits do not meet the definition of plan assets and as such were not deducted in calculating this amount. Instead, these assets are recognized as general account assets. Consequently, the return on these assets also does not form part of the calculation of defined benefit expenses.

The fair value of AEGON's own financial instruments included in plan assets and the fair value of other assets used by AEGON included in planned assets was nil in both 2009 and 2008.

	2009			2008		
Defined benefit expenses:	Retirement benefit plans	Other post-employment benefit plans	**Total**	Retirement benefit plans	Other post-employment benefit plans	**Total**
Current year service costs	79	6	85	89	6	95
Interest cost	231	14	245	229	14	243
Expected return on plan assets	(133)	–	(133)	(193)	–	(193)
Actuarial (gains) / losses recognized	59	–	59	2	–	2
Past service cost	1	(2)	(1)	(2)	2	–
TOTAL DEFINED BENEFIT EXPENSES	**237**	**18**	**255**	**125**	**22**	**147**

	2007		
Defined benefit expenses:	Retirement benefit plans	Other post-employment benefit plans	Total
Current year service costs	106	4	110
Interest cost	220	12	232
Expected return on plan assets	(193)	–	(193)
Actuarial (gains) / losses recognized	4	1	5
Past service cost	–	(11)	(11)
TOTAL DEFINED BENEFIT EXPENSES	**137**	**6**	**143**

Defined benefit expenses are included in 'Commissions and expenses' in the income statement.

	2009			2008		
	Retirement benefit plans	Other post-employment benefit plans	**Total**	Retirement benefit plans	Other post-employment benefit plans	**Total**
Actual return on plan assets and reimbursement rights	374	–	**374**	(689)	–	**(689)**

Movements during the year of the present value of the defined benefit obligations:	2009	2008
At January 1	4,023	4,207
Disposal of a business	(14)	–
Current year service costs	85	95
Interest cost	245	243
Contributions by plan participants	11	5
Actuarial (gains) / losses	475	(214)
Benefits paid	(207)	(196)
Past service cost	(1)	4
Net exchange differences	(17)	(101)
Other	3	(20)
AT DECEMBER 31	**4,603**	**4,023**

Movements during the year in plan assets for retirement benefit plans:	2009	2008
At January 1	1,786	2,541
Disposal of a business	(3)	–
Expected return on plan assets	133	193
Actuarial gains / (losses)	241	(882)
Contributions by employer	51	90
Contributions by plan participants	1	5
Benefits paid	(102)	(90)
Net exchange differences	(14)	(71)
Other	(1)	–
AT DECEMBER 31	**2,092**	**1,786**

All other post-employment benefits plans are unfunded.

Breakdown of plan assets for retirement benefit plans:	2009	2008
Equity instruments	1,198	926
Debt instruments	774	684
Other	120	176
AT DECEMBER 31	**2,092**	**1,786**

All other post-employment benefits plans are unfunded.

SENSITIVITY OF ASSUMED MEDICAL COST TREND RATES

Assumed medical cost trend rates have an effect on the amounts reported for the health care plans. A one-percentage change in assumed medical cost trend rates would have the following effects:

	2009		2008	
	+ 1%	- 1%	+ 1%	- 1%
Aggregate of current service cost and interest cost components of net periodic post-employment medical costs	2	(1)	2	(1)
Accumulated post-employment benefit obligation for medical cost	14	(13)	17	(16)

Experience adjustments arising on:	2009	2008	2007	2006	2005
Plan liabilities	(11)	(3)	(37)	(76)	(28)
Plan assets	241	(882)	64	112	52

An experience adjustment on plan liabilities is the difference between the actuarial assumptions underlying the scheme and the actual experience during the period. This excludes the effect of changes in the actuarial assumptions that would also qualify as actuarial gains and losses. Experience adjustments on plan assets are the difference between expected and actual return on assets.

Best estimate of contributions expected for the next annual period	192

Estimated future benefits:	Pension benefits	Other benefits	Total
2010	204	18	222
2011	185	19	204
2012	193	19	212
2013	201	20	221
2014	209	20	229
2015-2019	1,176	108	1,284

Defined benefit plans are mainly operated by AEGON USA, AEGON The Netherlands and AEGON UK. The following sections contain a general description of the plans in each of these subsidiaries, a summary of the principal actuarial assumptions applied in determining the value of defined benefit plans and a description of the basis used to determine the overall expected rate of return on plan assets.

AEGON USA

AEGON USA has defined benefit plans covering substantially all its employees that are qualified under the Internal Revenue Service Code. The benefits are based on years of service and the employee's compensation during the highest five, complete, consecutive years of employment. The defined benefit plans were unfunded by EUR 113 million at December 31, 2009 (2008: EUR 171 million unfunded).

AEGON USA also sponsors supplemental retirement plans to provide senior management with benefits in excess of normal pension benefits. These plans are unfunded and non-qualified under the Internal Revenue Service Code. The unfunded amount related to these plans, for which a liability has been recorded, is EUR 192 million (2008: EUR 191 million).

	2009	2008
Assumptions used to determine benefit obligations at year end:		
Discount rate	6.00%	6.50%
Rate of increase in compensation levels	4.59%	4.56%
Assumptions used to determine net periodic benefit cost for the year ended December 31:		
Discount rate	6.50%	6.25%
Rates of increase in compensation levels	4.56%	4.56%
Expected long-term rate of return on assets	8.10%	8.10%

The expected return on plan assets is set at the long-term rate expected to be earned based on the long-term investment strategy and the various classes of the invested funds. For each asset class, a long-term asset return assumption is developed taking into account the long-term level of risk of the asset and historical returns of the asset class. A weighted average expected long-term rate was developed based on long-term returns for each asset class and the target asset allocation of the plan.

AEGON USA provides health care benefits to retired employees, which are predominantly unfunded. The post-retirement health benefit liability amounts to EUR 165 million (2008: EUR 164 million).

The principal actuarial assumptions that apply for the year ended December 31, 2009 are as follows:

	2009	2008
Assumed health care trend rates:		
Health care cost trend rate assumed for next year	8.00%	9.00%
Rate that the cost trend rate gradually declines to	5.00%	5.00%
Year that the rate reaches the rate that it is assumed to remain at	2013	2013
Target allocation of plan assets for retirement benefit plans for the next annual period is:		
Equity instruments	53 – 73%	53 – 73%
Debt instruments	15 – 35%	15 – 35%
Other	0 – 15%	0 – 15%

The overall goal of the plans is to maximize total investment returns to provide sufficient funding for the present and anticipated future benefit obligations within the constraints of a prudent level of portfolio risk and diversification. AEGON believes that the asset allocation is an important factor in determining the long-term performance of the plans. From time to time the actual asset allocation may deviate from the desired asset allocation ranges due to different market performance among the various asset categories. If it is determined that rebalancing is required, future additions and withdrawals will be used to bring the allocation to the desired level.

Pension plan contributions were not required for AEGON USA in 2009 or 2008.

AEGON THE NETHERLANDS

AEGON The Netherlands has a number of defined benefit plans and a small defined contribution plan. The contributions to the retirement benefit plan of AEGON The Netherlands are paid by both the employees and the employer, with the employer contribution being variable.

The benefits covered are retirement benefits, disability, death and survivor pension and are based on an average salary system. Employees earning more than EUR 43,764 per year (as at January 1, 2009) have an option to contribute to a defined contribution plan for the excess salary. However, the cost for the company remains the same. The defined benefit plans were unfunded by EUR 1,631 million at December 31, 2009 (2008: EUR 1,438 million). Assets held by AEGON The Netherlands for retirement benefits do not meet the definition of plan assets and as such were not deducted in calculating this amount. Instead, these assets are recognized as general account assets. Consequently, the return on these assets do not form part of the calculation of defined benefit expenses.

AEGON The Netherlands also has a post-retirement medical plan that contributes to the health care coverage of employees and beneficiaries after retirement. The liability related to this plan amounted to EUR 45 million at December 31, 2009 (2008: EUR 48 million).

Assumptions used to determine benefit obligations at year end:

	2009	2008
Discount rate	5.30%	5.75%
Social security increase rate	2.50%	2.50%
Pension increase rate	2.00%	2.00%

Assumptions used to determine net periodic benefits costs for the year ended December 31, 2009:

	2009	2008
Discount rate	5.75%	5.50%
Salary increase rate	2.50%	2.50%
Social security increase rate	2.50%	2.50%
Pension increase rate	2.00%	2.00%
Health care cost trend rate assumed for next year	1.50-2.00%	1.50-2.00%
Rate that the cost trend rate gradually declines to	1.50-2.00%	1.50-2.00%
Year that the rate reaches the rate it is assumed to remain at	N.A.	N.A.

AEGON UK

AEGON UK operates a defined benefit pension scheme providing benefits for staff based on final pensionable salary. The assets of the scheme are held under trust separately from those of the Group. The assets of the scheme are held in policies effected with Scottish Equitable plc. The scheme is closed to new entrants. Under IAS 19, the defined benefit plan has a deficit of EUR 339 million at December 31, 2009 (2008: EUR 186 million).

For each asset class, a long-term return assumption is derived taking into account market conditions, historical returns (both absolute returns and returns relative to other asset classes) and general forecasts for future returns. Government bonds are taken as providing the return with the least risk. The expected long-term rate of return is calculated as a weighted average of these assumed rates, taking account of the long-term strategic allocation of funds across the different classes adopted by the trustees of the scheme.

Assumptions used to determine benefit obligations at year end:

	2009	2008
Discount rate	5.70%	6.00%
Rate of increase in compensation levels	3.50%	2.80%
Price inflation	3.50%	2.80%

Assumptions used to determine net periodic benefit costs for the year ended December 31, 2009:

	2009	2008
Discount rate	6.00%	5.90%
Salary increase rate	4.10%	5.60%
Pension increase rate	2.80%	3.30%
Price inflation	2.80%	3.30%
Expected long-term return on assets	6.00%	6.70%
Target allocation of plan assets for retirement benefit plans for the next annual period is:		
Equity instruments	50%	50%
Debt instruments	50%	50%

OTHER COUNTRIES

The other countries mostly operate defined contribution plans, with the exception of smaller defined benefit plans in AEGON Canada.

NOTE 27 DEFERRED REVENUE LIABILITIES

	2009	2008
At January 1	42	50
Income deferred	46	13
Release to income statement	(13)	(9)
Net exchange differences	3	(12)
Other	(9)	–
AT DECEMBER 31	**69**	**42**

NOTE 28 DEFERRED TAX

	2009	2008
Deferred tax assets	278	1,447
Deferred tax liabilities	817	424
TOTAL NET DEFERRED TAX LIABILITY / (ASSET)	**539**	**(1,023)**

	Real estate	Financial assets	Insurance contracts	Deferred expenses, VOBA and other intangible assets	Defined benefit plans	Losses	Other	Total
At January 1, 2009	513	(1,693)	(2,540)	3,379	35	(575)	(142)	(1,023)
Acquisitions through business combinations	–	–	–	2	–	–	1	3
Disposal of a business	–	(10)	(34)	(95)	2	28	12	(97)
Charged to income statement	(39)	(1,158)	593	26	(6)	(101)	(26)	(711)
Charged to equity	1	2,428	6	(5)	–	(126)	11	2,315
Net exchange differences	(3)	30	(47)	44	(6)	8	(10)	16
Other	–	27	25	1	(13)	4	(8)	36
AT DECEMBER 31, 2009	**472**	**(376)**	**(1,997)**	**3,352**	**12**	**(762)**	**(162)**	**539**
At January 1, 2008	511	468	(2,263)	3,580	(26)	(577)	(90)	1,603
Acquisitions through business combinations	–	2	–	37	–	–	–	39
Charged to income statement	(15)	1,012	(449)	52	27	(345)	(194)	88
Charged to equity	3	(3,142)	(6)	12	–	121	115	(2,897)
Net exchange differences	4	(101)	137	(228)	21	10	33	(124)
Other	10	68	41	(74)	13	216	(6)	268
AT DECEMBER 31, 2008	**513**	**(1,693)**	**(2,540)**	**3,379**	**35**	**(575)**	**(142)**	**(1,023)**

Deferred tax assets comprise temporary differences on:	2009	2008
Real estate	(197)	(296)
Financial assets	(2)	1,683
Insurance and investment contracts	780	1,999
Deferred expenses, VOBA and other intangible assets	(376)	(2,284)
Defined benefit plans	23	(86)
Losses	5	431
Other	45	–
AT DECEMBER 31	**278**	**1,447**

Deferred tax liabilities comprise temporary differences on:	2009	2008
Real estate	275	217
Financial assets	(378)	(10)
Insurance and investment contracts	(1,217)	(541)
Deferred expenses, VOBA and other intangible assets	2,976	1,095
Defined benefit plans	35	(51)
Losses	(757)	(144)
Other	(117)	(142)
AT DECEMBER 31	**817**	**424**

Deferred corporate income tax assets are recognized for tax losses carried forward to the extent that the realization of the related tax benefit through future taxable profits is probable. For an amount of EUR 60 million (2008: EUR 513 million; 2007: EUR 1 million) the realization of the deferred tax asset is dependent on future taxable profits in excess of the profits arising from the reversal of existing taxable temporary differences.

For the amount of EUR 60 million (2008: EUR 233 million; 2007: EUR 1 million) the utilization of tax losses is dependent on the projection of future taxable income from existing business. In the previous year (2008: EUR 280 million; 2007: nil) the utilization of tax losses was also dependent on retaining bonds and similar investments until the earlier of market recovery or maturity.

Deferred corporate income tax assets in respect of deductible temporary differences relating to available for sale financial assets are recognized to the extent that the realization of the related tax benefit through the future taxable profits is probable. The recognition of the deferred tax asset of EUR 1,855 million (2008: EUR 3,761 million; 2007: nil) is dependent on future taxable profits in excess of the profits arising from the reversal of existing taxable temporary differences. For an amount of EUR 1,571 million (2008: EUR 3,761 million; 2007: nil) the recognition of the deferred tax asset is dependent on retaining bonds and similar investments until the earlier of market recovery or maturity. For an amount of EUR 284 million the recognition of the deferred tax asset is dependent on the realization of capital gains.

The table that follows shows the not recognized deferred corporate income tax assets in respect of tax losses that can be carried forward to future taxable income:

	2009	2008	2007
< 5 years	786	340	736
≥ 5 - 10 year	10	391	40
≥ 10 - 15 years	–	67	–
≥ 15 - 20 years	28	27	–
Indefinitely	769	687	423
AT DECEMBER 31	**1,593**	**1,512**	**1,199**

AEGON did not recognize deferred corporate income tax assets in respect of deductible temporary differences relating to deferred acquisition costs, insurance contracts, available for sale financial assets and other items for the amount of EUR 32 million (2008: EUR 424 million; 2007: EUR 7 million).

Deferred corporate income tax liabilities have not been recognized for withholding tax and other taxes that would be payable on the unremitted earnings of certain subsidiaries, branches, associates and joint ventures. The unremitted earnings totalled EUR 1,803 million (2008: EUR 1,808 million; 2007: EUR 1,856 million). All deferred taxes are non-current by nature.

NOTE 29 OTHER LIABILITIES

	2009	2008
Payables due to policyholders	577	874
Payables due to brokers and agents	1,090	867
Payables out of reinsurance	815	774
Social security and taxes payable	55	81
Income tax payable	174	17
Investment creditors	512	661
Cash collateral	4,020	9,040
Repurchase agreements	4,867	3,929
Share appreciation rights	1	5
Other creditors	1,603	1,989
AT DECEMBER 31	**13,714**	**18,237**
Current	11,718	17,398
Non-current	1,996	839
Fair value	13,703	18,142

Refer to note 40 for a description of share appreciation rights and related expenses.

NOTE 30 ACCRUALS

	2009	2008
Accrued interest	292	443
Accrued expenses	100	118
AT DECEMBER 31	**392**	**561**

The carrying amounts disclosed reasonably approximate the fair values as at the year end.

NOTE 31 PREMIUM INCOME AND PREMIUMS TO REINSURERS

	Total	
	Gross	Reinsurance
2009		
Life	16,903	1,422
Non-Life	2,570	305
TOTAL	**19,473**	**1,727**
2008		
Life	19,795	1,255
Non-Life	2,614	316
TOTAL	**22,409**	**1,571**
2007		
Life	24,210	1,280
Non-Life	2,690	326
TOTAL	**26,900**	**1,606**

NOTE 32 INVESTMENT INCOME

	2009	2008	2007
Interest income	7,798	8,886	9,183
Dividend income	721	868	1,051
Rental income	162	211	223
TOTAL INVESTMENT INCOME	**8,681**	**9,965**	**10,457**
Investment income related to general account	6,109	7,041	7,496
Investment income for account of policyholders	2,572	2,924	2,961
TOTAL	**8,681**	**9,965**	**10,457**

Investment income from financial assets held for general account:	2009	2008	2007
Available-for-sale	4,492	5,217	5,661
Loans	1,228	1,303	1,276
Held-to-maturity	15	49	48
Financial assets designated fair value through profit or loss	143	223	255
Real estate	86	96	89
Derivatives	91	67	85
Other	54	86	82
TOTAL	**6,109**	**7,041**	**7,496**

Investment income from:	2009	2008	2007
Shares	721	868	1,051
Debt securities and money market instruments	6,445	7,419	7,708
Loans	1,228	1,303	1,276
Real estate	162	211	223
Other	125	164	199
TOTAL	**8,681**	**9,965**	**10,457**

Included in interest income is EUR 42 million (2008: EUR 10 million; 2007: EUR 7 million) in respect of interest income accrued on impaired financial assets.

The interest income on financial assets that are not carried at fair value through profit or loss amounted to EUR 5,750 million (2008: EUR: 6,603 million; 2007: EUR 6,930 million).

NOTE 33 FEE AND COMMISSION INCOME

	2009	2008	2007
Fee income from asset management	756	763	700
Sales commissions	371	438	547
Commissions from intermediary activities	263	284	313
Other	203	218	340
TOTAL FEE AND COMMISSION INCOME	**1,593**	**1,703**	**1,900**

Included in fee and commission income is EUR 103 million of fees on trust and fiduciary activities (2008: EUR 85 million; 2007: EUR 74 million). EUR 4 million of fees were recognized on financial assets and liabilities that are not carried at fair value with changes in the fair value recognized in the income statement (2008: EUR 25 million; 2007: EUR 6 million).

NOTE 34 OTHER REVENUES

	2009	2008	2007
Other revenues	**4**	**5**	**14**

Other revenues relate to non-core activities.

NOTE 35 INCOME FROM REINSURANCE CEDED

	2009	2008	2007
Recovered claims and benefits	2,304	1,907	1,755
Change in technical provisions	(755)	(430)	(380)
Commissions	172	156	171
TOTAL	**1,721**	**1,633**	**1,546**

Income from reinsurance ceded represents mainly claims made under reinsured insurance policies.

NOTE 36 RESULTS FROM FINANCIAL TRANSACTIONS

Results from financial transactions comprise:	2009	2008	2007
Net fair value change of general account financial investments at fair value through profit or loss, other than derivatives	193	(1,261)	573
Realized gains and losses on financial investments	475	99	957
Gains and (losses) on investments in real estate	(179)	(48)	137
Net fair value change of derivatives	(582)	996	(926)
Net fair value change on for account of policyholder financial assets at fair value through profit or loss	15,219	(27,490)	4,380
Net fair value change on investments in real estate for account of policyholders	(37)	(557)	(402)
Net foreign currency gains and (losses)	(25)	(39)	(172)
Net fair value change on borrowings and other financial liabilities	(138)	105	(2)
Realized gains and (losses) on repurchased debt	11	–	–
TOTAL	**14,937**	**(28,195)**	**4,545**

Net fair value change of general account financial investments at fair value through profit or loss, other than derivatives comprise:	2009	2008	2007
Shares	113	(639)	96
Debt securities and money market investments	188	(317)	86
Other	(108)	(305)	391
TOTAL	**193**	**(1,261)**	**573**

Realized gains and losses on financial investments comprise:	2009	2008	2007
Shares	79	37	870
Debt securities and money market investments	473	140	96
Loans	(2)	9	34
Other	(75)	(87)	(43)
TOTAL	**475**	**99**	**957**

Realized gains and losses on financial investments relate to:	2009	2008	2007
Available-for-sale investments	477	90	923
Loans	(2)	9	34
TOTAL	**475**	**99**	**957**

Net fair value change of derivatives comprise:	2009	2008	2007
Net fair value change on free standing derivatives	(1,795)	2,713	(12)
Net fair value change on embedded derivatives	1,102	(1,721)	(590)
Ineffective portion of hedge transactions to which hedge accounting is applied	(41)	50	16
Fair value changes on economic hedges for which no hedge accounting is applied	152	(46)	(340)
TOTAL	**(582)**	**996**	**(926)**

The ineffective portion of hedge transactions to which hedge accounting is applied comprises:	2009	2008	2007
Fair value change on hedging instruments in a fair value hedge	127	(164)	(242)
Fair value change on hedged items in a fair valued hedge	(158)	202	253
Ineffectiveness fair value hedges	(31)	38	11
Ineffectiveness cash flow hedges	(10)	12	5
TOTAL	**(41)**	**50**	**16**

Net fair value change on for account of policyholder financial assets at fair value through profit or loss comprise:	2009	2008	2007
Shares	5,090	(11,238)	1,760
Debt securities and money market investments	1,246	(827)	(884)
Deposits with financial institutions	5	5	(1)
Separate accounts and unconsolidated investment funds	9,132	(15,481)	3,580
Other	(254)	51	(75)
TOTAL	**15,219**	**(27,490)**	**4,380**

Investments for account of policyholders comprise of financial assets and investments in real estate. Refer to note 8 for further information. Financial assets for account of policyholders are classified as at fair value through profit or loss. Investment income on investments for account of policyholders is included in investment income. Refer to note 32 for further information.

