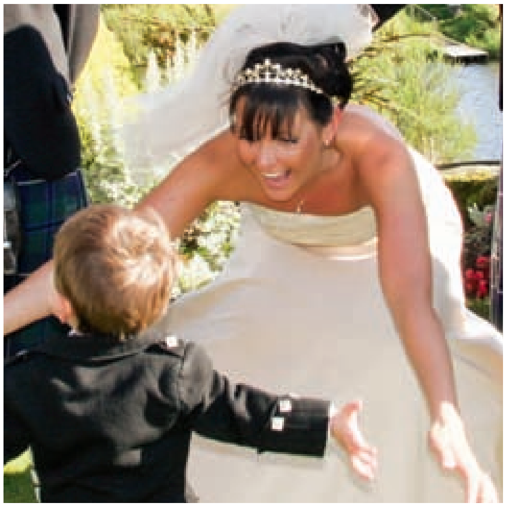
ANNUAL REPORT 2010

SHARPENING OUR FOCUS

LIFE INSURANCE / PENSIONS / ASSET MANAGEMENT

AEGON

FOCUS ON



THERE IS A PERSONAL STORY BEHIND EVERY PRODUCT THAT AEGON SELLS

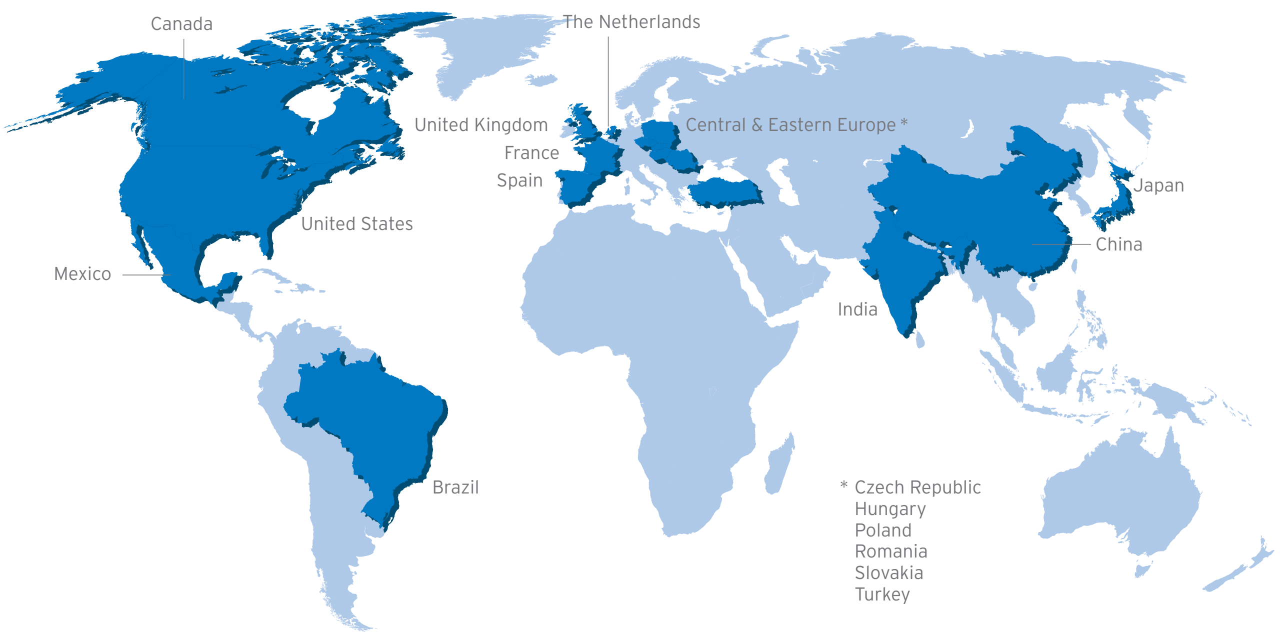
Throughout their working lives and into retirement, millions of people around the world rely on AEGON to help them secure their long-term financial futures.

Understanding customers and their financial needs throughout their lives is the foundation of AEGON's business. Millions of people around the world rely on AEGON to help them secure their long-term financial futures. That's why, last year, AEGON invited its employees to take part in a photography competition on the theme of "Lifecycle". After all, AEGON's business is all about being there for customers, for life.

The level of work sent in was high, and making a selection of the best pictures was challenging. In the end, though, there had to be some winners. Prizes went to Cindy Ferguson (USA), David Stein (USA), Jan Zegers (the Netherlands) and Rhona Bradbury (UK). Their pictures are featured throughout this annual report, along with other outstanding images from the photo competition.