NOTE 37 OTHER INCOME

	2009	2008	2007
Other income	**–**	**6**	**214**

Other income in 2007 relates mainly to the acquisition of OPTAS N.V. ("OPTAS"). The acquired net assets amounted to EUR 1.7 billion, EUR 212 million higher than the acquisition price of EUR 1.5 billion resulting in a one-time gain at acquisition that is reported as part of Other income.

NOTE 38 POLICYHOLDER CLAIMS AND BENEFITS

	2009	2008	2007
Claims and benefits paid to policyholders	16,308	17,248	17,889
Gains / losses on separate accounts and investment funds	8,043	(14,020)	3,244
Change in valuation of liabilities for insurance and investment contracts	12,548	(4,036)	13,002
TOTAL	**36,899**	**(808)**	**34,135**

The change in valuation of liabilities for insurance and investment contracts include EUR 66 million of gains (2008: losses of EUR 17 million; 2007; gains of EUR 7 million) or other charges that for segment reporting are excluded from underlying earnings before tax.

NOTE 39 PROFIT SHARING AND REBATES

	2009	2008	2007
Amortization of interest rate rebates	46	50	46
Surplus interest bonuses	10	10	22
Profit appropriated to policyholders	61	38	15
TOTAL	**117**	**98**	**83**

NOTE 40 COMMISSIONS AND EXPENSES

	2009	2008	2007
Commissions	2,764	3,072	3,312
Employee expenses	2,035	1,899	1,903
Administration expenses	1,227	1,373	1,334
Deferred expenses	(1,613)	(1,792)	(1,891)
Amortization of deferred expenses	1,212	1,332	1,062
Amortization of VOBA and future servicing rights	358	225	219
TOTAL	**5,983**	**6,109**	**5,939**

Included in administration expenses above is depreciation amounting to EUR 90 million (2008: EUR 84 million; 2007: EUR 86 million) that relates to equipment, software and real estate held for own use. The direct operating expenses relating to investments in real estate that generated rental income was EUR 72 million (2008: EUR 59 million; 2007: EUR 62 million). Minimum lease payments recognized as expense amounted to EUR 6 million (2008: EUR 6 million; 2007: EUR 10 million). Included in employee expenses is EUR 27 million (2008: EUR 26 million; 2007: EUR 23 million) regarding defined contribution expenses.

Included in the amortization of deferred expenses and VOBA is EUR 78 million (2008: EUR 14 million; 2007: EUR 1 million) that is classified for segment reporting purposes as non underlying earnings as an offset against realized gains and losses and impairments on financial investments.

Employee expenses	2009	2008	2007
Salaries	1,311	1,285	1,286
Post-employment benefit costs	281	180	168
Social security charges	150	146	140
Other personnel costs	287	303	307
Share appreciation rights and share options	6	(15)	2
TOTAL	**2,035**	**1,899**	**1,903**

SHARE APPRECIATION RIGHTS AND SHARE OPTIONS

Senior executives of AEGON companies, as well as other AEGON employees, have been offered both share appreciation rights and share options. These share appreciation rights and share options have been granted at an exercise price equal to the market price of the shares at the date of the grant. The rights and options granted in 2004 -2008 vest after three years and can only be exercised during the four years after the vesting date. The rights and options granted in 2003 and 2002 vest after two years and can only be exercised during the five years after the vesting date. Vesting and exercisability depend on continuing employment of the individual employee to whom the rights and options have been granted. Option plans are settled in equity, whilst stock appreciation rights are settled in cash or provide the employee with the choice of settlement.

Decisions by the Executive Board to implement Share appreciation rights and share option plans are subject to approval by the Supervisory Board. If, subsequently, the Executive Board decides to implement such plans, that decision has to be approved by the Supervisory Board.

In compliance with regulations under Dutch law, share appreciation rights and share options cannot be exercised in blackout periods.

SHARE APPRECIATION RIGHTS

The following tables present the movements in number of share appreciation rights outstanding (SARs), as well as the breakdown by the year in which they were granted.

	Number of SARs	Weighted average exercise price in EUR	Weighted average remaining contractual term in years	Aggregate intrinsic value in EUR million
Outstanding at January 1, 2008	19,910,862	15.87	2.59	30
Granted	300,300	8.93		
Exercised	(168,400)	7.99		
Forfeited	(1,898,621)	20.21		
OUTSTANDING AT JANUARY 1, 2009	**18,144,141**	**15.30**	**1.71**	**0**
Forfeited	(1,168,508)	13.68		
Expired	(5,643,604)	26.70		
OUTSTANDING AT DECEMBER 31, 2009	**11,332,029**	**9.78**	**1.44**	**0**
EXERCISABLE AT DECEMBER 31, 2009	**10,864,329**	**9.70**	**1.30**	

During 2009, no share appreciation rights were exercised. The weighted average share price at which the share appreciation rights were exercised in 2008 was EUR 10.46.

SARs	Original number granted	Outstanding January 1, 2009	Outstanding December 31, 2009	Exercise price in EUR	Exercise period
2002	11,555,700	5,912,204	–	26.70	until March 12, 2009
2003	11,447,300	2,770,637	2,562,809	6.30	until March 11, 2010
2004	11,574,850	5,323,882	4,934,254	10.56	until March 17, 2011
2005	4,575,600	3,424,518	3,183,566	10.86	until March 8, 2012
2006	244,300	207,100	183,700	14.00	until March 14, 2013
2007	309,500	231,900	213,600	14.98	until March 13, 2014
2008	300,300	273,900	254,100	8.93	until March 11, 2015
TOTAL	**40,007,550**	**18,144,141**	**11,332,029**		

In 2009 no share appreciation rights were granted. The following assumptions were used in estimating the fair value of share appreciation rights granted in 2007 and 2008, at December 31 of the year they were granted:

	2008	2007
Volatility	56.43%	29.00%
Expected dividend yield	7.77%	7.18%
Expected term (in years)	5.93	6.01
Risk-free rate	3.11%	4.14%
AEGON share price at year end	4.53	12.09

The volatility is derived from quotations from external market sources and the expected dividend yield is derived from quotations from external market sources and the binomial option pricing model. Refer to note 3 for a further description of the method used to estimate the fair value and a description of the significant assumptions.

The liability related to share appreciation rights is valued at fair value at each balance sheet date. Refer to note 29 for details. The costs related to the share appreciation rights amount to EUR (5) million (2008: EUR (34) million; 2007: EUR (16) million) and are recognized in the income statement as part of 'Commissions and expenses'.

SHARE OPTIONS

The following tables present the movements in number of share options, as well as the breakdown by the year in which they were granted.

	Number of share options	Weighted average exercise price in EUR	Weighted average remaining contractual term in years	Aggregate intrinsic value in EUR million
Outstanding at January 1, 2008	21,267,762	13.91	5.38	5
Granted	10,269,900	8.93		
Exercised	(300)	10.86		
Forfeited	(2,170,196)	12.33		
Expired	(188,650)	30.63		
OUTSTANDING AT JANUARY 1, 2009	**29,178,516**	**12.17**	**5.01**	**0**
Forfeited	(2,087,649)	12.10		
OUTSTANDING AT DECEMBER 31, 2009	**27,090,867**	**12.17**	**4.00**	**0**
EXERCISABLE AT DECEMBER 31, 2009	**10,652,161**	**12.88**	**2.85**	**0**

The weighted average share price at which the share options were exercised in 2008 was EUR 5.99. In 2009 no share options were exercised.

Share options	Original number granted	Outstanding January 1, 2009	Outstanding December 31, 2009	Exercise price in EUR	Exercise period
2005	5,586,160	4,085,210	3,791,760	10.86	until March 8, 2012
2006	9,149,500	7,328,519	6,860,401	14.00	until March 14, 2013
2007	9,522,200	8,161,651	7,554,798	14.98	until March 13, 2014
2008	10,269,900	9,603,136	8,883,908	8.93	until March 11, 2015
TOTAL	**34,527,760**	**29,178,516**	**27,090,867**		

In 2009 no share options were granted. The following assumptions were used in estimating the fair value of share options at the grant date:

	2008	2007
Volatility	36.00%	24.40%
Expected dividend yield	9.84%	4.53%
Expected term (in years)	6.53	6.57
Risk-free rate	3.47%	3.84%
Exercise price	8.93	14.98

The costs related to the share options amount to EUR 10 million (2008: EUR 19 million and 2007: EUR 18 million) and are recognized in the income statement as part of 'Commissions and expenses'.

SHARE APPRECIATION RIGHTS AND SHARE OPTIONS

No share appreciation rights and share options were granted in 2009. The fair value of a share appreciation right or share option at the grant date in 2008 and 2007 amounted to respectively EUR 1.57 and EUR 2.87. These amounts are equal to the weighted average fair value for the respective years.

No share options were exercised and no SARs were paid during 2009. The total intrinsic value of share options exercised and SARs paid during 2008 and 2007 amounted to, respectively, EUR 1 million and EUR 15 million.

At December 31, 2009, the total compensation cost related to non-vested awards not yet recognized is estimated at EUR 5 million (2008: EUR 19 million). The weighted average period over which it is expected to be recognized is 0.8 years (2008: 1.3 years).

No cash is received from exercise of share options during 2009, 2008 and 2007. Cash used to settle share appreciation rights amounts to EUR 0 million in 2009 (2008: EUR 0.4 million; 2007: EUR 17 million).

The exposure from the issued share appreciation rights and share options is economically hedged by part of the position in treasury shares.

There have been no modifications to the plans during the financial year.

No share appreciation rights and share options were granted in 2009. The breakdown of the share appreciation rights and share options granted in 2008 and 2007 is as follows: senior executives 2008: 4,747,500 and 2007: 4,157,500 and other employees 2008: 5,822,700 and 2007: 5,674,200.

Refer to note 54 for detailed information about the SARs / share options and the shares and options conditionally granted to the Executive Board.

NOTE 41 IMPAIRMENT CHARGES / (REVERSALS)

Impairment charges / (reversals) comprise:	2009	2008	2007
Impairment charges on financial assets, excluding receivables [1]	1,463	1,115	135
Impairment reversals on financial assets, excluding receivables [1]	(136)	(36)	(64)
Impact of the above impairments on the valuation of insurance assets and liabilities [1]	4	(7)	16
Impairment charges on non-financial assets and receivables	38	41	30
TOTAL	**1,369**	**1,113**	**117**

[1] Impairment charges / (reversals) on financial assets, excluding receivables, are excluded from underlying earnings before tax for segment reporting (refer to note 5).

Impairment charges on financial assets, excluding receivables, from:	2009	2008	2007
Shares	96	203	45
Debt securities and money market instruments	1,227	862	76
Loans	131	49	6
Other	3	1	8
Investments in associates	6	–	–
TOTAL	**1,463**	**1,115**	**135**

Impairment reversals on financial assets, excluding receivables, from:	2009	2008	2007
Debt securities and money market instruments	(116)	(36)	(51)
Loans	(20)	–	(10)
Other	–	–	(3)
TOTAL	**(136)**	**(36)**	**(64)**

NOTE 42 INTEREST CHARGES AND RELATED FEES

	2009	2008	2007
Capital securities	7	8	10
Subordinated loans	–	2	2
Borrowings	320	410	339
Other	85	106	123
TOTAL	**412**	**526**	**474**

The interest charges accrued on financial assets and liabilities that are not carried at fair value through profit or loss amounted to EUR 288 million (2008: EUR 375 million; 2007: EUR 314 million).

NOTE 43 OTHER CHARGES

	2009	2008	2007
Other charges	**389**	**2**	**181**

In 2009, other charges included a loss of EUR 385 million resulting from the sale of AEGON Taiwan. The proceeds from the sale amounted to EUR 11 million. The value of the assets and liabilities sold amounted to EUR 4,457 million and EUR 4,159 million respectively.

Included in the EUR 385 million were unrealized losses for an amount of EUR 94 million, reflecting revaluation reserves, foreign currency translation reserves and net investment hedges which were recycled through the income statement. Sales expenses amounted to EUR 4 million.

In 2007 AEGON refined its method of calculating the fair value of the guarantees included in its unit-linked products in order to align these calculations with the calculations currently used for the group pension contracts and traditional products. This change in accounting estimate has been applied prospectively. In 2007, the pre-tax cumulative charges amounted to EUR 181 million and were reported as part of Other charges.

Other charges is for segment reporting purposes fully excluded from underlying earnings (refer to note 2.5).

NOTE 44 INCOME TAX

	Note	2009	2008	2007
Current tax				
Current year		20	(103)	501
Adjustments to prior year		23	36	(104)
		43	**(67)**	**397**
Deferred tax	28			
Origination / (reversal) of temporary differences		(652)	16	234
Changes in tax rates / bases		4	7	(64)
Recognition of previously unrecognized tax loss / tax credit		(47)	(3)	27
Write off / (reversal of write off) of deferred tax assets		51	134	37
Adjustment to prior year		(67)	(66)	(105)
		(711)	**88**	**129**
INCOME TAX FOR THE PERIOD (INCOME) / CHARGE		**(668)**	**21**	**526**

Reconciliation between standard and effective income tax:	2009	2008	2007
Income / (loss) before tax	(464)	(1,061)	3,077
Income tax calculated using weighted average applicable statutory rates	(200)	(423)	973
Difference due to the effects of:			
Non-taxable income	21	2	(261)
Non-tax deductible expenses	37	42	35
Changes in tax rate / base	4	7	(64)
Different tax rates on overseas earnings	(423)	467	38
Tax credits	(69)	(82)	(89)
Other taxes	(2)	(85)	34
Adjustments to prior years	(44)	(23)	(108)
Origination and change in contingencies	3	(7)	(101)
Changes in deferred tax assets as a result of recognition / write off of previously not recognized / recognized tax losses, tax credits and deductible temporary differences	(47)	(3)	27
Non-recognition of deferred tax assets	51	134	38
Tax effect of (profit) / losses from associates	–	(2)	(1)
Other	1	(6)	5
INCOME TAX FOR THE PERIOD (INCOME) / CHARGE	**(668)**	**21**	**526**

The weighted average applicable tax rate is 43.1% (2008: 39.9% and 2007: 31.6%). The change from 2008 to 2009 is primarily due to a change in the profitability of the countries and, to a limited extent, due to a change in applicable statutory tax rates. The increase of the weighted average applicable tax rate compared to 2008 and 2007 is caused by losses that are taxed at a higher rate than the compensating profits. In the Czech Republic the corporate tax rate decreased from 21% in 2008 to 20% in 2009. The rate will further decrease to 19% in 2010. In Hungary the corporate tax rate will increase from 16% in 2009 to 19% in 2010, but the solidarity tax (4%) will cease to exist as from 2010. In Canada the federal corporate tax rate decreased from 19.5% in 2008 to 19% in 2009. The rate will further decrease to 15% in 2012.

Different tax rates on overseas earnings in the reconciliation between standard and effective income tax primarily consists of results on intercompany reinsurance treaties between Ireland and the United States. These reinsurance treaties are accounted for at fair value in both tax jurisdictions and eliminated in AEGON's consolidated result, while losses in the United States are taxed at 35% and gains in Ireland are taxed at 12.5%.

NOTE 45 EARNINGS PER SHARE

BASIC EARNINGS PER SHARE

Basic earnings per share is calculated by dividing the net income attributable to equity holders, after deduction of preferred dividends declared, accrued coupons on perpetual securities and coupons and premium on convertible core capital securities, by the weighted average number of common shares, excluding common shares purchased by the company and held as treasury shares (refer to note 15).

	2009	2008	2007
Net income / (loss) attributable to equity holders	204	(1,082)	2,551
Dividends on preferred shares	(122)	(112)	(85)
Coupons on perpetual securities	(182)	(189)	(175)
Coupons and premium on convertible core capital securities	(148)	–	–
Net income / (loss) attributable to common shareholders for basic earnings per share calculation	**(248)**	**(1,383)**	**2,291**
Weighted average number of common shares (thousands)	**1,586,699**	**1,506,862**	**1,561,395**
Basic earnings per share (EUR per share)	**(0.16)**	**(0.92)**	**1.47**

DILUTED EARNINGS PER SHARE

Diluted earnings per share is calculated by adjusting the average number of shares outstanding for share options. For the purpose of calculating diluted earnings per share, AEGON assumed that all dilutive share options have been exercised at the exercise price, or adjusted exercise price if necessary. The proceeds are regarded as having been received from the issue of common shares at the average market price of the AEGON N.V. share during the year. The difference between the number of dilutive options issued and the number of common shares that would have been issued at the average market price has been treated as an issue of common shares for no consideration.

The number of share options that has not been included in the weighted average number of common shares used in the calculation of diluted earnings per share, because these share options were anti-dilutive for the periods presented, amounted to 27,090,867. (2008: 29,178,516 and 2007: 8,993,229). The exercise prices of these share options range from EUR 14.98 to EUR 8.93.

The potential conversion of the convertible core capital securities is not taken into account in the calculation of the diluted earnings per share as this would have an anti-dilutive effect.

	2009	2008	2007
Net income / (loss) attributable to equity holders	204	(1,082)	2,551
Dividends on preferred shares	(122)	(112)	(85)
Coupons on perpetual securities	(182)	(189)	(175)
Coupons and premium on convertible core capital securities	(148)	–	–
Net income / (loss) attributable to common shareholders for diluted earnings per share calculation	**(248)**	**(1,383)**	**2,291**
Weighted average number of common shares (thousands)	1,586,699	1,506,862	1,561,395
Adjustments for:			
Share options (thousands)	–	–	1,182
Weighted average number of common shares for diluted earnings per share calculation (thousands)	**1,586,699**	**1,506,862**	**1,562,577**
Diluted earnings per share (EUR per share)	**(0.16)**	**(0.92)**	**1.47**

NOTE 46 DIVIDEND PER COMMON SHARE

The dividend per common share paid in 2009 (final 2008 and interim 2009) and 2008 (final 2007 and interim 2008) was nil and EUR 0.62 respectively. It was decided not to declare the final dividend for 2008 and the interim 2009.

NOTE 47 GUARANTEES IN INSURANCE CONTRACTS

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

- Financial guarantees: these guarantees are treated as bifurcated embedded derivatives, valued at fair value and presented as derivatives (refer note 2.10 and note 3).
- Total return annuities: these guarantees are not bifurcated from their host contracts because they are valued at fair value and presented as part of insurance contracts (refer to note 2.19).
- Life contingent guarantees in the United States: these guarantees are not bifurcated from their host contracts, valued in accordance with insurance accounting (ASC 944, Financial Services - Insurance) and presented together with insurance liabilities (refer to note 2.19 and note 3); and
- Life contingent guarantees in the Netherlands: these guarantees are not bifurcated from their host contracts, valued at fair value and presented together with the underlying insurance contracts (refer to note 2.19 and note 3).

In addition to the guarantees mentioned above AEGON has traditional life insurance contracts that include minimum guarantees that are not valued explicitly; however, the adequacy of all insurance liabilities, net of VOBA and DPAC, are assessed periodically (refer to note 2.19).

A. FINANCIAL GUARANTEES

In the United States and United Kingdom, a guaranteed minimum withdrawal benefit (GMWB) is offered directly on some variable annuity products AEGON issues and is also assumed from a ceding company. Variable annuities allow a customer to provide for the future on a tax-deferred basis and to participate in equity or bond market performance. Variable annuities allow a customer to select payout options designed to help meet the customer's need for income upon maturity, including lump sum payment or income for life or for a period of time. This benefit guarantees that a policyholder can withdraw a certain percentage of the account value, starting at a certain age or duration, for either a fixed period or during the life of the policyholder.

In Canada, variable products sold are known as "Segregated Funds". Segregated funds are similar to variable annuities, except that they include a capital protection guarantee for mortality and maturity benefits (guaranteed minimum accumulation benefits). The initial guarantee period is ten years. The ten-year period may be reset at the contractholder's option for certain products to lock-in market gains. The reset feature cannot be exercised in the final decade of the contract and for many products can only be exercised a limited number of times per year.

In The Netherlands, individual variable unit linked products have a minimum benefit guarantee if premiums are invested in certain funds. The initial guarantee period is 10 years and may be reset at the policyholder's option to lock in market gains. The reset feature cannot be exercised in the final decade of the contract and for many products can only be exercised a limited number of times per year. The management expense ratio charged to the funds is not guaranteed and can be increased at management's discretion. The sum insured at maturity or upon the death of the beneficiary has a minimum guaranteed return (in the range of 3% to 4%) if the premium has been paid for a consecutive period of at least ten years and is invested in a mixed fund and / or fixed-income funds. No guarantees are given for equity investments only.

The following table provides information on the liabilities for financial guarantees for minimum benefits:

					2009					2008
	United States [1]	Canada [1]	VA Europe	The Netherlands [2]	Total [3]	United States [1]	Canada [1]	VA Europe	The Netherlands [2]	Total [3]
At January 1	350	1,028	23	1,156	2,557	(18)	595	–	377	954
Incurred guarantee benefits	(250)	(216)	(22)	(399)	(887)	350	580	28	779	1,737
Paid guarantee benefits	–	(235)	–	–	(235)	–	(11)	–	–	(11)
Net exchange differences	(8)	108	–	–	100	18	(136)	(5)	–	(123)
AT DECEMBER 31	**92**	**685**	**1**	**757**	**1,535**	**350**	**1,028**	**23**	**1,156**	**2,557**
Account value	5,974	2,448	741	6,934	16,097	3,395	1,993	258	5,763	11,409
Net amount at risk [4]	457	684	1	259	1,401	1,007	930	23	554	2,514

[1] Guaranteed minimum accumulation and withdrawal benefits.
[2] Fund plan and unit-linked guarantees.
[3] Balances are included in the derivatives liabilities on the face of the balance sheet; refer note 9.
[4] The net amount at risk represents the difference between the maximum amount payable under the guarantees and the account value.

In addition AEGON reinsures the elective guaranteed minimum withdrawal benefit rider issued with a ceding company's variable annuity contracts. The rider is essentially a return of premium guarantee, which is payable over a period of at least fourteen years from the date that the policyholder elects to start withdrawals. At contract inception, the guaranteed remaining balance is equal to the premium payment. The periodic withdrawal is paid by the ceding company until the account value is insufficient to cover additional withdrawals. Once the account value is exhausted, AEGON pays the periodic withdrawals until the guaranteed remaining balance is exhausted. At December 31, 2009, the reinsured account value was EUR 4.5 billion (2008: EUR 4.2 billion) and the guaranteed remaining balance was EUR 4.0 billion (2008: EUR 4.6 billion).

The reinsurance contract is accounted for as a derivative and is carried in AEGON's balance sheet at fair value. At December 31, 2009, the contract had a value of EUR 90 million (2008: EUR 442 million). AEGON entered into a derivative program to mitigate the overall exposure to equity market and interest rate risks associated with the reinsurance contract. This program involves selling S&P 500 futures contracts to mitigate the effect of equity market movement on the reinsurance contract and the purchase of over-the-counter interest rate swaps to mitigate the effect of movements in interest rates on the reinsurance contracts.

B. TOTAL RETURN ANNUITIES

Total Return Annuity (TRA) is an annuity product in the United States which provides customers with a pass-through of the total return on an underlying portfolio of investment securities (typically a mix of corporate and convertible bonds) subject to a cumulative minimum guarantee. Both the assets and liabilities are carried at fair value, however, due to the minimum guarantee not all of the changes in the market value of the asset will be offset in the valuation of the liability. This product exists in both the fixed annuity and life reinsurance lines of business and in both cases represents closed blocks. The reinsurance contract is in the form of modified coinsurance so only the liability for the minimum guarantee is recorded on our books.

Product balances as of December 31, 2009 were EUR 657 million in fixed annuities (2008: EUR 790 million) and EUR 149 million in life reinsurance (2008: EUR 176 million).

C. LIFE CONTINGENT GUARANTEES IN THE UNITED STATES

Certain variable insurance contracts in the United States also provide guaranteed minimum death benefits (GMDB) and guaranteed minimum income benefits (GMIB). Under a GMDB, the beneficiaries receive the greater of the account balance or the guaranteed amount upon the death of the insured. The net amount at risk for GMDB contracts is defined as the current GMBD in excess of the capital account balance at the balance sheet date.

The GMIB feature provides for minimum payments if the contractholder elects to convert to an immediate payout annuity. The guaranteed amount is calculated using the total deposits made by the contractholder, less any withdrawals and sometimes includes a roll-up or step-up feature that increases the value of the guarantee with interest or with increases in the account value.

The additional liability for guaranteed minimum benefits that are not bifurcated are determined (based on ASC 944) each period by estimating the expected value of benefits in excess of the projected account balance and recognizing the excess over the accumulation period based on total expected assessments. The estimates are reviewed regularly and any resulting adjustment to the additional liability is recognized in the income statement. The benefits used in calculating the liabilities are based on the average benefits payable over a range of stochastic scenarios. Where applicable, the calculation of the liability incorporates a percentage of the potential annuitizations that may be elected by the contract holder.

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

			2009			2008
	GMDB [1]	GMIB [2]	Total [4]	GMDB [1]	GMIB [2]	Total [4]
At January 1	409	434	843	188	121	309
Incurred guarantee benefits	266	160	426	308	306	614
Paid guarantee benefits	(329)	(33)	(362)	(95)	(7)	(102)
Net exchange differences	(12)	(18)	(30)	8	14	22
AT DECEMBER 31	**334**	**543**	**877**	**409**	**434**	**843**
	GMDB [1]	GMIB [2]	Total [3]	GMDB [1]	GMIB [2]	Total [3]
Account value	24,289	6,369		21,177	5,758	
Net amount at risk [5]	4,055	577		8,025	1,934	
Average attained age of contractholders	66	66		65	64	

[1] Guaranteed minimum death benefit in the United States.
[2] Guaranteed minimum income benefit in the United States.
[3] Note that the variable annuity contracts with guarantees may offer more than one type of guarantee in each contract; therefore, the amounts listed are not mutually exclusive.
[4] Balances are included in the insurance liabilities on the face of the balance sheet; refer to note 20.
[5] The net amount at risk is defined as the present value of the minimum guaranteed annuity payments available to the contract holder determined in accordance with the terms of the contract in excess of the current account balance.

D. LIFE CONTINGENT GUARANTEES IN THE NETHERLANDS

The group pension contracts offered by AEGON in the Netherlands include large group contracts that have an individually determined asset investment strategy underlying the pension contract. The guarantee given is that the profit sharing is the minimum of 0% or the realized return (on an amortized cost basis), both adjusted for technical interest rates ranging from 3% to 4%. If there is a negative profit sharing, the 0% minimum is effective, but the loss in any given year is carried forward to be offset against any future surpluses. In general, a guarantee is given for the life of the underlying employees so that their pension benefit is guaranteed. Large group contracts also share technical results (mortality risk and disability risk). The contract period is typically five years and the premiums are fixed over this period. Separate account guaranteed group contracts provide a guarantee on the benefits paid.

The traditional life and pension products offered by AEGON in the Netherlands include various products that accumulate a cash value. Premiums are paid by customers at inception or over the term of the contract. The accumulation products pay benefits on the policy maturity date, subject to survival of the insured. In addition, most policies also pay death benefits if the insured dies during the term of the contract. The death benefits may be stipulated in the policy or depend on the gross premiums paid to date. Premiums and amounts insured are established at inception of the contract. The amount insured can be increased as a result of profit sharing, if provided for under the terms and conditions of the product. Minimum interest guarantees exist for all generations of accumulation products written, except for universal life type products for which premiums are invested solely in equity funds. Older generations contain a 4% guarantee; in recent years the guarantee has decreased to 3%.

These guarantees are valued at fair value and are included as part of insurance liabilities with the underlying host insurance contracts in note 20.

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

	2009	2008
	GMB [1,2]	GMB [1,2]
At January 1	2,410	436
Incurred guarantee benefits	(1,265)	1,974
AT DECEMBER 31	**1,145**	**2,410**
Account value	12,929	13,071
Net amount at risk [3]	513	779

[1] Guaranteed minimum benefit in the Netherlands.
[2] Balances are included in the insurance liabilities on the face of the balance sheet; refer to note 20.
[3] The net amount at risk represents the difference between the maximum amount payable under the guarantees and the account value.

FAIR VALUE MEASUREMENT OF GUARANTEES IN INSURANCE CONTRACTS

The fair values of guarantees mentioned above (with the exception of life contingent guarantees in the United States) are calculated as the present value of future expected payments to policyholders less the present value of assessed rider fees attributable to the guarantees. Given the long-term nature of these guarantees, their fair values are determined by using complex valuation techniques. Because of the dynamic and complex nature of these cash flows, AEGON uses stochastic techniques under a variety of market return scenarios. A variety of factors are considered, including expected market rates of return, equity and interest rate volatility, credit risk, correlations of market returns, discount rates and actuarial assumptions.

Since the price of these guarantees is not quoted in any market, the fair value of these guarantees is computed using valuation models which use observable market data supplemented with the Group's assumptions on developments in future interest rates, volatility in equity prices and other risks inherent in financial markets. All the assumptions used as part of this valuation model are calibrated against actual historical developments observed in the markets. Since many of the assumptions are unobservable and are considered to be significant inputs to the liability valuation, the liability has been reflected within Level III of the fair value hierarchy. Refer to note 3 for more details on AEGON's fair value hierarchy.

The expected returns are based on risk-free rates. AEGON added a premium to reflect the credit spread as required. The credit spread is set by using the credit default swap (CDS) spreads of a reference portfolio of life insurance companies (including AEGON), adjusted to reflect the subordination of senior debt holders at the holding company level to the position of policyholders at the operating company level (who have priority in payments to other creditors). Because CDS spreads for United States life insurers differed significantly from that for European life insurers, AEGON's assumptions reflect these differences in the valuation. If the credit spreads were 20 basis points higher or lower respectively, and holding all other variables constant in the valuation model, 2009 income before tax would have been EUR 136 million and EUR 145 million higher or lower respectively (2008: EUR 255 million higher or lower).

For equity volatility, AEGON uses a term structure with market based implied volatility inputs for the first five years. Correlations of market returns across underlying indices are based on actual observed market returns and their inter-relationships over a number of years preceding the valuation date. The volume of observable option trading from which volatilities are implied diminishes markedly after five years, and therefore, AEGON uses a volatility curve which grades from actual implied volatilities for five years to a long-term forward rate of 25%. Assumptions on customer behavior, such as lapses, included in the models are derived in the same way as the assumptions used to measure insurance liabilities. Had AEGON used a long term equity implied volatility assumption that was 5 volatility points higher or lower, the impact on income before tax would have been a decrease of EUR 155 million or an increase of EUR 136 million, respectively, in 2009 IFRS income before tax (2008: EUR 100 million decrease or increase).

These assumptions are reviewed at each valuation date, and updated based on historical experience and observable market data, including market transactions such as acquisitions and reinsurance transactions.

AEGON utilizes different risk management strategies to mitigate the financial impact of the valuation of these guarantees on the results including asset and liability management and derivative hedging strategies to hedge certain aspects of the market risks embedded in these guarantees. Guarantees valued at fair value contributed a net loss before tax of EUR 76 million (2008: loss of EUR 675 million) to operating earnings. This net loss is attributable to a decrease in the total guarantee reserves of EUR 2,505 million (2008: increase of EUR 4,292 million). The main drivers of this decrease are EUR 911 million related to an increase in equity markets (2008: EUR (1,098) million), EUR 344 million related to decreases in equity volatilities (2008: EUR (758) million and EUR 1,434 million related to increases in risk free rates (2008: EUR (3,474) million) offset by EUR 187 million related to the increase in the spread of credit risk (2008: EUR 1,174 million). Hedges related to these guarantee reserves contributed fair value losses of EUR 2,581 million to income before tax (2008: gains of EUR 3,617 million).

NOTE 48 CAPITAL AND SOLVENCY

AEGON's capital base reflects the capital employed in insurance activities and consists of shareholders' equity, convertible core capital securities, perpetual capital securities and dated subordinated debt and senior debt. AEGON targets its capital base to comprise at least 70% core capital (excluding the revaluation reserve), and targets 25% perpetual capital securities (consisting of junior perpetual capital securities and perpetual cumulative subordinated bonds) and 5% dated subordinated and senior debt related to insurance activities.

Additionally, AEGON manages capital adequacy at the level of its country units and their operating companies. The goal is to ensure that AEGON companies maintain their strong financial strength. AEGON maintains its companies' capital adequacy levels at whichever is the higher of local regulatory requirements and the relevant local Standard & Poor's requirements for very strong capitalization, and any additionally self-imposed economic requirements.

Core capital, which consists of shareholders' equity and the convertible core capital securities that were issued in 2008 (see below), was EUR 14,164 million at December 31, 2009 compared to EUR 9,055 million at December 31, 2008. Shareholders' equity increased by EUR 6,109 million due a share issuance of EUR 823 million, the change in the revaluation reserve of EUR 5,458 million, net income of EUR 204 million and a number of other effects, including dividends paid (EUR 122 million).

Group equity consists of core capital plus Other Equity Securities (see note 17) such as the Junior Perpetual Capital Securities and the Perpetual Cumulative Capital Securities as well as other equity reserves. Group equity was EUR 18,873 million at December 31, 2009, compared to EUR 13,760 million at December 31, 2008.

The table that follows reconciles total shareholders' equity to the total capital base:

	2009	2008
Total shareholders' equity	12,164	6,055
Convertible core capital securities	2,000	3,000
Junior perpetual capital securities	4,192	4,192
Perpetual cumulative subordinated bonds	453	453
Share options not yet exercised	64	54
Minority interest	10	6
Trust pass-through securities	130	161
Subordinated borrowings	–	41
Borrowings	7,485	5,340
Borrowings not related to capital funding of insurance activities	(6,527)	(5,271)
TOTAL CAPITAL BASE	**19,971**	**14,031**
Currency revaluation Perpetual Capital Securities [1]	(369)	(277)
Reverse Revaluation reserve	1,709	7,167
TOTAL CAPITAL BASE EXCLUDING REVALUATION RESERVE	**21,311**	**20,921**

[1] Capital securities that are denominated in foreign currencies are, for purpose of calculating the capital base, revalued to the period-end exchange rate.

Borrowings not related to capital funding of insurance activities consists of operational funding including US regulation XXX and guideline AXXX redundant reserves. In the ordinary course of business, AEGON N.V. may at times have borrowings, which are offset by cash and cash equivalents available for future capital management activities, such as funding capital contributions in its subsidiaries, redemption of borrowings or payment of dividends to its shareholders. The Total Capital Base is a non-IFRS measure, as IFRS does not permit separate presentation of borrowings based on the deployment of the proceeds.

AEGON N.V. is subject to certain financial covenants in some of its financial agreements (such as issued debentures, credit facilities and ISDA agreements). Under these financial covenants, an event of default may occur if and when any financial indebtedness of any member of the group is not paid when due, or not paid within any applicable grace period. The financial agreements may also include a cross default provision which may be triggered if and when any financial indebtedness of any member of the group is declared to be or otherwise becomes due and payable prior to its specified maturity as a result of an event of default.

All financial agreements are closely monitored periodically to asses the likelihood of a breach of any financial covenant and the likelihood thereof in the near future. On the basis of this assessment, a breach of any such covenant has not occurred.

Insurance, reinsurance, investment management and banking companies are required to maintain a minimum solvency margin based on applicable local regulations. For managing AEGON's capital, the life insurance and life reinsurance regulations in the EU and the United States are of main importance.

In the United States, regulation of the insurance business is principally at the state level. State insurance regulators and the National Association of Insurance Commissioners have adopted risk-based capital (RBC) requirements for insurance companies. RBC calculations measure the ratio of a company's statutory capital, which is measured on a prudent regulatory accounting basis, to a minimum capital amount determined by the RBC formula. The RBC formula measures exposures to investment risk, insurance risk, market risk, and general business risk. Life reinsurance is treated as life insurance. The most pertinent RBC measure is the company action level (CAL) RBC. This is the highest regulatory intervention level and is the level at which a company has to submit a plan to its state regulators. The CAL is 200% of the authorized control level (ACL), the level at which regulators are permitted to seize control of the company.
At the end of 2009 the combined risk based capital ratio of AEGON's life insurance subsidiaries in the United States was approximately 362% of the CAL RBC and approximately 724% of the ACL RBC.

For the insurance and reinsurance undertakings of AEGON in the EU, the European Solvency I directives are applicable, as implemented in the relevant member states. Solvency I allows member states to require solvency standards, exceeding the minimum requirements set by the Solvency I directives.
The Netherlands and the UK have set higher solvency standards, as explained below. For life insurance companies the Solvency I capital requirement is by and large the sum of 4% of insurance and investment liabilities for general account and 1% of insurance and investment liabilities for account policyholders if no guaranteed investment returns are given. At the end of 2009, AEGON The Netherlands consolidated solvency capital ratio based on IFRS was approximately 265%.

The Financial Services Authority (FSA) regulates insurance companies in the United Kingdom under the Financial Services and Markets Act 2000 and sets minimum solvency standards. Companies must manage their solvency positions according to the most stringent of the published Solvency I measure (Pillar 1) and a privately submitted economic capital measure (Pillar 2). For AEGON UK, the published measure continues to be the most stringent requirement. At the end of 2009 AEGON UK's aggregate Pillar 1 capital ratio was approximately 135% (excluding with profit funds). In the local solvency surplus calculation for regulatory filings the local regulator (FSA) only allows the available capital number of the With-Profits Funds included in overall available capital to be equal to the amount of With-Profits funds' required capital.

AEGON N.V. is subject to legal restrictions on the amount of dividends it can pay to its shareholders. Under Dutch law the amount that is available to pay dividends consists of total shareholders' equity less the issued and outstanding capital and less the reserves required by law. The revaluation account and legal reserves, foreign currency translation reserve and other, cannot be freely distributed. In case of negative balances for individual reserves legally to be retained, no distributions can be made out of retained earnings to the level of these negative amounts. Total distributable reserves under Dutch law amount to EUR 7,623 million at December 31, 2009
(2008: EUR 2,660 million).

In addition AEGON's subsidiaries, principally insurance companies, are subject to restrictions on the amounts of funds they may transfer in the form of cash dividends or otherwise to their parent companies. There can be no assurance that these restrictions will not limit or restrict AEGON in its ability to pay dividends in the future.

OPTAS N.V., an indirect subsidiary of AEGON N.V., holds statutory reserves of EUR 861 million (2008: EUR 821 million) which are restricted. Included in AEGON N.V.'s legal reserves is an amount of EUR 321 million (2008: EUR 69 million) related to OPTAS N.V. which represents the increase in statutory reserves since the acquisition of OPTAS N.V. by AEGON.

NOTE 49 SUMMARY OF TOTAL FINANCIAL ASSETS AND FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS

The table that follows summarizes the carrying amounts of financial assets and financial liabilities that are classified as at fair value through profit or loss, with appropriate distinction between those financial assets and financial liabilities held for trading and those that, upon initial recognition, were designated as at fair value through profit or loss.

	2009		2008	
	Trading	Designated	Trading	Designated
Investments for general account	624	4,452	16	5,587
Investments for account of policyholders	–	124,797	–	104,269
Derivatives with positive values not designated as hedges	4,103	–	7,217	–
Total financial assets at fair value through profit or loss	**4,727**	**129,249**	**7,233**	**109,856**
Investment contracts for account of policyholders	–	20,477	–	16,829
Derivatives with negative values not designated as hedges	4,618	–	5,800	–
Borrowings	–	959	–	845
Total financial liabilities at fair value through profit or loss	**4,618**	**21,436**	**5,800**	**17,674**

INVESTMENTS FOR GENERAL ACCOUNT

The Group manages certain portfolios on a total return basis which have been designated as at fair value through profit or loss. This includes portfolios of investments in limited partnerships and limited liability companies (primarily hedge funds) for which the performance is assessed internally on a total return basis. In addition, some investments that include an embedded derivative that would otherwise have required bifurcation, such as convertible instruments, preferred shares and credit linked notes, have been designated at fair value through profit or loss.

Investments for general account backing insurance and investment liabilities that are carried at fair value with changes in the fair value recognized in the income statement are designated at fair value through profit or loss. The Group elected to designate these investments for account of policyholders at fair value through profit or loss, a classification of financial assets as available-for sale would result in accumulation of unrealized gains and losses in a revaluation reserve within equity whilst changes to the liability would be reflected in net income (accounting mismatch).

INVESTMENTS FOR ACCOUNT OF POLICYHOLDERS

Investments held for account of policyholders comprise assets that are linked to various insurance and investment contracts for which the financial risks are borne by the customer. Under the Group's accounting policies these insurance and investment liabilities are measured at the fair value of the linked assets with changes in the fair value recognized in the income statement. To avoid an accounting mismatch the linked assets have been designated as at fair value through profit or loss.