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 asset management company, AEGON has businesses in over twenty markets in the Americas, Europe and Asia. AEGON companies employ approximately 27,500 people and serve some 40 million customers across the globe. AEGON uses its strength and expertise to create added value for customers, shareholders, employees, 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 leader in all its chosen markets by 2015.



AEGON Direct Marketing Services (ADMS)
ADMS is present in Australia, Brazil, France, Germany, Hong Kong, India, Italy, Japan, Korea, Mexico, Singapore, Spain, Taiwan, Thailand and the United Kingdom.

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.

New Markets 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.

FINANCIAL HIGHLIGHTS

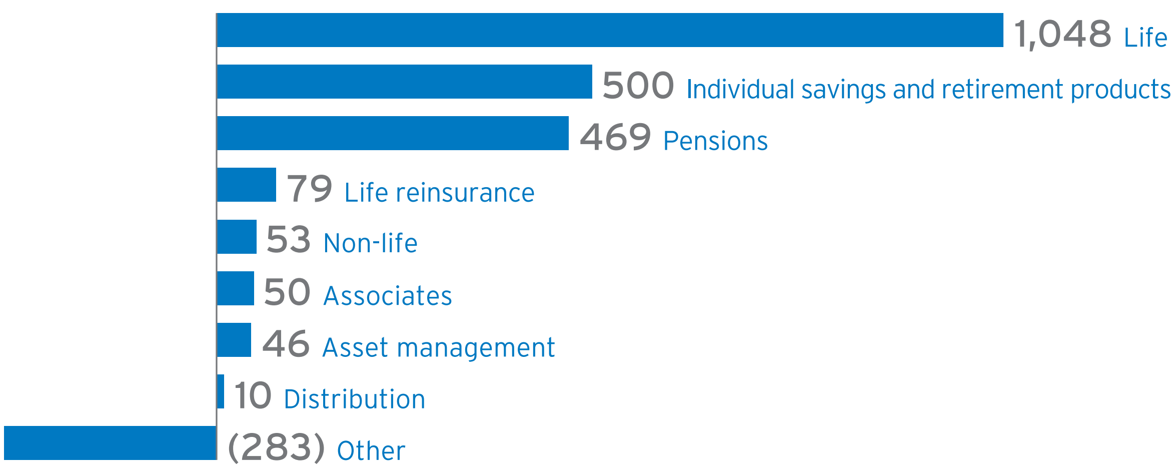
AEGON has businesses in more than twenty markets in the Americas, Europe and Asia, providing life insurance, pension and asset management products for some 40 million customers around the world.

Underlying earnings before tax by geographical area 2010

In EUR million

Underlying earnings before tax by line of business 2010

In EUR million



Key figures

2.0 billion EUR

Underlying earnings before tax

1.8 billion EUR

Net income

2.2 billion EUR

New life sales

32.6 billion EUR

Total gross deposits

555 million EUR

Value of new business

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LETTER OF THE CEO

AEGON in recent years has undergone a significant transformation. In response to the changing global market environment, we have sharpened our focus on AEGON's core business of life insurance, pensions and asset management. Moreover, we have taken decisive measures to reduce our exposure to the volatility of financial markets, strengthen our financial position, implement substantial cost reductions and align our organization to better respond to the needs of our customers and the expectations of our shareholders. Indeed, these strategic actions have enabled us to put the financial crisis firmly behind us, while setting our sights toward sustainable growth.

Equally important has been our focus on capturing the operational and cost efficiencies necessary to create a more streamlined organization, better positioned to deliver added value to customers, business partners and of course, our shareholders.

Positioning AEGON for the future

In line with our decision to sharpen our focus on our core business, we have restructured and refocused our businesses in the United States, the Netherlands and the United Kingdom. First and foremost in this transformation process was our decision to initiate a thorough portfolio review to determine which businesses were supportive of AEGON's long-term growth prospects, and which were not. This subsequently led to putting into run-off or exiting a number of businesses, including among others, our institutional markets division, as well as our bank-owned and corporate-owned life insurance business in the United States, the sale of our funeral insurance business in the Netherlands, and the sale of AEGON's third party pension administration and employee benefits software businesses in the United Kingdom. We are confident that by shifting to a more fee-based income model (as evidenced by our focus on growing AEGON's strong position in pensions), AEGON will be less dependent on spread-generated income and consequently, less vulnerable to the fluctuations of financial markets.

Equally important has been our focus on capturing the operational and cost efficiencies necessary to create a more streamlined organization, better positioned to deliver added value to customers, business partners and of course, our shareholders. In this regard, we continued to reduce costs in our main operating units during the course of 2010, consolidated a number of our operations in the United States, and are implementing a broad restructuring program in the United Kingdom to achieve a 25% cost reduction by the end of 2011.