In addition the investment for account of policyholders include with profit assets, where an insurer manages these assets together with related liabilities on a fair value basis in accordance with a documented policy of asset and liability management. In accordance with Group's accounting policies, these assets have been designated as at fair value through profit or loss.

INVESTMENT CONTRACTS FOR ACCOUNT OF POLICYHOLDERS

With the exception of the financial liabilities with discretionary participating features that are not subject to the classification and measurement requirements for financial instruments, all investment contracts for account of policyholders that are carried at fair value or at the fair value of the linked assets are included in the table on the previous page.

DERIVATIVES

With the exception of derivatives designated as a hedging instrument, all derivatives held for general account and held for account of policyholders are included in the table above.

BORROWINGS

Borrowings designated as at fair value through profit or loss includes financial instruments that are managed on a fair value basis together with related financial assets and financial derivatives.

Gains and losses recognized in the income statement on financial assets and financial liabilities classified as at fair value through profit or loss can be summarized as follows:

	2009		2008	
	Trading	Designated	Trading	Designated
Net gains and losses	**(89)**	**14,807**	**(651)**	**(27,049)**

No loans and receivables were designated at fair value through profit or loss.

Changes in the fair value of investment contracts for account of policyholders designated at fair value through profit and loss were not attributable to changes in AEGON's credit spread. There are also no differences between the carrying amounts of these financial liabilities and the contractual amounts payable at maturity (net of surrender penalties).

NOTE 50 COMMITMENTS AND CONTINGENCIES

INVESTMENTS CONTRACTED

In the normal course of business, the Group has committed itself through purchase and sale transactions of investments, mostly to be executed in the course of 2009. The amounts represent the future outflow and inflow, respectively, of cash related to these investment transactions that are not reflected in the consolidated balance sheet.

	2009		2008	
	Purchase	Sale	Purchase	Sale
Real estate	–	(3)	–	–
Mortgage loans	327	–	296	–
Debt securities	–	–	11	–
Private loans	36	–	569	–
Other	807	–	1,119	–

Mortgage loans commitments represent undrawn mortgage loan facility provided and outstanding proposals on mortgages. Other commitments include future purchases of interests in investment funds and limited partnerships.

OTHER COMMITMENTS AND CONTINGENCIES

	2009	2008
Guarantees	443	348
Standby letters of credit	109	106
Share of contingent liabilities incurred in relation to interests in joint ventures	717	480
Other guarantees	3	3
Other commitments and contingent liabilities	27	44

Guarantees include those given on account of asset management commitments and guarantees associated with the sale of investments in low-income housing tax credit partnerships in the United States. Standby letters of credit amounts reflected above are the liquidity commitment notional amounts. In addition to the guarantees shown in the table, guarantees have been given for fulfillment of contractual obligations such as investment mandates related to investment funds.

AEGON N.V. has entered into a net worth maintenance agreement with its indirect subsidiary AEGON Financial Assurance Ireland Limited (AFA), pursuant to which AEGON N.V. will cause AFA to have a tangible net worth of at least 3% of its total liabilities under financial guaranty policies which it issues up to a maximum of EUR 3 billion.

A group company entered into a net worth maintenance agreement with AEGON subsidiary Transamerica Life International (Bermuda) Ltd ensuring the company is adequately capitalized and has sufficient cash for its operations.

AEGON N.V. has guaranteed and is severally liable for the following:

- Due and punctual payment of payables due under letter of credit agreements applied for by AEGON N.V. as co-applicant with its subsidiary companies Transamerica Corporation, AEGON USA, LLC and Commonwealth General Corporation. At December 31, 2009, the letter of credit arrangements amounted to EUR 3,492 million (2008: EUR 3,544 million); as at that date no amounts had been drawn, or were due under these facilities.
- Due and punctual payment of payables by the consolidated Group companies Transamerica Corporation, AEGON Funding Company LLC, Commonwealth General Corporation and Transamerica Finance Corp. with respect to bonds, capital trust pass-through securities and notes issued under commercial paper programs (EUR 668 million; 2008: EUR 694 million), as well as payables with respect to certain derivative transactions of Transamerica Corporation (nominal amount EUR 1,870 million; 2008: EUR 1,003 million).
- Due and punctual payment of any amounts owed to third parties by the consolidated group company AEGON Derivatives N.V. in connection with derivative transactions. AEGON Derivatives N.V. only enters into derivative transactions with counterparties with which ISDA master netting agreements including collateral support annex agreements have been agreed; net (credit) exposure on derivative transactions with these counterparties was therefore limited as at December 31, 2009.

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. The products involved in the Netherlands include securities leasing products and unit linked products (so called 'beleggingsverzekeringen' including the KoersPlan product). AEGON has established 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, regulatory activity and challenges by various governmental and enforcement authorities and policyholder advocate groups concerning certain practices. AEGON subsidiaries have received inquiries from local authorities and policyholder advocate groups in various jurisdictions including the United States, the United Kingdom and the Netherlands. In the normal course of business, reviews of processes and procedures are undertaken to ensure that customers have been treated fairly, and to respond to matters raised by policyholders and their representatives.

AEGON does not believe that material liabilities will arise from such reviews, however there is a risk that the Group is not able to resolve such matters in the manner that it expects. 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.

On August 5, 2009, the Enterprise Chamber of the Amsterdam court of appeals in the Netherlands ruled in favor of AEGON in connection with a dispute with unions and employers in the harbors of Rotterdam regarding the consolidation of equity of OPTAS, a life insurance company AEGON acquired at the beginning of 2007. The court rejected a request to order a restatement of AEGON's financial statements over 2007. The foundation representing the employers and insured harbor employees in the harbors appealed to the Dutch Supreme Court. AEGON does not expect the Dutch Supreme Court decision to have a material adverse effect on the company's financial position or profitability.

			2009			2008
Future lease payments	Not later than 1 year	1 - 5 years	Later than 5 years	Not later than 1 year	1 - 5 years	Later than 5 years
Finance lease obligations	1	1	–	3	8	–
Operating lease obligations	86	239	351	98	305	499
Operating lease rights	43	98	57	38	103	63

The operating lease obligations relate mainly to office space leased from third parties. The total of future minimum sublease payments expected to be received on non-cancelable subleases is EUR (9) million.

The operating lease rights relate to non-cancelable commercial property leases.

NOTE 51 SECURITIES LENDING AND REPURCHASE ACTIVITIES AND ASSETS ACCEPTED AND PLEDGED AS COLLATERAL

SECURITIES LENDING AND REPURCHASE ACTIVITIES

The following table reflects the carrying amount of non-cash financial assets that have been transferred to another party under security lending and repurchase activities where the counterparty has the right to sell or repledge.

Financial assets for general account	2009	2008
Available-for-sale	6,600	6,618
Financial assets at fair value through profit or loss	51	39
TOTAL	**6,651**	**6,657**
Financial assets for account of policyholders	**3,592**	**947**

AEGON retains substantially all risks and rewards of the transferred assets, this includes credit risk, settlement risk, country risk and market risk. The assets are transferred in return for cash collateral or other financial assets.

The carrying amount of non-cash financial assets that have been transferred to another party under security lending and repurchase activities where the counterparty does not have the right to sell or repledge amount to EUR 57 million (2008: EUR 139 million).

ASSETS ACCEPTED

AEGON receives collateral related to securities lending and reverse repurchase activities. Non-cash collateral is not recognized in the balance sheet.

Cash collateral is recorded on the balance sheet as an asset and an offsetting liability is established for the same amount as AEGON is obligated to return this amount upon termination of the lending arrangement or repurchase agreement. Cash collateral is usually invested in pre-designated high quality investments. The sum of cash and non-cash collateral is typically greater than the market value of the related securities loaned.

The following table analyses the fair value of the collateral received in relation to securities lending and (reverse) repurchase activities:

	2009	2008
Cash collateral on Securities lending	1,170	3,577
Cash received on Repurchase agreements	4,867	3,929
Non-cash collateral	2,817	436
TOTAL	**8,854**	**7,942**
Non-cash collateral that can be sold or repledged in the absence of default	1,797	259
Non-cash collateral that has been sold or transferred	–	–

In addition, AEGON can receive collateral related to derivative transactions that it enters into. The credit support agreement will normally dictate the threshold over which collateral needs to be pledged by AEGON or its counterparty. Transactions requiring AEGON or its counterparty to post collateral are typically the result of over-the-counter derivative trades, comprised mostly of interest rate swaps, currency swaps and credit swaps.

The above items are conducted under terms that are usual and customary to standard derivative, and securities lending activities, as well as requirements determined by exchanges where the bank acts as intermediary.

ASSETS PLEDGED

AEGON pledges assets that are on its balance sheet in securities borrowing transactions, in repurchase transactions, and against long-term borrowings. In addition, in order to trade derivatives on the various exchanges, AEGON posts margin as collateral.

These transactions are conducted under terms that are usual and customary to standard long-term borrowing, derivative and securities borrowing activities, as well as requirements determined by exchanges where the bank acts as intermediary.

AEGON has pledged EUR 9,532 million (2008: EUR 9,034 million) financial assets as collateral for general account liabilities and contingent liabilities. None (2008: none) of the financial assets pledged can be sold or repledged by the counterparty.

EUR 235 million of the financial assets and other assets were pledged as collateral for liabilities and contingent liabilities for account of policyholders in 2009 (2008: EUR 56 million).

Non-cash financial assets that are borrowed or purchased under agreement to resell are not recognized in the balance sheet.

To the extent that cash collateral is paid, a receivable is recognized for the corresponding amount. If other non-cash financial assets are given as collateral, these are not derecognized.

AEGON has pledged EUR 420 million (2008: EUR 128 million) cash collateral on securities borrowed and derivative transactions and EUR 9 million (2008: EUR 8 million) on reverse repurchase agreements, refer to note 13.2.

NOTE 52 BUSINESS COMBINATIONS

ACQUISITIONS

2009

In June 2009, AEGON acquired a 50% stake in BT-AEGON (Romania), a pension fund management company earlier run as a 50%-50% joint venture with Banca Transilvania. The total purchase price amounted to EUR 11 million. Acquired assets included EUR 1 million cash positions. Goodwill of EUR 3 million was recognized. Since the acquisition date, the company has attributed EUR 0 million to net income. If the acquisition had been as of January 1, 2009, contribution to net income and total revenues would amount to EUR 0.3 million and EUR 0.6 million respectively. Goodwill of EUR 3 million reflects the future new business and synergies with existing business.

In May 2009, AEGON completed the acquisition of a 50% (non-controlling) interest in Mongeral SA Seguros e Previdência (Brazil). The total consideration paid amounted to EUR 44 million. An additional earn-out payment of EUR 11 million will be payable if certain targets are met in the future.

2008

In December 2008, AEGON acquired an additional 40% stake in the Spanish Caja Cantabria Vida y Pensiones, of which already 10% was acquired in 2007. As a result, AEGON holds a 50% stake as of December 31, 2008. The total purchase price amounted to EUR 27 million for the 40% stake. Acquired assets included EUR 2 million cash positions. Goodwill of EUR 63 million was recognized. Since the acquisition date, the company has attributed EUR 0 million to net income in 2008. If the acquisition had been as of January 1, 2008, contribution to net income and total revenues would amount to EUR 0 million and EUR 12 million respectively.

In October 2008, AEGON acquired a 50% stake in Caixa Terrassa Vida y Pensiones, a Spanish life insurance, pension and health company. The total purchase price amounted to EUR 186 million. Acquired assets included EUR 11 million cash positions. Goodwill of EUR 167 million was recognized. Since the acquisition date, the company has attributed EUR 0 million to net income in 2008. If the acquisition had been as of January 1, 2008, contribution to net income and total revenues would amount to EUR 4 million and EUR 109 million respectively.

In July 2008, AEGON finalized the acquisition of 100% of the shares of the Turkish life insurance and pension company Ankara Emeklilik Anonim Şirketi. The total purchase price amounted to EUR 34 million. Since the acquisition date, the company has attributed EUR (3) million (loss) to net income in 2008. If the acquisition had been as of January 1, 2008, contribution to net income and total revenues would amount to respectively EUR (7) million (loss) and EUR 11 million. As a result of the acquisition, assets and liabilities were recognized for EUR 54 million and EUR 20 million respectively, including a cash position of EUR 5 million. Goodwill of EUR 30 million reflects the future new business and synergies with existing business.

In June 2008, AEGON acquired 100% of the shares of the Polish pension fund company PTE Skarbiec-Emerytura SA. The total purchase price amounted to EUR 139 million. Since the acquisition date, the company has attributed EUR 1 million to net income in 2008. If the acquisition had been as of January 1, 2008, contribution to net income and total revenues would amount to respectively EUR 4 million and EUR 14 million. As a result of the acquisition, assets and liabilities were recognized for EUR 156 million and EUR 17 million respectively, including a cash position of EUR 4 million. Goodwill of EUR 39 million reflects the future new business and potential synergies with existing business.

In June 2008, AEGON completed the acquisition of 100% of the shares of Heller-Saldo 2000 Pension Fund Management Co., UNIQA Investment Service Co. and UNIQA Financial Service Co. in Hungary for a total purchase price of EUR 21 million. The companies merged subsequently. Since the acquisition date, the company has attributed EUR 1 million to net income in 2008. If the acquisition had been as of January 1, 2008, contribution to net income and total revenues would amount to respectively EUR 2 million and EUR 4 million. As a result of the acquisition, assets and liabilities were recognized for EUR 24 million and EUR 3 million respectively, including cash position of EUR 1 million. Goodwill of EUR 6 million reflects the future new business and potential synergies with existing business.

In April 2008, AEGON acquired a 49% stake in Industrial Fund Management Co., Ltd, a Chinese mutual fund manager. The company is renamed AEGON Industrial Fund Management Co. The total purchase consideration amounted EUR 22 million. As a result of the acquisition, assets and liabilities were recognized for EUR 28 million and EUR 6 million respectively, including EUR 6 million of goodwill and EUR 15 million cash and cash equivalents. The company is accounted for as a joint venture.

2007

In December 2007, AEGON USA acquired 100% of the shares of Merrill Lynch Life Insurance Company and ML Life Insurance Company of New York, companies that sell non-participation life insurance and annuity products such as variable life insurance, variable annuities, market value adjusted annuities and immediate annuities. The total purchase price amounted to EUR 849 million cash consideration. The opening balance sheet of the acquired business was recorded provisionally at December 31, 2007, as the acquisition occurred within a few days of year end. The provisionally determined opening balance sheet includes total assets of EUR 10.8 billion, including EUR 8.3 billion separate account assets, EUR 1.8 billion general account investments and EUR 149 million cash and cash equivalents. Total liabilities are EUR 9.9 billion and comprise separate account liabilities of EUR 8.3 billion and insurance contract liabilities of EUR 1.7 billion. Goodwill amounted to EUR 111 million reflecting the expected profitability of new business. The carrying amount of the assets and liabilities of the acquired companies amounted to EUR 10.8 billion and EUR 9.9 billion respectively, the estimated fair values are subject to adjustment at the initial allocation for a one year period as more information relative to the fair values as of the acquisition date become available. As the acquisition was completed at the end of December, the net income of the acquired operations was not material to the AEGON's consolidated net income. Had the acquisition taken place on 1 January 2007, the contribution of these companies to the Group's net income is estimated at EUR 75 million; contribution to revenues would have been approximately EUR 271 million.

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

In March 2007, AEGON USA completed the acquisition of 100% of the shares of Clark Inc., a public company specializing in the sale of corporate-owned life insurance, bank-owned life insurance and other benefit programs. The total purchase price was EUR 263 million, consisting of EUR 207 million cash consideration, EUR 36 million of Clark debt assumed by AEGON and EUR 20 million cost basis of Clark common stock already owned by AEGON and transaction costs. Since the acquisition date, Clark has contributed EUR 4.6 million to the net income of AEGON. If the acquisition had taken place as of January 1, 2007, Clark should have contributed an amount of EUR 90 million to total revenues and EUR 4.7 million to net income of AEGON USA. AEGON has disposed operations for an amount of EUR 42 million regarding Clark business, not considered to be core to AEGON, to Clark's former management after the acquisition. As a result of the acquisition, assets and liabilities were recognized for EUR 549 million and EUR 325 million respectively, which included a cash position of EUR 14 million. Goodwill was recognized for an amount of EUR 84 million, reflecting the future commission revenue from inforce contracts. In addition an intangible asset was established for the present value of future commission receivables in the amount of EUR 365 million.

In March 2007, AEGON completed the acquisition of the Polish pension fund management company PTE Ergo Hestia S.A. The company was renamed to PTE AEGON Poland. The cost of the acquisition amounted to EUR 72 million, which was paid in cash. Since the acquisition date, the company has contributed EUR 2 million to net income in 2007. If the acquisition had been as of January 1, 2007, contribution to net income and total revenues would amount to respectively EUR 3 million and EUR 12 million. Assets of EUR 81 million and liabilities of EUR 9 million were recognized due to the acquisition. Goodwill amounting to EUR 23 million reflects the future new business to be generated and potential synergies with existing businesses.

DISPOSALS

On August 31, 2009 AEGON completed the sale of its Taiwanese life insurance business to Zhongwie Company Ltd, announced on April 22, 2009 for an amount of EUR 11 million. The result on the disposal presented under other charges (note 43) was a loss of EUR 385 million.

NOTE 53 GROUP COMPANIES

SUBSIDIARIES

The principal subsidiaries of the parent company AEGON N.V. are listed by geographical segment. All are wholly owned, directly or indirectly, unless stated otherwise, and are involved in insurance or reinsurance business, asset management or services related to these activities. The voting power in these subsidiaries held by AEGON is equal to the shareholdings.

AMERICAS

- AEGON USA, LLC, Cedar Rapids, Iowa (United States)
- Commonwealth General Corporation, Wilmington, Delaware (United States)
- Merrill Lynch Life Insurance Company, Little Rock, Arkansas (United States)
- ML Life Insurance Company of New York, New York, New York (United States)
- Monumental Life Insurance Company, Cedar Rapids, Iowa (United States)
- Stonebridge Casualty Insurance Company, Columbus, Ohio (United States)
- Stonebridge Life Insurance Company, Rutland, Vermont (United States)

- Transamerica Corporation, Wilmington, Delaware (United States)
- Transamerica Financial Life Insurance Company, Inc., Purchase, New York (United States)
- Transamerica Life Canada, Toronto, Ontario (Canada)
- Transamerica Life Insurance Company, Cedar Rapids, Iowa (United States)
- Western Reserve Life Assurance Co. of Ohio, Columbus, Ohio (United States)
- Transamerica Life International Ltd, Hamilton (Bermuda)
- Transamerica International Re Ltd, Hamilton (Bermuda)
- Transamerica International Reinsurance Ireland Ltd, Dublin (Ireland)
- AEGON Global Institutional markets Plc, Dublin (Ireland)
- AEGON Financial Assurance Ireland Ltd, Dublin (Ireland)

THE NETHERLANDS

- AEGON Bank N.V., Utrecht
- AEGON Investment Management B.V., The Hague
- AEGON Levensverzekering N.V., The Hague
- AEGON Nederland N.V., The Hague
- AEGON Schadeverzekering N.V., The Hague
- AEGON Spaarkas N.V., The Hague
- AEGON Vastgoed Holding B.V., The Hague
- OPTAS Pensioenen N.V., Rotterdam
- TKP Pensioen B.V., Groningen
- Unirobe Meeùs Groep B.V., The Hague

UNITED KINGDOM

- AEGON Asset Management UK plc, London
- AEGON UK Distribution Holdings Ltd., London
- AEGON UK plc, London
- Guardian Assurance plc, Lytham St Annes
- Guardian Linked Life Assurance Limited, Lytham St Annes
- Guardian Pensions Management Limited, Lytham St Annes
- HS Administrative Services Limited, Chester
- Scottish Equitable International Holdings plc, London
- Scottish Equitable plc, Edinburgh

OTHER COUNTRIES

- AEGON España S.A., Madrid (Spain) (99.98%)
- AEGON Magyarország Általános Biztosító Zrt., Budapest (Hungary)
- AEGON Pension Fund Management Company Slovakia, Bratislava (Slovakia)
- AEGON Zivotna Pojistovna a.s., Bratislava (Slovakia)
- AEGON Pojistóvna a.s., Prague (Czech Republic)
- AEGON Towarzystwo Ubezpieczen na Zycie S.A., Warsaw (Poland)
- AEGON Emeklilik, Ankara (Turkey)
- AEGON Romania Life Insurance, S.A., Cluj (Romania)
- BT AEGON Fond de Pensii, S.A., Cluj (Romania)
- Religare AEGON Asset Management Company, Mumbai (India) (75%)

The legally required list of participations as set forth in articles 379 and 414 of Book 2 of the Dutch Civil Code has been registered with the Trade Register in The Hague. AEGON N.V. has issued a statement of liability as meant in article 403 of Book 2 of the Dutch Civil Code for its subsidiary company AEGON Derivatives N.V.

JOINT VENTURES

The principal joint ventures are listed by geographical segment.

THE NETHERLANDS

- AMVEST Vastgoed B.V., Utrecht (50%), property management and development

OTHER COUNTRIES

- AEGON-CNOOC Life Insurance Company Ltd, Shanghai (China), life insurance company (50%)
- AEGON Sony Life Insurance Cy, Tokyo (Japan), life insurance company (50%)
- Caja Badajoz Vida y Pensiones, Sociedad Anónima de Seguros, Badajoz (Spain), life and accident insurance and pension company (50%)
- CAN Vida y Pensiones, Sociedad Anónima de Seguros, Pamplona (Spain), life insurance and pension company (50%)
- Caja Cantabria Vida y Pensiones, Sociedad Anónima de Seguros, Santander (Spain), life insurance company (50%)
- Caixa Terrassa Vida y Pensiones, Sociedad Anónima de Seguros, Terrassa (Spain) life and accident insurance and pension company (50%)
- AEGON Industrial Fund Management Co., Ltd, Shanghai (China) (49%)

SUMMARIZED FINANCIAL INFORMATION OF JOINT VENTURES FOR 2009 ACCOUNTED FOR USING PROPORTIONATE CONSOLIDATION:

	Current assets	Long-term assets	Current liabilities	Long-term liabilities	Income	Expenses
AMVEST	75	1,115	10	584	53	42
AEGON-CNOOC	36	171	11	179	96	111
AEGON Sony Life Insurance	4	55	1	3	–	10
Caja Badajoz Vida y Pensiones	4	123	10	112	53	51
CAN Vida y Pensiones	23	611	6	543	204	193
Caja Cantabria Vida y Pensiones	4	88	–	64	17	16
Caixa Terrassa Vida y Pensiones	17	726	28	549	100	96
AEGON Industrial Fund Management	18	23	7	1	33	16
TOTAL	**181**	**2,912**	**73**	**2,035**	**556**	**535**

SUMMARIZED FINANCIAL INFORMATION OF JOINT VENTURES FOR 2008 ACCOUNTED FOR USING PROPORTIONATE CONSOLIDATION:

	Current assets	Long-term assets	Current liabilities	Long-term liabilities	Income	Expenses
AMVEST	72	1,122	10	741	53	29
AEGON-CNOOC	28	124	8	129	63	75
Caja Badajoz Vida y Pensiones	6	86	12	76	34	32
CAN Vida y Pensiones	11	583	8	504	179	171
Caja Cantabria Vida y Pensiones	5	72	–	49	2	2
Caixa Terrassa Vida y Pensiones	43	810	9	656	22	21
AEGON Industrial Fund Management	15	18	4	–	18	9
TOTAL	**180**	**2,815**	**51**	**2,155**	**371**	**339**

INVESTMENTS IN ASSOCIATES

The principal investments in associates are listed by geographical segment.

THE NETHERLANDS

- N.V. Levensverzekering-Maatschappij 'De Hoop', The Hague (33.3%)

UNITED KINGDOM

- Tenet Group Limited, Leeds (19.6%)

OTHER COUNTRIES

- CAM AEGON Holding Financiero, Alicante (Spain) (49.99%)
- La Mondiale Participations S.A., Lille (France) (35%)
- Seguros Argos, S.A. de C.V., Mexico City (Mexico) (49%)
- Afore Argos, S.A. de C.V., Mexico City (Mexico) (49%)
- AEGON Religare Life Insurance Company, Mumbai (India) (26%)
- Mongeral, S.A. Seguros e Previdencia, Rio de Janeiro (Brazil) (50%)

AEGON owns a 57% limited partnership interest in Prisma Capital Partners LP ('Prisma LP') which serves as an investment manager for certain of AEGON's hedge fund investments as well as for other third parties, in exchange for management fees. The remaining 42% limited partnership interest is owned by unrelated entities made up of various employees and individuals. Prisma GP LLC is the general partner with a 1% interest and is responsible for day-to-day activities. A management board with seven voting members (three appointed by AEGON, three appointed by Prisma GP LLC and one independent member appointed collectively by the other six voting members) must approve certain actions, including restructuring transactions, hiring senior management and the annual operating budget. As a result, notwithstanding AEGON's 57% economic interest, the company can not exercise voting control since AEGON only appoints three out of the seven board members, AEGON cannot remove the majority of the management board members and AEGON does not have other arrangements, contractual or otherwise, that would give AEGON more than half of the voting power of Prisma LP.

Refer to note 10 for further details on investments in associates.

NOTE 54 RELATED PARTY TRANSACTIONS

Related party transactions include, among others, transactions between AEGON N.V. and Vereniging AEGON.

On December 1, 2008, AEGON secured EUR 3 billion of convertible core capital securities from the Vereniging AEGON. On November 30, 2009, AEGON redeemed EUR 1 billion in principal amount of those convertible core capital securities for EUR 1.15 billion and an amount of EUR 1 billion of the senior loan provided by the Dutch State through Vereniging AEGON was repaid. The total payment to the Dutch government amounted to EUR 1.15 billion. Under the terms of AEGON's agreement with Vereniging AEGON and Vereniging AEGON's agreement with the Dutch government, the premium for repayment amounted to EUR 108 million based on the volume weighted average share price of AEGON shares of EUR 4.8315 during the five trading days from November 23 until November 27. The amount repaid includes accrued interest from May 22, 2009 of EUR 44 million. Refer to note 16 for further details.

On July 23, 2007 and September 17, 2007, Vereniging AEGON exercised its option rights to purchase 2,690,000, respectively 3,190,000 class B preferred shares at par value to correct dilution caused by AEGON's stock dividend issuances and treasury stock sales during the year. On October 1, 2009, Vereniging AEGON exercised its option rights to purchase in aggregate 33,860,000 class B preferred shares at par value to correct dilution caused by AEGON's EUR 1 billion equity issue as completed in August 2009.

AEGON provides reinsurance, asset management and administrative services for employee benefit plans relating to pension and other post-employment benefits of AEGON employees. Certain post-employment insurance benefits are provided to employees in the form of insurance policies issued by affiliated insurance subsidiaries.

In the Netherlands, AEGON employees may make use of financing and insurance facilities for prices which are equivalent to the price available for agents. The benefit for AEGON employees is equivalent to the margin made by agents.

The Management Board, which assists the Executive Board in pursuing AEGON's strategic goals, is formed by members of the Executive Board, and the CEO's of AEGON USA, AEGON the Netherlands, AEGON UK and AEGON Central and Eastern Europe. The total remuneration for the members of the Management Board over 2009 was EUR 9.3 million (2008: EUR 16.8 million), consisting of EUR 4.3 million (2008: EUR 5.3 million) salary and other short term benefits, EUR 0.6 million (2008: EUR 4.8 million) cash performance payments, EUR 4.0 million (2008: EUR 1.4 million) pension premiums, EUR 0.1 million (2008: EUR 1.0 million) share-based payments, EUR 0.3 million (2008: EUR 0.6 million) other long-term benefits, and no termination benefits (2008: EUR 3.7 million).

In April 2009, Mr. Streppel stepped down as Chief Financial Officer and member of the Executive Board. In line with existing pension arrangements for Executive Board members, Mr. Streppel is entitled to his fixed compensation until he reaches the age of 62. The Company accrued EUR 2.6 million for this entitlement.

Termination benefits paid in 2008 relate to Mr. Van der Werf who stepped down as CEO of AEGON the Netherlands at the beginning of 2008. The termination benefits were based on existing contractual agreements and include compensation for entitlements to variable compensation which may have had matured beyond 2008. Additional information on the remuneration and share-based compensation of members of the Executive Board and the Supervisory Board is disclosed in the following sections.

Remuneration of active and retired members of the Executive Board Amounts in EUR thousands	Short-term periodic benefits Salary	Other [1]	Performance related Cash [2]	Shares [3]	Pension premiums [4]	**Total**
2009						
Alexander R. Wynaendts	950	57	–	27	565	1,599
Jan J. Nooitgedagt	525 [5]	36	–	–	134	695
Joseph B.M. Streppel	254 [6]	20	–	33	103	410
Donald J. Shepard	–	22	–	63	–	85
TOTAL	**1,729**	**135**	**–**	**123**	**802**	**2,789**
2008						
Alexander R. Wynaendts	865	50	301	175	420	1,811
Joseph B.M. Streppel	763	52	238	207	195	1,455
Donald J. Shepard	244 [7]	1,157	3,161	396	115	5,073
TOTAL	**1,872**	**1,259**	**3,700**	**778**	**730**	**8,399**
2007						
Donald J. Shepard	731 [7]	1,545	4,292	252	256	7,076
Joseph B.M. Streppel	721 [8]	47	542	194	184	1,688
Alexander R. Wynaendts	676 [8]	46	717	137	172	1,748
TOTAL	**2,128**	**1,638**	**5,551**	**583**	**612**	**10,512**

1 Other periodic benefits are additional remuneration elements, including non-monetary benefits, social security contributions and tax expenses related to the company car, for which 2007 and 2008 have been amended accordingly, borne by the Group. For Mr. Shepard, the Group had also borne expenses and non-monetary benefits which were provided in his employment agreement with AEGON. These benefits included compensation to the extent that the total actual annual taxation on his total income exceeded the taxation if he were only subject to U.S. taxes, personal life insurance and tax planning.
2 The STI Plan 2008 matured in 2009. Under the terms of AEGON's Remuneration Policy, the Executive Board members were not entitled to short-term incentives. This was also in line with the provisions of AEGON's agreement with the Dutch government. 2008 Performance related cash benefits are in respect of 2007 STI plans under the Remuneration Policy for Executive Board members, approved by the shareholders in April 2007. In accordance with the provisions of the Short-Term Incentive (STI) Plan for the year 2006, it was established that the value of new business of the Group and of the relevant country units for that year was positive. Accordingly, operating earnings were calculated and established per area of responsibility. After adoption of the 2006 annual accounts by the shareholders, the disclosed STI cash bonuses for the year 2006 were paid in 2007. In addition to the STI plan, Mr. Shepard was entitled to individual short-term incentive bonus equal to 0.1% of the net income of AEGON N.V. according to the adopted accounts. The amount included in the table for 2008 is based on net income over 2007 as reported in the 2007 IFRS financial statements. Similarly the amount included in the table for the year 2007 is based on the net income of 2006.
3 The LTI Plan 2006 matured in 2009 and the shares and option rights vested for 75%. In accordance with the terms of the 2006 LTI plan, the Executive Board received bonus shares in April 2009. The number of shares for each member was: Mr. Wynaendts 8,827; Mr. Streppel 10,432 and, Mr. Shepard 19,660. These have been converted using the share price of EUR 3.18 at April 27, 2009. In accordance with the terms of the 2005 LTI plan, the Executive Board received bonus shares in April 2008. The number of shares for each member was: Mr. Shepard 38,542; Mr. Streppel 20,169; and Mr. Wynaendts 17,066. These have been converted using the share price of EUR 10.275 at April 22, 2008. In accordance with the elections made by the Executive Board members under the terms of the 2003 STI plan, the Executive Board received bonus shares in April 2007. The number of bonus shares varied from 0 to 100% of the number of shares paid in 2003, calculated through performance based matching, on the basis of earnings per share growth over inflation over the years 2004, 2005 and 2006. The number of shares for each member was: Mr. Shepard 16,143; Mr. Streppel 12,409; and Mr. Wynaendts 8,771. These have been converted using the share price of EUR 15.61 at April 25, 2007.
4 Mr. Wynaendts' pension benefits consists of a pension plan based on 70% of his final base salary, providing he completes 37 years of service, and an additional pension contribution equal to 28% of his base salary. This reflects the terms of Mr. Wynaendts' appointment as Chairman of the Executive Board on April 23, 2008; the amount for the year 2008 has been amended accordingly. For Mr. Nooitgedagt, the defined benefit contribution equals 25% of his base salary. Pension premiums include a provision for post employment health care, 0.5% of base salary.
5 Mr. Nooitgedagt was appointed as CFO and Member of AEGON's Executive Board in April 2009.
6 Mr. Streppel retired as CFO and Member of AEGON's Executive Board in April 2009.
7 Mr. Shepard retired as CEO and Chairman of AEGON's Executive Board in April 2008. He earned an annual base salary of USD 1 million.
8 2007 salaries for Messrs. Wynaendts and Streppel included customary Dutch employee benefits for profit sharing and tax deferred savings scheme.

In line with the March 2009 gentlemen's agreement in the Dutch financial sector, no variable compensation will be granted to members of the Executive Board for the year 2009. AEGON does have a long-term 2009-2011 plan, under which variable compensation, in the form of shares, will be granted in 2012, subject to pre-determined performance objectives being met.

The two tables below show the number of shares and options conditionally granted based on LTI plans related to financial years prior to 2009.

Total overview of conditionally granted shares	Grant date	Number of shares per January 1, 2009	Number of shares granted in 2009	Number of shares vested in 2009	Number of shares expired / forfeited in 2009	Number of shares per December 31, 2009	Reference period
Alexander R. Wynaendts	26-Apr-06	11,769		8,827	2,942	–	2006 – 2008
	24-Apr-08	18,506				18,506 [1]	2007
Joseph B.M. Streppel	26-Apr-06	13,909		10,432	3,477	–	2006 – 2008
	24-Apr-08	16,278				16,278 [1]	2007
Donald J. Shepard	26-Apr-06	26,213		19,660	6,553	–	2006 – 2008
	24-Apr-08	50,092				50,092 [1]	2007

[1] During the vesting period, dividend payments on these shares are deposited in blocked savings accounts on behalf of the executive members.

Total overview of conditionally granted options	Grant date	Number of options per January 1, 2009	Number of options granted in 2009	Number of options vested in 2009	Number of options expired / forfeited in 2009	Number of options per December 31, 2009	Exercise price	Reference period
Alexander R. Wynaendts	26-Apr-06	67,789		50,842	16,947	–	14.55	2006 - 2008
Joseph B.M. Streppel	26-Apr-06	80,115		60,086	20,029	–	14.55	2006 - 2008
Donald J. Shepard	26-Apr-06	150,989		113,242	37,747	–	14.55	2006 - 2008

The numbers of shares and options conditionally granted were based on the closing price on the day of the grant. This is also the exercise price of the options. The fair value information on the conditionally granted shares will be provided in the year when these vest and on the options when these will be exercised.

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

	Grant date	Number of rights / options per January 1, 2009	Number of rights / options vested in 2009	Number of rights / options exercised in 2009	Number of rights / options expired / forfeited in 2009	Number of rights / options per Dec. 31, 2009	Number of exercisable rights / options	Exercise price EUR	Shares held in AEGON at Dec. 31, 2009
Alexander R. Wynaendts	10-Mar-02	40,000 [1]			40,000	–	–	26.70	
	10-Mar-03	50,000 [1]				50,000	50,000	6.30	
	16-Mar-04	50,000				50,000	50,000	10.56	
	22-Apr-05	34,132				34,132	34,132	9.91	
	26-Apr-06		50,842			50,842	50,842	14.55	44,210
Jan J. Nooitgedagt		–	–			–	–	–	–

[1] The share appreciation rights were granted before becoming a member of the Executive Board.

For each of the members of the Executive Board, the shares held in AEGON as shown in the above table do not exceed 1% of total outstanding share capital at the balance sheet date.

At the balance sheet date, Mr. Wynaendts had mortgage loans with AEGON or any AEGON related company totalling to EUR 1,485,292, with interest rates of 4.1%, 4.3%, 4.4% and 5.4%. These loans were made in AEGON's ordinary course of business, pursuant to a widely available employee benefit program on terms comparable to other AEGON employees in the Netherlands and were approved in advance by the Supervisory Board. In accordance with the terms of the contracts, no principal repayments were received on the loans in 2009.

Remuneration of active and retired members of the Supervisory Board

In EUR	2009	2008	2007
Dudley G. Eustace	80,750	77,000	84,500
Irving W. Bailey, II	82,185	85,203	68,750
Antony Burgmans (as of April 25, 2007)	69,000	63,000	39,718
Arthur W.H. Docters van Leeuwen (as of April 22, 2009)	72,000	7,000	–
Cecelia Kempler (as of April 23, 2008)	75,315	45,673	–
Shemaya Levy	76,750	72,000	59,000
Karla M.H. Peijs (as of April 25, 2007)	60,000	50,417	30,718
Robert J. Routs (as of April 23, 2008)	70,942	40,673	–
Willem F.C. Stevens (up to April 22, 2009)	20,762	73,000	71,750
Kornelis J. Storm	54,692	45,942	47,500
Ben van der Veer (as of October 1, 2008)	63,000	18,000	–
Dirk P.M. Verbeek (as of April 23, 2008)	66,258	33,481	–
Leo M. van Wijk	54,500	51,185	48,750
TOTAL FOR ACTIVE MEMBERS	**846,154**	**662,574**	**450,686**
René Dahan (up to April 23, 2008)	–	18,900	64,500
O. John Olcay (up to April 23, 2008)	–	22,054	66,250
Toni Rembe (up to April 23, 2008)	–	18,137	57,000
TOTAL	**846,154**	**721,665**	**638,436**

Starting January 1, 2005, a three-components structure has been introduced for the remuneration of the Supervisory Board: (1) a base fee for membership of the Supervisory Board; (2) an additional fee for membership of a Committee; and (3) an attendance fee for face-to-face Committee meetings. Members of the Supervisory Board do not have any share options or share appreciation rights in AEGON N.V. at December 31, 2009.

In 2008 an amount of EUR 7,000 was paid to Mr. Docters van Leeuwen, prior to his formal appointment as a member of the Supervisory Board on April 22, 2009.

Not included in the table above is a premium for state health insurance paid on behalf of Dutch Supervisory Board members.

Common shares held by Supervisory Board members

Shares held in AEGON at December 31	2009	2008	2007
Irving W. Bailey, II	29,759	29,759	29,759
Cecelia Kempler (as of April 23, 2008)	11,559	15,968	n.a
Karla M.H. Peijs (as of April 25, 2007)	1,400	1,400	900
Kornelis J. Storm	226,479	226,479	276,479
Ben van der Veer (as of October 1, 2008)	1,407	1,407	n.a.
Dirk P.M. Verbeek (as of April 23, 2008)	982	n.a.	n.a.
TOTAL	**271,586**	**275,013**	**307,138**

Shares held by Supervisory Board members are only disclosed for the period they have been part of the Supervisory Board.

NOTE 55 EVENTS AFTER THE BALANCE SHEET DATE

On February 2, 2010 AEGON announced the sale of its funeral insurance business in the Netherlands to Dutch investment firm Egeria for an amount of EUR 212 million. Under the agreement, the nineteen employees affected by the sale will retain their jobs, as well as maintain similar employment conditions. In 2009, AEGON's funeral insurance business generated approximately EUR 70 million in gross written premiums. The sale agreement is subject to the consultation of AEGON's Central Works Council, in addition to the approvals of the relevant regulatory authorities.

On February 26, 2010 AEGON announced that it will delist from the Tokyo Stock Exchange on March 27, 2010. AEGON applied for delisting as the volume of AEGON shares traded on the Tokyo Stock Exchange is negligible and does not justify the related expenses.

The Hague, March 24, 2010

Supervisory Board

Dudley G. Eustace
Irving W. Bailey, II
Antony Burgmans
Arthur W.H. Docters van Leeuwen
Cecelia Kempler
Shemaya Levy
Karla M.H. Peijs
Robert J. Routs
Kornelis J. Storm
Ben van der Veer
Dirk P.M. Verbeek
Leo M. van Wijk

Executive Board

Alexander R. Wynaendts
Jan J. Nooitgedagt

AUDITOR'S REPORT / TO: THE SUPERVISORY BOARD AND THE EXECUTIVE BOARD OF AEGON N.V.

REPORT ON THE CONSOLIDATED FINANCIAL STATEMENTS

We have audited the accompanying consolidated financial statements for the year 2009 (as set out on pages 80 to 219) which are part of the financial statements of AEGON N.V., The Hague, which comprise the consolidated balance sheet as at December 31, 2009, the consolidated income statement, statement of comprehensive income, statement of changes in equity and cash flow statement for the year then ended and a summary of significant accounting policies and notes.

MANAGEMENT'S RESPONSIBILITY

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with International Financial Reporting Standards as adopted by the European Union and with Part 9 of Book 2 of the Netherlands Civil Code, and for the preparation of the Report of the Executive Board in accordance with Part 9 of Book 2 of the Netherlands Civil Code. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of the consolidated financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on the consolidated financial statements based on our audit. We conducted our audit in accordance with Dutch law. This law requires that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

OPINION

In our opinion, the consolidated financial statements give a true and fair view of the financial position of AEGON N.V. as at December 31, 2009, and of its result and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union and with Part 9 of Book 2 of the Netherlands Civil Code.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

Pursuant to the legal requirement under 2:393 sub 5 part f of the Netherlands Civil Code, we report, to the extent of our competence, that the management board report is consistent with the consolidated financial statements as required by 2:391 sub 4 of the Netherlands Civil Code.