At the same, we have continued to invest in our businesses, both within AEGON's established markets and in those regions that offer higher growth and returns over the longer-term – Central & Eastern Europe, Latin America and Asia. These investments, particularly in our newer markets, support our strategic objective to achieve a better geographical balance for AEGON, in terms of capital allocation and earnings generation. Recognizing the promising demographic and market developments throughout Asia, we have established a new organizational structure to support our ambitions in China, India and Japan. Under the new structure headquartered in Hong Kong, AEGON's businesses in Asia will be managed as one regional division, allowing us to leverage product and distribution expertise, capture efficiencies, and pursue organic growth across the Asian continent.

All of these actions to reallocate capital, increase returns, reduce costs and better leverage our global resources are aimed at enabling AEGON to achieve sustainable earnings growth, with an improved risk-return profile, and generate sustainable cash flows and dividends to our shareholders going forward.

Looking ahead with confidence

Among the most important achievements over the past year has been our progress towards completing full repayment to the Dutch State by the end of June 2011. Following the early repayment of EUR 1 billion last year, we repaid an additional EUR 500 million in August 2010, and in February 2011, we raised EUR 900 million of equity in the market to support this key priority. The remaining amount needed to complete repayment will be generated from internal resources – retained earnings and proceeds from potential disposals. The decision to raise additional equity in the market further supports our key objective of maintaining a strong capital buffer and a strong balance sheet for AEGON. The crisis has reminded us that this is necessary and prudent given the continued uncertainties of the general market environment.

Along with AEGON's full-year 2010 results we also announced specific medium-term targets in terms of increased underlying earnings, cash flow generation and return on equity. Each of these ambitious targets supports our aim to ensure sustainable and growing dividend payments to shareholders - further evidence that AEGON has turned the corner of the financial crisis and is determined to deliver the long-term value that shareholders have every reason to expect.

Serving the growing need

AEGON is committed to assisting our many current and future customers around the world secure their financial futures. This is both our mission and our promise. More than at any time in recent history, individuals and families understand their need to take responsibility for their financial security and make the decisions that will provide them the peace of mind hoped for throughout a longer retirement. This requires that wherever AEGON operates, we provide simple, easy-to-understand products and services that serve the full range of customer needs and circumstances.

AEGON is a company with broad capabilities and resources. We are grateful to our many employees around the world whose hard work and dedication have enabled AEGON to emerge stronger from the financial crisis and better able to respond to our customers with quality, need specific products and services. We are more determined than ever to put our competitive advantages to work for the long-term benefit of those who have placed their trust in AEGON.

Thank you for your continued confidence.

Alex Wynaendts
Chief Executive Officer and Chairman of the Executive Board of AEGON N.V.

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.

MANAGEMENT BOARD

EXECUTIVE BOARD

Alexander R. Wynaendts
(1960, Dutch)

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

Alex Wynaendts began his career in 1984 with ABN Amro Bank, 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 and Management Boards.

Jan J. Nooitgedagt
(1953, Dutch)

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

Jan Nooitgedagt has worked in Europe's financial services sector for over thirty years. Formerly with PWC, 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
(1963, US citizen)

Member of the Management Board responsible for the Americas
Chief Executive Officer of AEGON Americas

Mark Mullin has spent more than twenty years with AEGON in various management positions in both the United States and Europe. Mr. Mullin has served as President and CEO of one of AEGON's US subsidiaries, Diversified Investment Advisors, and as head of the company's annuity and mutual fund businesses. In January 2009, he was named President of AEGON Americas and became President and CEO of AEGON Americas and a member of the Management Board twelve months later.

Marco B.A. Keim
(1962, Dutch)

Member of the Management Board responsible for the Netherlands
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 railway company, NS Group. In 1999, he joined Swiss Life in the Netherlands as a member of the Board. Three years later, Mr. Keim was appointed CEO. In June 2008, he became CEO of AEGON The Netherlands.

Otto Thoresen
(1956, British)

Member of the Management Board responsible for the United Kingdom
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 insurance groups 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. Mr. Thoresen will resign as of April 1, 2011.

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. Between 1992 and 2009, Mr. Kepecs was the CEO of AEGON Hungary. In that time, he has headed the expansion of AEGON's businesses not only in Hungary but also across the Central & Eastern European region.