The Hague, March 24, 2010

Ernst & Young Accountants LLP

signed by A.F.J. van Overmeire

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BALANCE SHEET OF AEGON N.V.
AS AT DECEMBER 31

Before profit appropriation, amounts in EUR million	Note	2009	2008
ASSETS			
Investments			
Shares in group companies	3	12,023	6,303
Loans to group companies	4	6,034	6,204
Other investments	5	1,650	–
		19,707	**12,507**
Receivables	6		
Receivables from group companies		4,803	4,105
Other receivables		2	59
		4,805	**4,164**
Other assets			
Cash and cash equivalents		1,141	3,583
Other	7	259	599
		1,400	**4,182**
Prepayments and accrued income			
Accrued interest and rent		85	85
TOTAL ASSETS		**25,997**	**20,938**
EQUITY AND LIABILITIES			
Shareholders' equity			
Share capital	8	278	251
Paid-in surplus	9	7,906	7,096
Revaluation account	9	(1,374)	(6,919)
Legal reserves - foreign currency translation reserve	9	(2,295)	(2,180)
Legal reserves in respect of group companies	9	1,476	415
Retained earnings, including treasury shares	9	5,969	8,474
Net income / (loss)	9	204	(1,082)
		12,164	**6,055**
Convertible core capital securities	10	2,000	3,000
Other equity instruments	11	4,709	4,699
TOTAL EQUITY		**18,873**	**13,754**
Subordinated borrowings		–	34
Long-term borrowings	12	3,161	1,288
Short-term borrowings	13	920	1,441
Other liabilities	14		
Loans from group companies		281	1,411
Payables to group companies		1,231	2,294
Repurchase agreements		1,047	–
Deferred tax liability		56	55
Other		306	425
		2,921	**4,185**
Accruals and deferred income		122	236
TOTAL EQUITY AND LIABILITIES		**25,997**	**20,938**

INCOME STATEMENT OF AEGON N.V.
FOR THE YEAR ENDED DECEMBER 31

Amounts in EUR million	2009	2008
Net income / (loss) group companies	253	(1,337)
Other income / (loss)	(49)	255
NET INCOME / (LOSS)	**204**	**(1,082)**

NOTES TO THE FINANCIAL STATEMENTS OF AEGON N.V.

AMOUNTS IN EUR MILLION, UNLESS OTHERWISE STATED

NOTE 1 GENERAL INFORMATION

AEGON N.V., incorporated and domiciled in the Netherlands, is a public limited liability share company organized under Dutch law and recorded in the Commercial Register of The Hague under its registered address at AEGONplein 50, 2591 TV The Hague. AEGON N.V. serves as the holding company for the AEGON Group and has listings of its common shares in Amsterdam, New York and London. AEGON will delist from the Tokyo Stock Exchange on March 27, 2010.

AEGON N.V. (or 'the Company'), its subsidiaries and its proportionally consolidated joint ventures (AEGON or 'the Group') have life insurance and pensions operations in over twenty countries in Europe, the Americas and Asia and are also active in savings and investment operations, accident and health insurance, general insurance and limited banking operations. Headquarters are located in The Hague, the Netherlands. The Group employs approximately 28,000 people worldwide.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

NOTE 2.1 BASIS OF PREPARATION

The financial statements have been prepared in accordance with accounting principles in the Netherlands as embodied in Part 9 of Book 2 of the Netherlands Civil Code. Based on article 2:362.8 of the Netherlands Civil Code, the valuation principles applied are based on International Financial Reporting Standards (IFRS), as used for the preparation of the consolidated financial statements of the Group.

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

NOTE 2.2 CHANGES IN REPORTING PRESENTATION

As of January 1, 2009 legal reserves are presented on the face of the balance sheet broken down by their nature: foreign currency translation reserve and legal reserves in respect of group companies.

NOTE 2.3 TRANSLATION OF FOREIGN CURRENCY TRANSACTIONS

Transactions in foreign currencies are translated to the functional currency using the exchange rates prevailing at the date of the transaction. At the balance sheet date monetary assets, monetary liabilities and own equity instruments in foreign currencies are translated at the prevailing exchange rate. Non-monetary items carried at cost are translated using the exchange rate at the date of the transaction, whilst assets carried at fair value are translated at the exchange rate when the fair value was determined. Exchange differences on monetary items are recognized in the income statement when they arise, except when they are deferred in equity as a result of a qualifying cash flow or net investment hedge. Exchange differences on non-monetary items are recognized in equity or the income statement accordingly consistently with other gains and losses on these items.

NOTE 2.4 OFFSETTING OF ASSETS AND LIABILITIES

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

NOTE 2.5 INVESTMENTS

The group companies are stated at their net asset value, determined on the basis of IFRS as applied in the consolidated financial statements of the Group. For details on the accounting policies applied for the group companies refer to the consolidated financial statements on page 80 and following.

Other investments are financial assets recognized on the trade date when the Group becomes a party to the contractual provisions of the instrument and are classified for accounting purposes depending on the characteristics of the instruments and the purpose for which they were purchased. They are initially recognized at fair value excluding interest accrued to date plus, in the case of a financial asset not at fair value through profit or loss, any directly attributable incremental transaction costs.

Available-for-sale assets are recorded at fair value with unrealized changes in fair value recognized in other comprehensive income.

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

They are released over time to the income statement in line with the change in factors (including time) that market participants would consider in setting a price for the asset. Interest accrued to date is not included in the fair value of the financial asset.

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

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

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

NOTE 2.6 DERIVATIVES

All derivatives are recognized on the balance sheet at fair value. All changes in fair value are recognized in the income statement, unless the derivative has been designated as a hedging instrument in a cash flow hedge or a hedge of a net foreign investment. Derivatives with positive fair values are reported as other assets and derivatives with negative values are reported as other liabilities.

NOTE 2.7 CASH AND CASH EQUIVALENTS

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

NOTE 2.8 OTHER ASSETS

Other assets include fixed assets, derivatives with positive fair values, other receivables and prepaid expenses. Other receivables are recognized at fair value and are subsequently measured at amortized cost.

NOTE 2.9 IMPAIRMENT OF ASSETS

An asset is impaired if the carrying amount exceeds the amount that would be recovered through its use or sale. Tangible, intangible and financial assets, if not held at fair value through profit or loss, are tested for impairment when there are indications that the asset may be impaired. Irrespective of the indications, goodwill and other intangible assets that are not amortized are tested at least annually. For assets denominated in a foreign currency, a decline in the foreign exchange rates is considered an indication of impairment.

NOTE 2.10 EQUITY

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

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

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

Revaluation account includes unrealized gains and losses on available for sales assets and the positive changes in value that have been recognized in net income / (loss) relating to investments (including real estate) and which do not have a frequent market listing.

Legal reserves in respect of group companies include net increases in net asset value of subsidiaries and associates since their first inclusion, less any amounts that can be distributed without legal restrictions.

Treasury shares are own equity instruments of AEGON N.V. reacquired by the Group and are deducted from equity (Retained earnings) regardless of the objective of the transaction. No gain or loss is recognized on the purchase, sale, issue or cancellation of the instruments. The consideration paid or received is recognized directly in equity. All treasury shares are eliminated in the calculation of earnings per common share and dividend per common share.

NOTE 2.11 SUBORDINATED BORROWINGS AND OTHER BORROWINGS

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

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

NOTE 2.12 PROVISIONS

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

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

NOTE 2.13 CONTINGENT ASSETS AND LIABILITIES

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

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

NOTE 2.14 EVENTS AFTER THE BALANCE SHEET DATE

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

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

NOTE 3 SHARES IN GROUP COMPANIES

	2009	2008
At January 1	6,303	15,258
Capital contributions and acquisitions	45	–
Divestments and capital repayments	(107)	(305)
Dividend paid	–	(446)
Net income / (loss) for the financial year	253	(1,337)
Revaluations	5,529	(6,867)
AT DECEMBER 31	**12,023**	**6,303**

For a list of names and locations of the most important group companies, refer to note 53 to the consolidated financial statements of the Group. The legally required list of participations as set forth in article 379 of Book 2 of the Netherlands Civil Code has been registered with the Commercial Register of The Hague.

NOTE 4 LOANS TO GROUP COMPANIES

	2009	2008
Loans to group companies - long-term		
At January 1	941	3,655
Additions / repayments	3,222	(2,662)
Other changes	(89)	(52)
AT DECEMBER 31	**4,074**	**941**
Loans to group companies - short-term		
At January 1	5,263	3,272
Additions / repayments	(3,227)	1,771
Other changes	(76)	220
AT DECEMBER 31	**1,960**	**5,263**
TOTAL	**6,034**	**6,204**

NOTE 5 OTHER INVESTMENTS

	Debt securities - available-for-sale	Money market and other short-term investments FVTPL [1]	Total
At January 1, 2009	–	–	–
Additions	999	685	1,684
Disposals	–	(50)	(50)
Revaluations	29	–	29
Foreign currency translation differences	–	(13)	(13)
AT DECEMBER 31, 2009	**1,028**	**622**	**1,650**

[1] Fair value through profit or loss.

The debt securities comprise Dutch government bonds. The bonds mature in the years between 2018 and 2023. These government bonds have been transferred to another party under repurchase activities. AEGON retains substantially all risk and rewards of the transferred assets. The assets are transferred in return for cash collateral (refer note 14).

The money market and other short-term investments fully consist of investments in money market funds.

NOTE 6 RECEIVABLES

Receivables from group companies and other receivables have a maturity of less than one year.

NOTE 7 OTHER ASSETS

Other assets include derivatives with positive fair values of EUR 255 million (2008: EUR 599 million).

NOTE 8 SHARE CAPITAL

Issued and outstanding	2009	2008
Common shares	208	189
Preferred shares A	53	53
Preferred shares B	17	9
TOTAL SHARE CAPITAL	**278**	**251**

Authorized	2009	2008
Common shares	360	360
Preferred shares A	125	125
Preferred shares B	125	125
AT DECEMBER 31	**610**	**610**

Par value in cents per share	2009	2008
Common shares	12	12
Preferred shares A	25	25
Preferred shares B	25	25

All issued common and preferred shares are fully paid. Repayment of capital can only be initiated by the Executive Board, is subject to approval of the Supervisory Board and must be resolved by the General Meeting of Shareholders. Moreover, repayment on preferred shares needs approval of the related shareholders. There are restrictions on the amount of funds that companies within the Group may transfer in the form of cash dividends or otherwise to the parent company. These restrictions stem from solvency and legal requirements. Refer to note 47 to the consolidated financial statements of the Group for a description of these requirements.

Vereniging AEGON, based in The Hague, holds all of the issued preferred shares. Vereniging AEGON, in case of an issuance of shares by AEGON N.V., may purchase as many class B preferred shares as would enable Vereniging AEGON to prevent or correct dilution to below its actual percentage of voting shares, unless Vereniging AEGON as a result of exercising these option rights would increase its voting power to more than 33%. Class B preferred shares will then be issued at par value (EUR 0.25), unless a higher issue price is agreed. In the years 2003 through 2007 35,170,000 class B preferred shares were issued under these option rights. In 2008 no option rights were exercised. In 2009, Vereniging AEGON exercised its option rights to purchase in aggregate 33,860,000 class B preferred shares at par value to correct dilution caused by AEGON's 1 billion equity issue as completed in August 2009.

AEGON N.V. and Vereniging AEGON have entered into a preferred shares voting rights agreement, pursuant to which Vereniging AEGON has voluntarily waived its right to cast 25/12 vote per class A or class B preferred share. Instead, Vereniging AEGON has agreed to exercise one vote only per preferred share, except in the event of a 'special cause', such as the acquisition of a 15% interest in AEGON N.V., a tender offer for AEGON N.V. shares or a proposed business combination by any person or group of persons, whether individually or as a group, other than in a transaction approved by the Executive Board and Supervisory Board. If, in its sole discretion, Vereniging AEGON determines that a 'special cause' has occurred, Vereniging AEGON will notify the General Meeting of Shareholders and retain its right to exercise the full voting power of 25/12 vote per preferred share for a limited period of six months.

On August 13, 2009 AEGON completed a share issuance raising EUR 1 billion of capital. As part of the issuance 157.8 million ordinary shares of a par value of EUR 0.12 were issued and 32.7 million treasury shares were reissued. The shares were issued at EUR 5.25 per share. Expenses relating to this share issuance amounting to EUR 14 million have been charged to retained earnings. On October 1, 2009 Vereniging AEGON used its right to purchase preferred shares B for an amount of EUR 8.5 million representing 33.9 million shares. After the transaction Vereniging AEGON holds 22.8% of the voting rights in AEGON N.V.

The following table shows the movement during the year in the number of common shares:

Number of common shares	2009	2008
At January 1	1,578,227,139	1,636,544,530
Withdrawal	–	(99,769,902)
Shares issued	157,822,000	–
Share dividend	–	41,452,511
AT DECEMBER 31	**1,736,049,139**	**1,578,227,139**

The weighted average number of EUR 0.12 common shares for 2009 was 1,586,699,448 (2008: 1,506,861,993).

The shares repurchased by AEGON, although included in the issued and outstanding number of shares, are excluded from the calculation of the weighted average number of shares. The number has been adjusted for share dividend.

SHARE APPRECIATION RIGHTS AND SHARE OPTIONS

For detailed information on share appreciation rights and share options granted to senior executives and other AEGON employees, refer to note 40 to the consolidated financial statements of the Group.

BOARD REMUNERATION

Detailed information on remuneration of active and retired members of the Executive Board including their share option rights, remuneration of active and retired members of the Supervisory Board along with information about shares held in AEGON by the members of the Boards is included in note 54 to the consolidated financial statements of the Group.

NOTE 9 SHAREHOLDERS' EQUITY

	Share capital	Paid-in-surplus	Revaluation account	Legal reserves FCTR	Legal reserves group companies	Retained earnings	Treasury shares	Net income / (loss)	Total
At January 1, 2009	251	7,096	(6,919)	(2,180)	415	9,199	(725)	(1,082)	6,055
Reclassification	–	–	–	–	212	(212)	–	–	–
Net loss 2008 retained	–	–	–	–	–	(1,082)	–	1,082	–
Net income 2009	–	–	–	–	–	–	–	204	204
Total net income / (loss)	**–**	**–**	**–**	**–**	**–**	**(1,082)**	**–**	**1,286**	**204**
Foreign currency translation differences and movement in foreign investment hedging reserves	–	–	38	(144)	–	–	–	–	(106)
Changes in revaluation subsidiaries	–	–	5,361	–	–	–	–	–	5,361
Transfer to legal reserve	–	–	87	–	849	(909)	–	–	27
Disposal of group assets	–	–	59	29	–	–	–	–	88
Other	–	–	–	–	–	(11)	–	–	(11)
Other comprehensive income / (loss)	**–**	**–**	**5,545**	**(115)**	**849**	**(920)**	**–**	**–**	**5,359**
Dividend preferred shares	–	–	–	–	–	(122)	–	–	(122)
Shares issued	27	810	–	–	–	(285)	443	–	995
Repurchased and sold own shares	–	–	–	–	–	(27)	31	–	4
Coupons and premium on convertible core capital securities and coupon on perpetual securities, net of tax	–	–	–	–	–	(330)	–	–	(330)
Other	–	–	–	–	–	(1)	–	–	(1)
Changes in equity from relation with shareholders	**27**	**810**	**–**	**–**	**–**	**(765)**	**474**	**–**	**546**
AT DECEMBER 31, 2009	**278**	**7,906**	**(1,374)**	**(2,295)**	**1,476**	**6,220**	**(251)**	**204**	**12,164**

	Share capital	Paid-in-surplus	Revaluation account	Legal reserves FCTR	Legal reserves group companies	Retained earnings	Treasury shares	Net income / (loss)	**Total**
At January 1, 2008	258	7,101	(120)	(2,010)	(31)	9,455	(2,053)	2,551	15,151
Net income 2007 retained	–	–	–	–	–	2,551	–	(2,551)	–
Net loss 2008	–	–	–	–	–	–	–	(1,082)	(1,082)
Total net income / (loss)	**–**	**–**	**–**	**–**	**–**	**2,551**	**–**	**(3,633)**	**(1,082)**
Foreign currency translation differences and movement in foreign investment hedging reserves	–	–	(98)	(170)	–	–	–	–	(268)
Changes in revaluation subsidiaries	–	–	(6,553)	–	–	–	–	–	(6,553)
Transfer to legal reserve	–	–	(148)	–	446	(305)	–	–	(7)
Other	–	–	–	–	–	10	–	–	10
Other comprehensive income / (loss)	**–**	**–**	**(6,799)**	**(170)**	**446**	**(295)**	**–**	**–**	**(6,818)**
Dividend common shares	–	–	–	–	–	(548)	–	–	(548)
Dividend preferred shares	–	–	–	–	–	(112)	–	–	(112)
Share dividend	5	(5)	–	–	–	–	–	–	–
Repurchased and sold own shares	–	–	–	–	–	–	(217)	–	(217)
Withdrawal of treasury shares	(12)	–	–	–	–	(1,533)	1,545	–	–
Coupons on convertible core capital securities and perpetual securities, net of tax	–	–	–	–	–	(310)	–	–	(310)
Other	–	–	–	–	–	(9)	–	–	(9)
Changes in equity from relation with shareholders	**(7)**	**(5)**	**–**	**–**	**–**	**(2,512)**	**1,328**	**–**	**(1,196)**
AT DECEMBER 31, 2008	**251**	**7,096**	**(6,919)**	**(2,180)**	**415**	**9,199**	**(725)**	**(1,082)**	**6,055**

The balance of the revaluation account, which includes revaluation reserves for real estate and investments that do not have a frequent market listing, consists for EUR 2,787 million (2008: EUR 2,728 million) of items with positive revaluation and for EUR (4,161) million of items with negative revaluation (2008: EUR (9,646) million).

The revaluation account and legal reserves, foreign currency translation reserve and other, cannot be freely distributed. In case of negative balances for individual reserves legally to be retained, no distributions can be made out of retained earnings to the level of these negative amounts.

Certain of AEGON's subsidiaries, principally insurance companies, are subject to restrictions on the amounts of funds they may transfer in the form of cash dividends or otherwise to their parent companies. There can be no assurance that these restrictions will not limit or restrict AEGON in its ability to pay dividends in the future.

OPTAS N.V., an indirect subsidiary of AEGON N.V., holds statutory reserves of EUR 861 million (2008: EUR 821 million) which are restricted. Included in AEGON N.V.'s legal reserves is an amount of EUR 321 million related to OPTAS N.V. which represents the increase in statutory reserves since the acquisition of OPTAS N.V. by AEGON (2008: EUR 69 million). In 2009 the acquired negative goodwill related to OPTAS (EUR 212 million) has been reclassified to the legal reserves in respect of group companies.

On the balance sheet date AEGON N.V. and its subsidiaries held 29,271,309 of its own common shares with a face value of EUR 0.12 each. Most of the shares have been purchased to neutralize the dilution effect of issued share dividend and to hedge share appreciation rights and stock options granted to executives and employees. Movements in the number of repurchased own shares held by AEGON N.V. were as follows:

	2009	2008
At January 1	60,264,790	133,827,535
Transactions in 2009:		
Sale: 1 transaction, price EUR 5.25	(32,654,191)	–
Sale: 1 transaction, price EUR 3.18	(38,919)	–
Transactions in 2008:		
Purchase: 10 transactions, average price EUR 8.32	–	26,300,000
Sale: 1 transaction, price EUR 10.28	–	(92,843)
Withdrawal of common share capital	–	(99,769,902)
AT DECEMBER 31	**27,571,680**	**60,264,790**

As part of their insurance and investment operations, subsidiaries within the Group also hold AEGON N.V. common shares, both for their own account and for account of policyholders. These shares have been treated as treasury shares and are included at their consideration paid or received.

	2009		2008	
	Number of shares	Consideration	Number of shares	Consideration
Held by AEGON N.V.	27,571,680	236	60,264,790	679
Held by subsidiaries	1,699,629	15	2,513,404	46
TOTAL AT DECEMBER 31	**29,271,309**	**251**	**62,778,194**	**725**

The consideration for the related shares is deducted from or added to the retained earnings.

NOTE 10 CONVERTIBLE CORE CAPITAL SECURITIES

On December 1, 2008, AEGON's core capital was increased through a transaction with the State of the Netherlands in view of the ongoing uncertainty regarding the financial and economic environment during the year. Vereniging AEGON received a senior loan of EUR 3 billion which was invested in AEGON against issuance of 750 million non-voting convertible core capital securities at EUR 4.00 per security. The newly issued securities rank equal to common shares (pari passu), but carry no voting rights. This structure was designed to avoid dilution of voting rights of existing shareholders. The proceeds from the convertible core capital securities may only be used for general corporate purposes in the ordinary course of business; investments in subsidiaries chargeable to the additional capital in excess of EUR 300 million outside the European Union require prior approval from the Dutch Central Bank.

On November 30, 2009, AEGON repurchased 250 million of convertible core capital securities. The total payment to the Dutch government amounted to EUR 1.15 billon. Under the terms of AEGON's agreement with the Dutch government, the premium for repayment amounted to EUR 108 million based on the volume weighted average share price of AEGON shares of EUR 4.8315 during the five trading days from November 23 until November 27. The amount repaid includes accrued interest from May 22, 2009 of EUR 44 million. AEGON may at any time repurchase the remaining 500 million securities at EUR 6 per security. Alternatively, after two years from now, AEGON may choose to convert these securities into common shares on a one-for-one basis. In this situation, the Dutch government may opt for repayment in cash (at the original issue price of EUR 4). AEGON retains full discretion over its policy regarding dividends paid on common shares. The coupon on the non-voting securities will be payable only if a dividend is also paid to holders of common shares. As the holder of the non-voting securities, Vereniging AEGON will receive either an annual coupon of EUR 0.34 per security or, if higher, an amount linked to the value of the dividend paid on AEGON common shares. This amount has been fixed at 110% for 2009, rising to 120% for 2010 and 125% for 2011 and beyond. The coupon is not tax deductible. Vereniging AEGON will use income from the non-voting securities to service the loan from the Dutch government.

NOTE 11 OTHER EQUITY INSTRUMENTS

	Junior perpetual capital securities	Perpetual cumulative subordinated bonds	Share options not yet exercised	Total
At January 1, 2009	4,192	453	54	4,699
Share options cost incurred	–	–	13	13
Share options forfeited	–	–	(3)	(3)
AT DECEMBER 31, 2009	**4,192**	**453**	**64**	**4,709**
At January 1, 2008	4,192	567	36	4,795
Instruments redeemed	–	(114)	–	(114)
Share options cost incurred	–	–	19	19
Share options forfeited	–	–	(1)	(1)
AT DECEMBER 31, 2008	**4,192**	**453**	**54**	**4,699**

Junior perpetual capital securities	Coupon rate	Coupon date: as of	Year of first call	2009	2008
USD 500 million	6.5%	Quarterly, December 15	2010	424	424
USD 250 million	floating LIBOR rate [1]	Quarterly, December 15	2010	212	212
USD 550 million	6.875%	Quarterly, September 15	2011	438	438
EUR 200 million	6.0%	Annually, July 21	2011	200	200
USD 1,050 million	7.25%	Quarterly, December 15	2012	745	745
EUR 950 million	floating DSL rate [2]	Quarterly, July 15	2014	950	950
USD 500 million	floating CMS rate [3]	Quarterly, July 15	2014	402	402
USD 1 billion	6.375%	Quarterly, June 15	2015	821	821
AT DECEMBER 31				**4,192**	**4,192**

1 The coupon of the USD 250 million junior perpetual capital securities is reset each quarter based on the then prevailing three-month LIBOR yield plus a spread of 87.5 basis points, with a minimum of 4%.
2 The coupon of the EUR 950 million junior perpetual capital securities is reset each quarter based on the then prevailing ten-year Dutch government bond yield plus a spread of ten basis points, with a maximum of 8%.
3 The coupon of the USD 500 million junior perpetual capital securities is reset each quarter based on the then prevailing ten-year US dollar interest rate swap yield plus a spread of ten basis points, with a maximum of 8.5%.

The interest rate exposure on some of these securities has been swapped to a three-month LIBOR and / or EURIBOR related yield.

The securities have been issued at par. The securities have subordination provisions and rank junior to all other liabilities.

The conditions of the securities contain certain provisions for optional and required coupon payment deferral and mandatory payment events. Although the securities have no stated maturity, AEGON has the right to call the securities for redemption at par for the first time on the coupon date in the years as specified, or on any coupon payment date thereafter.

Perpetual cumulative subordinated bonds	Coupon rate	Coupon date	Year of first call	2009	2008
EUR 203 million	7.125% [1,4]	March 4	2011	203	203
EUR 114 million	4.156% [2,4]	June 8	2015	114	114
EUR 136 million	5.185% [3,4]	October 14	2018	136	136
AT DECEMBER 31				**453**	**453**

1 The coupon of the EUR 203 million bonds is set at 7.125% until March 4, 2011.
2 The coupon of the EUR 114 million bonds was originally set at 8% until June 8, 2005. As of this date, the coupon is reset at 4.156% until 2015.
3 The coupon of the EUR 136 million bonds was originally set at 7.25% until October 14, 2008. As of this date, the coupon is reset at 5.185% until October 14, 2018.
4 If the bonds are not called on the respective call dates and after consecutive period of ten years, the coupons will be reset at the then prevailing effective yield of ten-year Dutch government securities plus a spread of 85 basis points.

The bonds have the same subordination provisions as dated subordinated debt. In addition, the conditions of the bonds contain provisions for interest deferral and for the availability of principal amounts to meet losses.

NOTE 12 LONG-TERM BORROWINGS

	2009	2008
Remaining terms less than 1 year	2	8
Remaining terms 1 - 5 years	2,023	540
Remaining terms 5 - 10 years	418	419
Remaining terms over 10 years	718	321
AT DECEMBER 31	**3,161**	**1,288**

The repayment periods of borrowings vary from within one year up to a maximum of 30 years. The interest rates vary from 4.125 to 9.000% per annum. The market value of the long-term borrowings amounts to EUR 3,256 million (2008: EUR 1,218 million).

During Q2 2009 AEGON issued senior unsecured notes with a nominal value of EUR 1 billion due April 29, 2012. The notes, issued at a price of 99.673, carry a coupon of 7%.

During Q4 2009, AEGON issued USD 500 million senior unsecured notes due December 1, 2015. These senior notes are being offered under AEGON's existing shelf registration statement in the United States. The notes, issued at a price of 99.74, carry a coupon of 4.625%. AEGON also issued GBP 400 million in senior unsecured notes, due December 16, 2039. These notes were issued under the company's USD 6 billion debt issuance program at a price of 98.87. The notes carry a coupon of 6.625%.

NOTE 13 SHORT-TERM BORROWINGS

	2009	2008
Amounts owed to credit institutions	248	669
Short term deposits	672	772
AT DECEMBER 31	**920**	**1,441**

All short-term borrowings have a maturity of less than one year.

NOTE 14 OTHER LIABILITIES

Loans from and payables to group companies have a maturity of less than one year. Other includes derivatives with negative fair values of EUR 255 million (2008: EUR 403 million) and income tax payable for EUR 30 million (2008: income tax receivable for EUR 56 million).

AEGON N.V., together with certain of its subsidiaries, is part of a tax grouping for Dutch corporate income tax purposes. The members of the fiscal entity are jointly and severally liable for any taxes payable by the Dutch tax grouping.

AEGON received cash collateral related to repurchase agreements for which an offsetting liability has been set up as AEGON is obligated to return this amount upon termination of the repurchase agreements (refer note 5). The repurchase agreements mature in the years 2018, 2019 and 2023. The interest rates are based upon a 3-months floating EUREPO plus 27 basis points.

COMMITMENTS AND CONTINGENCIES

AEGON N.V. has entered into a contingent capital agreement amounting to GBP 200 million with its subsidiary Scottish Equitable Ltd. In the event Scottish Equitable's solvency capital requirements would fall below a set limit, AEGON N.V. will repay an internal loan from Scottish Equitable. The agreement, which expires on June 30, 2011, has been fully collateralized through assets held in a custody account.

AEGON N.V. has entered into a net worth maintenance agreement with its indirect subsidiary AEGON Financial Assurance Ireland Limited (AFA), pursuant to which AEGON N.V. will cause AFA to have a tangible net worth of at least 3% of its total liabilities under financial guaranty policies which it issues up to a maximum of EUR 3 billion.

AEGON N.V. has guaranteed and is severally liable for the following:

- Due and punctual payment of payables due under letter of credit agreements applied for by AEGON N.V. as co-applicant with its subsidiary companies Transamerica Corporation, AEGON USA, LLC and Commonwealth General Corporation. At December 31, 2009, the letter of credit arrangements amounted to EUR 3,492 million (2008: EUR 3,544 million); as at that date no amounts had been drawn or were due under these facilities.
- Due and punctual payment of payables by the consolidated Group companies Transamerica Corporation, AEGON Funding Company LLC, Commonwealth General Corporation and Transamerica Finance Corp. with respect to bonds, capital trust pass-through securities and notes issued under commercial paper programs (EUR 668 million; 2008: EUR 694 million), as well as payables with respect to certain derivative transactions of Transamerica Corporation (nominal amount EUR 1,870 million; 2008: EUR 1,003 million).
- Due and punctual payment of any amounts owed to third parties by the consolidated group company AEGON Derivatives N.V. in connection with derivative transactions. AEGON Derivatives N.V. only enters into derivative transactions with counterparties with which ISDA master netting agreements including collateral support annex agreements have been agreed; net (credit) exposure on derivative transactions with these counterparties was therefore limited as at December 31, 2009.

On August 5, 2009, the Enterprise Chamber of the Amsterdam court of appeals in the Netherlands ruled in favor of AEGON in connection with a dispute with unions and employers in the harbors of Rotterdam regarding the consolidation of equity of OPTAS, a life insurance company AEGON acquired at the beginning of 2007. The court rejected a request to order a restatement of AEGON's financial statements over 2007. The foundation representing the employers and insured harbor employees in the harbors appealed to the Dutch Supreme Court. AEGON does not expect the Dutch Supreme Court decision to have a material adverse effect on the company's financial position or profitability.

NOTE 15 NUMBER OF EMPLOYEES

Other than the Executive Board members, there were no employees employed by AEGON N.V. in either 2009 or 2008.

NOTE 16 ACCOUNTANTS REMUNERATION

	2009	2008
Audit	24	25
Other audit	2	2
Tax	–	–
Other services	–	–
TOTAL	**26**	**27**

NOTE 17 EVENTS AFTER THE BALANCE SHEET DATE

On February 2, 2010 AEGON announced the sale of its funeral insurance business in the Netherlands to Dutch investment firm Egeria for an amount of EUR 212 million. Under the agreement, the nineteen employees affected by the sale will retain their jobs, as well as maintain similar employment conditions. In 2009, AEGON's funeral insurance business generated approximately EUR 70 million in gross written premiums. The sale agreement is subject to the consultation of AEGON's Central Works Council, in addition to the approvals of the relevant regulatory authorities.

On February 26, 2010 AEGON announced that it will delist from the Tokyo Stock Exchange on March 27, 2010. AEGON applied for delisting as the volume of AEGON shares traded on the Tokyo Stock Exchange is negligible and does not justify the related expenses.

The Hague, March 24, 2010

Supervisory Board

Dudley G. Eustace
Irving W. Bailey, II
Antony Burgmans
Arthur W.H. Docters van Leeuwen
Cecelia Kempler
Shemaya Levy
Karla M.H. Peijs
Robert J. Routs
Kornelis J. Storm
Ben van der Veer
Dirk P.M. Verbeek
Leo M. van Wijk

Executive Board

Alexander R. Wynaendts
Jan J. Nooitgedagt

AUDITOR'S REPORT / TO: THE SUPERVISORY BOARD AND THE EXECUTIVE BOARD OF AEGON N.V.

REPORT ON THE COMPANY FINANCIAL STATEMENTS

We have audited the accompanying company financial statements for the year 2009 (as set out on pages 221 to 236) which are part of the financial statements of AEGON N.V., The Hague which comprise the balance sheet as at December 31, 2009, the income statement for the year then ended and the notes.

MANAGEMENT'S RESPONSIBILITY

Management is responsible for the preparation and fair presentation of the company financial statements and for the preparation of the Report of the Executive Board, both in accordance with Part 9 of Book 2 of the Netherlands Civil Code. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of the company financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on the company financial statements based on our audit. We conducted our audit in accordance with Dutch law. This law requires that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the company financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the company financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the company financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the company financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the company financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

OPINION

In our opinion, the company financial statements give a true and fair view of the financial position of AEGON N.V. as at December 31, 2009, and of its result for the year then ended in accordance with Part 9 of Book 2 of the Netherlands Civil Code.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

Pursuant to the legal requirement under 2:393 sub 5 part f of the Netherlands Civil Code, we report, to the extent of our competence, that the management board report is consistent with the company financial statements as required by 2:391 sub 4 of the Netherlands Civil Code.

The Hague, March 24, 2010

Ernst & Young Accountants LLP

signed by A.F.J. van Overmeire

PROPOSAL FOR PROFIT APPROPRIATION

Appropriation of profit will be determined in accordance with the articles 31 and 32 of the Articles of Incorporation of AEGON N.V. The relevant provisions read as follows:

1. The General Meeting of Shareholders shall adopt the annual accounts.
2. If the adopted profit and loss account shows a profit, the Supervisory Board may decide, upon the proposal of the Executive Board, to set aside part of the profit to augment and / or form reserves.
3. From the net profit as reflected in the profit and loss account, if it is sufficient to this end after a part of the profit has been set aside for augmenting and / or forming reserves in accordance with 2, first of all the holders of preferred shares shall receive, on the amount paid on their preferred shares, a dividend the percentage of which, on an annual basis, shall be equal to the European Central Bank's fixed interest percentage for basic refinancing transactions, to be increased by 1.75 percentage points, all applicable to the first trading day on Euronext Amsterdam in the financial year to which the dividend relates. Apart from this, no other dividend is to be paid on the preferred shares.
4. The profits remaining after application of the above shall be put at the disposal of the General Meeting of Shareholders. The Executive Board, subject to the approval of the Supervisory Board, shall make a proposal for that purpose. A proposal to pay a dividend shall be dealt with as a separate agenda item at the General Meeting of Shareholders.
5. The Executive Board may, subject to the approval of the Supervisory Board, make one or more interim distributions to the holders of common shares and / or to the holders of preferred shares, the latter subject to the maximum dividend amount set forth under 3.
6. The Executive Board may, subject to the approval of the Supervisory Board, decide that a distribution on common shares shall not take place as a cash payment but as a payment in common shares, or decide that holders of common shares shall have the option to receive a distribution as a cash payment and / or as a payment in common shares, in all cases out of the profit and / or at the expense of reserves. Subject to the approval of the Supervisory Board, the Executive Board shall also determine the conditions applicable to the aforementioned choices.
7. The company's policy on reserves and dividends shall be determined and can be amended by the Supervisory Board, upon the proposal of the Executive Board. The adoption and thereafter each amendment of the policy on reserves and dividends shall be discussed and accounted for at the General Meeting of Shareholders under a separate agenda item.

It was decided not to declare the final dividend for 2008 and the interim 2009. A cash dividend of 4.25% on the amount paid-in on the class A and class B preferred shares shall be paid to the holder of the preferred shares.

	2009	2008
Dividend on preferred shares	90	122
Interim dividend on common shares (cash portion)	–	258
Final dividend on common shares	–	–
Earnings to be (reduced) / retained	114	(1,462)
NET RESULT	**204**	**(1,082)**

MAJOR SHAREHOLDERS

VERENIGING AEGON

Vereniging AEGON is the continuation of the former mutual insurer AGO. In 1978, AGO demutualized and Vereniging AGO became the only shareholder of AGO Holding N.V., which was the holding company for its insurance operations. In 1983, AGO Holding N.V. and Ennia N.V. merged into AEGON N.V.. Vereniging AGO initially received approximately 49% of the common shares (which was reduced gradually to less than 40%) and all of the preferred shares in AEGON N.V., giving it voting majority in AEGON N.V. At that time Vereniging AGO changed its name into Vereniging AEGON. The objective of Vereniging AEGON is the balanced representation of the interests of AEGON N.V. and all of its stakeholders, including shareholders, AEGON Group companies, insured parties, employees and other relations of the companies.

In accordance with the 1983 Merger Agreement, Vereniging AEGON had certain option rights on preferred shares to prevent dilution of voting power as a result of share issuances by AEGON N.V. This enabled Vereniging AEGON to maintain voting control at the General Meeting of Shareholders of AEGON N.V. In September 2002, AEGON N.V. effected a non-dilutive capital restructuring whereby Vereniging AEGON sold 350,000,000 of its common shares, of which 143,600,000 common shares were sold directly by Vereniging AEGON in a secondary offering outside the United States and 206,400,000 common shares were purchased by AEGON N.V. from Vereniging AEGON. AEGON N.V. subsequently sold these common shares in a global offering. The purchase price for the 206,400,000 common shares sold by Vereniging AEGON to AEGON N.V. was EUR 2,064,000,000, which amount (less EUR 12,000,000 related costs) Vereniging AEGON contributed as additional paid-in capital on the existing AEGON N.V. preferred shares, all held by Vereniging AEGON. As a result of these transactions, Vereniging AEGON's beneficial ownership interest in AEGON N.V.'s common shares decreased from approximately 37% to approximately 12% and its beneficial ownership interest in AEGON N.V.'s voting shares (excluding issued common shares held in treasury by AEGON N.V.) decreased from approximately 52% to approximately 33%.

On May 9, 2003, AEGON's shareholders approved certain changes to AEGON's corporate governance structure and AEGON's relationship with Vereniging AEGON in an extraordinary General Meeting of Shareholders. AEGON's Articles of Incorporation were subsequently amended on May 26, 2003. The relationship between Vereniging AEGON and AEGON N.V. was changed as follows:

The 440,000,000 preferred shares with nominal value of EUR 0.12 held by Vereniging AEGON were converted into 211,680,000 new class A preferred shares with nominal value of EUR 0.25 and the paid-in capital on the preferred shares was increased by EUR 120,000 to EUR 52,920,000. The voting rights pertaining to the new preferred shares (the class A preferred shares as well as the class B preferred shares which may be issued to Vereniging AEGON under the option agreement as described in the following sections) were adjusted accordingly to 25/12 vote per preferred share.

AEGON N.V. and Vereniging AEGON have entered into a preferred shares voting rights agreement, pursuant to which Vereniging AEGON has voluntarily waived its right to cast 25/12 vote per class A or class B preferred share. Instead, Vereniging AEGON has agreed to exercise one vote only per preferred share, except in the event of a 'special cause', such as the acquisition of a 15% interest in AEGON N.V., a tender offer for AEGON N.V. shares or a proposed business combination by any person or group of persons whether individually or as a group, other than in a transaction approved by the Executive Board and the Supervisory Board. If, in its sole discretion, Vereniging AEGON determines that a 'special cause' has occurred, Vereniging AEGON will notify the General Meeting of Shareholders and retain its right to exercise the full voting power of 25/12 vote per preferred share for a limited period of six months.

AEGON N.V. and Vereniging AEGON have amended the option arrangements under the 1983 Merger Agreement. Under the amended option arrangements Vereniging AEGON, in case of an issuance of shares by AEGON N.V., may purchase as many class B preferred shares as would enable Vereniging AEGON to prevent or correct dilution to below its actual percentage of voting shares, unless Vereniging AEGON as a result of exercising these option rights would increase its voting power to more than 33 percent. Class B preferred shares will then be issued at par value (EUR 0.25), unless a higher issue price is agreed. In the years 2003 through 2007 35,170,000 class B preferred shares were issued under these option rights. In 2008, no option rights existed. In 2009, Vereniging AEGON exercised its option rights to purchase an additional 33,860,000 class B preferred shares to prevent dilution caused by AEGON's share issuance in August 2009.

DEVELOPMENT OF SHAREHOLDING IN AEGON N.V.

Number of shares	Common	Preferred A	Preferred B
At January 1, 2009	171,974,055	211,680,000	35,170,000
Exercise option right Preferred B shares	–	–	33,860,000
AT DECEMBER 31, 2009	**171,974,055**	**211,680,000**	**69,030,000**

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, 2009, amounts to approximately 22.76%. In the event of a 'special cause', Vereniging AEGON's voting rights will increase, currently to 33.00%, for up to six months per 'special cause'.

At December 31, 2009, the General Meeting of Members of Vereniging AEGON consisted of nineteen members. The majority of the voting rights is with the seventeen members who are not employees or former employees of AEGON N.V. or one of the AEGON group companies, nor current or former members of the Supervisory Board or the Executive Board of AEGON N.V. The two other members are both elected by the General Meeting of Members of Vereniging AEGON from among the members of the Executive Board of AEGON N.V.

Vereniging AEGON has an Executive Committee consisting of seven members, five of whom, including the chairman and the vice-chairman, are not nor have ever been, related to AEGON. The other two members are also members of the Executive Board of AEGON N.V. Resolutions of the Executive Committee, other than with regard to amendment of the Articles of Association, are made with an absolute majority of the votes. When a vote in the Executive Committee results in a tie, the General Meeting of Members has the deciding vote. With regards to the amendment of the Articles of Association of Vereniging AEGON, a special procedure is in place to provide for the need of a unanimous proposal from the Executive Committee, thereby including the consent of the representatives of AEGON N.V. at the Executive Committee. Following the amendment of the Articles of Association as effected on September 13, 2005, this requirement does not apply in the event of a hostile change of control at the General Meeting of Shareholders of AEGON N.V., in which event Vereniging AEGON may amend its Articles of Incorporation without the cooperation of AEGON N.V.

OTHER MAJOR SHAREHOLDERS

To AEGON's knowledge, only one other party holds a capital and voting interest in AEGON N.V. in excess of 5%. According to its filing with the Dutch Financial Markets Authority on March 16, 2010, US-based investment management firm Dodge & Cox owns a total of 113 million common shares, representing 5% of the issued share capital and voting rights in the company.

QUARTERLY RESULTS

2008 First quarter	2008 Second quarter	2008 Third quarter	2008 Fourth quarter	2008 Total year	Amounts in EUR million	2009 First quarter	2009 Second quarter	2009 Third quarter	2009 Fourth quarter	2009 Total year
					Underlying earnings before tax by line of business					
252	252	286	121	911	Life and protection	239	266	280	267	1,052
116	115	56	(433)	(146)	Individual savings and retirement products	(313)	62	79	78	(94)
121	129	79	179	508	Pensions and asset management	42	83	29	105	259
108	99	98	100	405	Institutional products	89	29	5	(5)	118
43	–	8	(114)	(63)	Life reinsurance	(23)	13	15	16	21
9	8	3	(19)	1	Distribution	6	1	(1)	(9)	(3)
17	20	11	(3)	45	General insurance	(1)	12	7	18	36
(17)	(38)	(40)	(17)	(112)	Interest charges and other	(63)	(72)	(69)	(48)	(252)
9	11	(1)	5	24	Share in net results of associates	2	10	6	5	23
658	**596**	**500**	**(181)**	**1,573**	**UNDERLYING EARNINGS BEFORE TAX**	**(22)**	**404**	**351**	**427**	**1,160**
(441)	48	(456)	(770)	(1,619)	Over / (under) performance of fair value items	(197)	(31)	(58)	(174)	(460)
217	**644**	**44**	**(951)**	**(46)**	**OPERATING EARNINGS BEFORE TAX**	**(219)**	**373**	**293**	**253**	**700**
86	(212)	25	136	35	Gains / (losses) on investments	173	35	(100)	324	432
(32)	(98)	(407)	(501)	(1,038)	Impairment charges	(386)	(393)	(285)	(209)	(1,273)
(54)	9	(5)	38	(12)	Other income / (charges)	(23)	(353)	48	5	(323)
217	**343**	**(343)**	**(1,278)**	**(1,061)**	**Income before tax**	**(455)**	**(338)**	**(44)**	**373**	**(464)**
(64)	(67)	14	96	(21)	Income tax	282	177	189	20	668
153	**276**	**(329)**	**(1,182)**	**(1,082)**	**NET INCOME**	**(173)**	**(161)**	**145**	**393**	**204**
503	**437**	**363**	**(69)**	**1,234**	**Net underlying earnings**	**(14)**	**357**	**309**	**373**	**1,025**
175	**479**	**38**	**(623)**	**69**	**Net operating earnings**	**(163)**	**331**	**272**	**278**	**718**
					Underlying earnings geographically					
478	441	388	(234)	1,073	Americas	(68)	280	289	304	805
113	116	74	75	378	The Netherlands	72	129	102	95	398
45	48	35	13	141	United Kingdom	7	20	(13)	34	48
39	29	42	(17)	93	Other countries	30	47	42	42	161
(23)	(40)	(45)	(22)	(130)	Holding and other activities	(66)	(68)	(68)	(50)	(252)
6	2	6	4	18	Eliminations	3	(4)	(1)	2	–
658	**596**	**500**	**(181)**	**1,573**	**UNDERLYING EARNINGS BEFORE TAX**	**(22)**	**404**	**351**	**427**	**1,160**
8,636	**9,131**	**11,051**	**11,933**	**40,751**	**Gross deposits (on and off balance sheet)**	**8,111**	**6,570**	**6,742**	**6,530**	**27,953**
(888)	**971**	**1,652**	**1,679**	**3,414**	**Net deposits (on and off balance sheet)**	**(1,263)**	**(575)**	**(1,493)**	**(5,623)**	**(8,954)**
					New life sales					
2,757	2,880	2,568	2,327	10,532	Life single premiums	2,025	1,504	1,732	2,161	7,422
410	441	361	366	1,578	Life recurring premiums annualized	341	318	311	333	1,303
686	**729**	**618**	**598**	**2,631**	**TOTAL RECURRING PLUS 1/10 SINGLE**	**543**	**469**	**484**	**549**	**2,045**
166	141	146	161	614	New premium production accident and health insurance	164	146	125	126	561
16	16	19	17	68	New premium production general insurance	12	11	12	21	56

GLOSSARY

Acquisition date is the date on which the acquirer effectively obtains control of the acquiree. In most cases this includes at least the transfer of risks and rewards related to the acquired business or assets / liabilities.

Actuarial funding enables a life insurance company to reduce the size of the unit reserves it holds for unit linked business to reflect some or all of the unit-linked charges it expects to receive in the future from the units nominally allocated. Actuarial funding is used on those contracts that have surrender penalties and the company will hold a minimum of the surrender value at all times.

Actuarial gains and losses relate to the accounting for post-employment benefit plans. They comprise the effects of experience adjustments and changes in assumptions used to determine the cost of a plan.

Amortized cost is the amount at which the financial asset or liability is measured at initial recognition minus principal repayments, plus or minus the cumulative amortization using the effective interest rate method of any difference between that initial amount and the maturity amount and minus any reduction (directly or through the use of an allowance account) for impairment or uncollectability.

Assets held by long-term employee benefit funds are part of plan assets. These are assets (other than non-transferable financial instruments issued by the reporting entity) that:

- Are held by an entity that is legally separate from the reporting entity and exists solely to pay or fund employee benefits; and
- Are available to be used only to pay or fund employee benefits and are not available to the reporting entity's own creditors.

Bifurcation is the measurement and presentation of embedded derivatives separate from the host contracts, as if they were stand-alone derivative financial instruments.

Binomial option pricing model uses a binomial lattice that represents possible paths that might be followed by the underlying asset's price over the life of the option, for a given number of time steps between valuation date and option expiration. Each node in the lattice represents a possible price of the underlying asset, at a particular point in time. The valuation process is iterative; it starts at each final node and then works backwards through the lattice to the first node, which is the valuation date, where the calculated result is the value of the option.

Business combination is the bringing together of separate entities or operations of entities into one reporting entity. This can be realized through a purchase transaction or by means of a merger. A business combination involving entities (or operations of entities) under common control is a business combination in which all of the combining entities (or operations of entities) ultimately are controlled by the same party or parties both before and after the combination, and that control is not transitory.

Capitalization is the recognition of a cost as part of the cost of an asset on the balance sheet.

Cash generating unit is the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets.

Cedant is the policyholder under a reinsurance contract.

Claims settlement expenses are costs incurred in settling a claim. These costs include internal administration and payout costs, but also such items as attorney's fees and investigation expenses.

Collateral is an asset pledged by a borrower to secure a loan and is subject to seizure in the case of default.

Compound financial instruments are financial instruments that, from the issuer's perspective, contain both a liability and an equity element.

Constructive obligation is an obligation that derives from an entity's actions whereby an established pattern of past practice, published policies or a sufficiently specific current statement, the entity has indicated to other parties that it will accept certain responsibilities, and as a result, the entity has created a valid expectation on the part of those other parties that it will discharge those responsibilities.

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss.

Currency risk is a market risk, namely the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates.

Deferred tax assets are amounts of income taxes recoverable in future periods in respect of deductible temporary differences; the carryforward of unused tax losses; and the carryforward of unused tax credits.

Deferred tax liabilities are amounts of income taxes payable in future periods in respect of taxable temporary differences.

Defined benefit obligation is the present value, without deducting any plan assets, of expected future payments required to settle the obligation resulting from employee service in the current and prior periods.

Defined benefit plans are post-employment benefit plans other than defined contribution plans.

Defined contribution plans are post-employment benefit plans under which an entity pays fixed contributions into a separate entity (a fund) and will have no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employee benefits relating to employee service in the current and prior periods.

Deferred Policy Acquisition Cost (DPAC) are the variable costs related to the acquisition or renewal of insurance contracts and investment contracts with discretionary participation features.

Deposit accounting method includes amounts charged and paid to customers directly into the financial liability and not through the income statement as premium income and claims.

Derecognition is the removal of a previously recognized asset or financial liability from an entity's balance sheet.

Derivatives are financial instruments whose value changes in response to an underlying variable, that require little or no net initial investment and are settled at a future date.

Discretionary participation feature is a contractual right to receive, as a supplement to guaranteed benefits, additional benefits:

- That are likely to be a significant portion of the total contractual benefits;
- Whose amount or timing is contractually at the discretion of the issuer; and
- That are contractually based on:
  - The performance of a specified pool of contracts or a specified type of contract;
  - Realized and / or unrealized investment returns on a specified pool of assets held by the issuer; or
  - The profit or loss of the company, fund or other entity that issues the contract.

Effective interest rate method is a method of calculating the amortized cost of a financial asset or liability and of allocating the interest income or expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period to the net carrying amount of the financial asset or liability.

Embedded derivative is a component of a hybrid instrument that also includes a non-derivative host contract, with the effect that some of the cash flows of the combined instrument vary in a way similar to a derivative.

Equity instruments are financial instruments issued by the Group that are classified as equity if they evidence a residual interest in the assets of the Group after deducting all of its liabilities.

Equity method is a method of accounting whereby the investment is initially recognized at cost and adjusted thereafter for the post-acquisition change in the investor's share of net assets of the investee. The profit or loss of the investor includes the investor's share of the profit or loss of the investee.

Equity volatility is the relative rate at which the price of equity changes.

Exchange differences are differences resulting from translating a given number of units of one currency into another currency at different exchange rates.

Finance lease is a lease that transfers substantially all the risks and rewards incident to ownership of an asset.

Financial asset is any asset that is:

- Cash;
- An equity instrument of another entity;
- A contractual right to receive cash or another financial asset from another entity or to exchange financial instruments with another party under conditions that are potentially favorable; or
- A contract that will or may be settled in the entity's own equity instruments; and is
  - A non-derivative for which the entity is or may be obliged to receive a variable number of the entity's own equity instruments; or
  - A derivative that will or may be settled other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of the entity's own equity instruments.

GLOSSARY

Financial instrument is any contract that gives rise to both a financial asset of one entity and a financial liability or equity instrument of another entity.

Financial liability is any liability that is:
- A contractual obligation to deliver cash or another financial asset to another entity or to exchange financial assets or financial liabilities with another entity under conditions that are potentially unfavorable to the entity; or
- A contract that will or may be settled in the entity's own equity instruments; and is
  - A non-derivative for which the entity is or may be obliged to deliver a variable number of the entity's own equity instruments; or
  - A derivative that will or may be settled other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of the entity's own equity instruments.

Financial risks are risks of a possible future change in one or more of the following variables: a specified interest rate, financial instrument price, commodity price, foreign exchange rate, index or prices or rates, credit rating or credit index or other variable, provided in the case of a non-financial variable, that the variable is not specific to a party to the contract.

Firm commitment is a binding agreement for the exchange of a specified quantity of resources at a specified price on a specified future date or dates.

Foreign currency is a currency other than the functional currency of an entity within the Group.

Foreign operation is an entity that is a subsidiary, associate, joint venture or branch of a reporting entity within the Group, the activities of which are based or conducted in a country or currency other than those of the reporting entity.

Functional currency is the currency of the primary economic environment in which an entity within the Group operates.

General account investments are investments of which the financial risks are not borne by the policyholder.

Goodwill is the amount of future economic benefits arising from assets that are not capable of being individually identified and separately recognized as an asset in a business combination.

Guaranteed benefits are payments or other benefits to which a particular policyholder or investor has an unconditional right that is not subject to the contractual discretion of the issuer.

Hedge effectiveness is the degree to which changes in the fair value or cash flows of the hedged item that are attributable to a hedged risk are offset by changes in the fair value or cash flows of the hedging instrument.

Incremental cost is one that would not have been incurred if the entity had not acquired, issued or disposed of a financial instrument.

Insurance asset is an insurer's contractual right under an insurance contract.

Insurance contract is a contract under which one party (the insurer) accepts significant insurance risk from another party (the policyholder) by agreeing to compensate the policyholder if a specified uncertain future event (the insured event) adversely affects the policyholder.

Insurance liability is an insurer's contractual obligation under an insurance contract.

Insurance risk is a risk, other than financial risk, transferred from the holder of a contract to the issuer.

Joint control is the contractually agreed sharing of control over an economic activity, which exists when the strategic and operating decisions relating to the activity require the unanimous consent of the parties sharing control.

Liability adequacy testing is an assessment of whether the carrying amount of an insurance liability needs to be increased (or the carrying amount of related deferred acquisition costs or related intangible assets decreased) based on a review of future cash flows.

Liquidity risk is the risk that an entity will encounter difficulty in raising funds to meet commitments associated with financial instruments.

Master netting agreement is an agreement providing for an entity that undertakes a number of financial instrument transactions with a single counterparty to make a single net settlement of all financial instruments covered by the agreement in the event of default on, or termination of, any contract.

Minority interests are that portion of the profit or loss and net assets of a subsidiary attributable to equity interests that are not owned, directly or indirectly through subsidiaries, by the parent.

Monetary items are units of currency held and assets and liabilities to be received or paid in a fixed or determinable number of units of currency.

Onerous contracts are contracts in which the unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received under it.

Operating expenses are all expenses associated with selling and administrative activities (excluding commissions) after reallocation of claim handling expenses to benefits paid.

Past service cost is the increase in the present value of the defined benefit obligation for employee service in prior periods, resulting in the current period from the introduction of, or changes to, post-employment benefits.

Plan assets are assets held by a long-term employee benefit fund and qualifying insurance policies.

Policy acquisition costs are the expenses incurred in soliciting and placing new business as well as renewal of existing business. It includes agent's commissions, underwriting expenses, medical and credit report fees, marketing expenses and all other direct and indirect expenses of the departments involved in such activities.

Policyholder is a party that has a right to compensation under an insurance contract if an insured event occurs.

Presentation currency is the currency in which the financial statements are presented.

Price risk is a market risk, namely the risk that the value of a financial instrument will fluctuate as a result of changes in market prices.

Private loan is a non-derivative financial asset with a fixed interest rate and a maturity date, which is not bought in an active market but negotiated between the two parties involved. Private loans are not embodied in securities. When a private loan takes the form of a private placement of bonds or other investments directly to an institutional investor like an insurance company, it has more the character of a bond loan and such financial instruments are classified as available-for-sale investments rather than as loans and receivables.

Projected unit credit method is an actuarial valuation method that sees each period of service as giving rise to an additional unit of benefit entitlement and measures each unit separately to build up the final obligation.

Qualifying insurance policies are a component of plan assets. These are insurance policies issued by an insurer that is not a related party of the reporting entity, if the proceeds of the policies:
- Can be used only to pay or fund employee benefits under a defined benefit plan; and
- Are not available to the reporting entity's own creditors.

Real estate investments foreclosed are real estate investments purchased through foreclosure on the mortgage. Such purchases are not accounted for as mortgages, but as real estate investments until they can be sold at a better price than at the foreclosure. Meanwhile they yield a rental income.

Realizable value is the amount of cash or cash equivalents that could currently be obtained by selling an asset in an orderly disposal.

Recognition is the process of incorporating in the balance sheet or income statement an item that meets the definition of an element and satisfies the following criteria for recognition:
- It is probable that any future economic benefit associated with the item will flow to or from the entity; and
- The item has a cost or value that can be measured with reliability.

Reinsurance assets are a cedant's net contractual rights under a reinsurance contract.

Reinsurance contract is an insurance contract issued by one insurer to compensate another insurer for losses on one or more contracts issued by the cedant.

Renewal of a contract is when a policyholder takes whatever action is required, typically payment of a premium, in order to maintain benefits under the contract.

Repurchase agreement is a sale of securities with an agreement to buy back the securities at a specified time and price.

Return on plan assets is the investment income derived from plan assets, together with realized and unrealized gains and losses on the plan assets less any costs of administering the plan and less any tax payable by the plan itself.

GLOSSARY

Reverse repurchase agreement is a purchase of securities with the agreement to resell them at a later specified date and price.

Security lending involves a loan of a security from one party to another.

Settlement date is the date that a financial asset is delivered to the entity that purchased it.

Sovereign exposures are AAA rated government bonds, or lower rated government bonds if purchased in local currency by a reporting unit.

Spot exchange rate is the exchange rate for immediate delivery.

Spread is the difference between the current bid and the current ask or offered price of a given security.

Stochastic modeling is a statistical process that uses probability and random variables to predict a range of probable investment performances.

Temporary differences are differences between the carrying amount of an asset or liability in the balance sheet and its tax base that will reverse over time.

Trade date is the date that an entity commits itself to purchase or sell an asset.

Transaction costs are incremental costs that are directly attributable to the acquisition, issue or disposal of a financial asset or liability.

Trust Pass-Through securities are securities through which the holders participate in a trust. The assets of these trusts consist of debentures issued by an AEGON group company.

Unlocking of DPAC and VOBA refers to the process of updating the DPAC or the VOBA amortization schedule to reflect changes between the past and current expectations of key assumptions used in the projection of future gross profits.

Value of Business Acquired (VOBA) the difference between the fair value and the carrying amount of the insurance liabilities recognized when a portfolio of insurance contracts is acquired (directly from another insurance company or as part of a business combination).

WACC is an abbreviation for Weighted Average Cost of Capital which represents the average cost of capital of an entity, taking into account all sources of capital (from equity and debt), weighted by their current market values.

CORPORATE AND SHAREHOLDER INFORMATION

HEADQUARTERS

AEGON N.V.
P.O. Box 85
2501 CB The Hague
The Netherlands
Telephone: + 31 (0)70 344 32 10
www.aegon.com

GROUP CORPORATE COMMUNICATIONS & INVESTOR RELATIONS

MEDIA RELATIONS

Telephone: + 31 (0)70 344 89 56
E-mail: gcc-ir@aegon.com

INVESTOR RELATIONS

Telephone: + 31 (0)70 344 83 05
or toll free: 877 548 96 68 (USA only)
E-mail: ir@aegon.com

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

- Changes in general economic conditions, particularly in the United States, the Netherlands and the United Kingdom
- Changes in the performance of financial markets, including emerging markets, such as with regard to:
  - The frequency and severity of defaults by issuers in our fixed income investment portfolios and
  - The effects of corporate bankruptcies and/or accounting restatements on the financial markets and the resulting decline in the value of equity and debt securities we hold.
- The frequency and severity of insured loss events
- Changes affecting mortality, morbidity and other factors that may impact the profitability of our insurance products
- Changes affecting interest rate levels and continuing low or rapidly changing interest rate levels
- Changes affecting currency exchange rates, in particular the EUR/USD and EUR/GBP exchange rates
- Increasing levels of competition in the United States, the Netherlands, the United Kingdom and emerging markets
- Changes in laws and regulations, particularly those affecting our operations, the products we sell, and the attractiveness of certain products to our consumers
- Regulatory changes relating to the insurance industry in the jurisdictions in which we operate
- Acts of God, acts of terrorism, acts of war and pandemics
- Effects of deliberations of the European Commission regarding the aid we received from the Dutch State in December 2008
- Changes in the policies of central banks and/or governments
- Lowering of one or more of our debt ratings issued by recognized rating organizations and the adverse impact such action may have on our ability to raise capital and on our liquidity and financial condition
- Lowering of one or more of insurer financial strength ratings of our insurance subsidiaries and the adverse impact such action may have on the premium writings, policy retention, profitability of its insurance subsidiaries and liquidity
- 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
- The impact of acquisitions and divestitures, restructurings, product withdrawals and other unusual items, including our ability to integrate acquisitions and to obtain the anticipated results and synergies from acquisitions
- Our failure to achieve anticipated levels of earnings or operational efficiencies as well as other cost saving initiatives
- The impact our adoption of the International Financial Reporting Standards may have on our reported financial results and financial condition and
- The effect of the European Union's Solvency II requirements and other regulations in other jurisdictions affecting the capital we are required to maintain.

Further details of potential risks and uncertainties affecting the company are described in the company's filings with Euronext Amsterdam and the US Securities and Exchange Commission, including the Annual Report on Form 20-F. These forward-looking statements speak only as of the date of this document. Except as required by any applicable law or regulation, the company expressly disclaims any obligation or undertaking to release publicly any updates or revisions to any forward-looking statements contained herein to reflect any change in the company's expectations with regard thereto or any change in events, conditions or circumstances on which any such statement is based.

COLOPHON

Consultancy and design	Dart | Brand guidance & Design, Amsterdam (NL)
Editing and production	AEGON Group Corporate Communications (NL)
Photography	Ad Bogaard (NL)
Typesetting	Dart | Brand guidance & Design, Amsterdam (NL)
Printing	Habo DaCosta bv (NL)
Binding	Hexspoor (NL)

BUILDING CONFIDENCE FOR LIFE

ANNUAL REPORT 2009

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