Cindy Ferguson

Transamerica Retirement Services
United States

FOCUS ON THE FUTURE

Graduation is one of life's greatest milestones – representing clear achievement and the potential for a lifetime of personal and professional accomplishment. Making sure you can make possible such an important milestone for a family member takes careful planning. We make it our business to assist our customers at every stage of life's many possibilities.

OUR STRATEGY

AEGON is one of the world's leading providers of life insurance, pensions and asset management, with businesses in more than twenty countries in the Americas, Europe and Asia. AEGON employs approximately 27,500 people, serving about 40 million customers and managing some EUR 413 billion in revenue-generating investments.

In June 2010, AEGON announced that it would sharpen its focus on its core businesses – life insurance, pensions and asset management - and achieve a greater geographical balance by reallocating capital to the growth markets of Spain, Central & Eastern Europe, Asia and Latin America, which offer higher growth and returns over the long term. In addition, the company is increasing efficiency by encouraging innovation, and focusing even more on providing products and services that serve its customers' changing needs.

AEGON's strategy

AEGON's ambition is to become a leader in all its chosen markets by 2015. This means becoming the most recommended life and pensions provider among customers, the preferred partner among distributors and the employer of choice among both current and prospective employees.

Achieving this ambition is based on three strategic priorities:

- To reallocate capital to areas that offer strong growth prospects and higher returns.
- To increase returns from the company's existing businesses.
- And to optimize ONE AEGON by increasing efficiency and making better use of the company's global resources.

AEGON made significant progress with each of these priorities during 2010.

Strategic priorities

Reallocate capital

- Direct more capital to markets offering higher returns and strong growth.
- Thorough review of portfolio of existing businesses.

Increase returns

- Improve growth and returns from existing businesses.
- Strengthen customer loyalty and employee engagement.
- Product innovation.
- Continue to reduce costs and deliver operational excellence.
- More efficient distribution.

Optimize ONE AEGON

- Manage AEGON as one company.
- Make most of AEGON's worldwide resources.
- More coordinated approach to underwriting and risk and capital management.
- Share and standardize best practice.
- Build on AEGON and Transamerica brand names.

Leader in all chosen markets by 2015

Implementing the strategy

Reallocate capital

AEGON's objective is to allocate more capital towards those markets that offer higher returns and strong prospects for growth.

- AEGON intends to allocate more capital to higher-growth markets in Central & Eastern Europe, Asia, Spain and Latin America. This will have the effect of reducing the relative weight of the US businesses within AEGON in the years ahead.
- Within the company's main markets – the United States, the Netherlands and the United Kingdom – AEGON will sharpen its focus on opportunities for growth within specific market segments.
- AEGON is taking measures to improve the company's risk-return profile. The company has conducted a thorough review of its businesses to ensure they meet requirements in terms of cash flow, return on capital and earnings growth. In addition, the company is working to ensure that it continues to provide products that correspond to the life cycle needs of AEGON's customers.

Steps AEGON is taking

- Shifting focus from spread to fee-based products, particularly in the company's US businesses. As part of this, AEGON's institutional spread-based business was placed in run-off in 2009. AEGON is also taking steps to de-emphasize fixed annuities and expand its US pension business.
- Exploring strategic options for Transamerica Re, AEGON's life reinsurance unit, including a possible divestment. AEGON believes Transamerica Re offers only a limited long-term strategic fit with AEGON's core life insurance, pension and asset management businesses.
- Sale in April 2010 of AEGON's funeral insurance business in the Netherlands.
- 2010 saw the first full year of operations of AEGON's partnerships in Brazil and Japan and further growth of business in China and India.

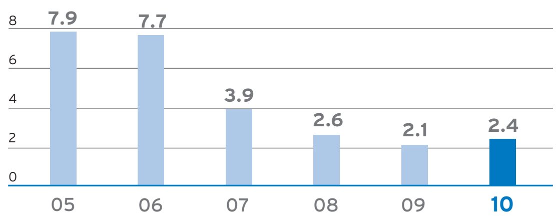
Improving risk-return profile

Improving the company's risk-return profile is a key part of AEGON's long-term strategy. Steps taken in recent years have lessened the company's exposure to fluctuations in world financial markets. These steps have included:

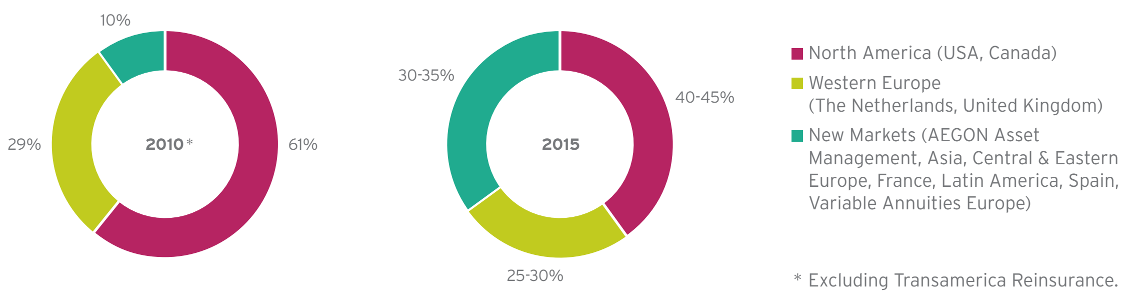
- Reducing AEGON's exposure to equity markets.
- Reducing credit exposure through the run-off of the company's institutional spread-based business in the United States and de-emphasizing fixed annuities.
- Increasing equity hedging programs in the Netherlands, and in the Americas for variable annuities. Approximately 80% of AEGON's guaranteed minimum income benefit variable annuities back-book in the United States is delta equity hedged. AEGON's aim is 100% by the end of 2012.

Equity exposure of AEGON's general account

In EUR billion



Rebalance capital across geographies



Increase returns: strategic objectives

Delivering operational excellence

- Continue to be cost-efficient.
- Decrease costs per policy.
- Make distibution more effective and more efficient.
- Achieve significant improvement in levels of customer service.

Enhancing customer loyalty

- Improve knowledge of customer requirements, and use this knowledge to drive innovation.
- Compete on customer service, not on price.
- Further build on AEGON and Transamerica brand names.

Empowering AEGON's employees

- Implement global talent management program.
- Roll out employee engagement plan.

Increase returns

AEGON's aim is to increase returns from its existing businesses. This is achieved through delivering operational excellence, improved customer loyalty, and stronger employee engagement. AEGON expects its focus on increasing returns to support an improvement in the company's overall return on equity over the medium term and to improve normalized cash flows from their current level of between EUR 1 billion and EUR 1.2 billion a year.

Steps AEGON is taking

- Restructuring of UK businesses to improve returns, lower costs and refocus on opportunities for growth in key At Retirement and Workplace Savings markets.
- Restructuring of businesses and introduction of a more streamlined organization in the United States.
- Continue to implement cost savings measures across the company.
- Reorganization of sales division in the Netherlands.
- Improving and strengthening customer service – and continuing to compete on customer service.

Restructuring AEGON's US and UK businesses

During 2010, AEGON announced a restructuring of some of its operations in both the United States and the United Kingdom. This was part of broader efforts to reduce costs, improve returns and increase the company's focus on its core businesses – life insurance, pensions and asset management.

United Kingdom

- AEGON expects restructuring in the United Kingdom to reduce costs, improve returns and refocus the company on opportunities for growth in the At Retirement and Workplace Savings markets, where AEGON already has leading positions.
- By the end of 2011, AEGON expects a 25% reduction in run-rate of costs in its UK life insurance and pension business.
- AEGON has withdrawn from the UK bulk annuities market and sold its third party pension administration and employee benefits software businesses.
- At the same time, AEGON will retain its life insurance and protection business in the United Kingdom to support new opportunities in the At Retirement market.
- The company is further streamlining its management and organizational structure in the United Kingdom – a step that will lead to the loss of a number of positions over the course of 2011.

Sustainability

AEGON believes it makes a valuable contribution to the wider community both as a provider of long-term financial products and services and as a responsible employer and investor. AEGON's approach to sustainability is based on the responsible management of the company's resources – financial, human or material – ensuring AEGON is able to meet long-term obligations to its customers and other stakeholders.

AEGON's stakeholders

As regards sustainability, AEGON has four main stakeholder groups besides the company's shareholders. AEGON has framed a business ambition for each group, and in each case the company is implementing a number of initiatives to help achieve that ambition by 2015.

- **Customers.** Business ambition: to become the most recommended financial services company. Measures: company-wide principles for market conduct, company-wide loyalty programs and rolling out a system for measuring customer satisfaction.
- **Employees.** Business ambition: to become the most preferred company by current and prospective employees. Measures: a more global approach to human resources, based on talent and performance management, launch of global survey to measure employee engagement.
- **Business partners.** Business ambition: to become the most preferred partner. Measure: extend principles of market conduct to partnerships globally.
- **Wider community.** Business ambition: to become the most respected and trusted financial services company for society. Measures: global responsible investment policy, more targeted approach to corporate donations, company-wide program to manage resources more effectively.

AEGON believes these initiatives will further strengthen confidence in the company, and help create long-term value for all shareholders and investors.

AEGON's sustainability reporting

AEGON's annual Stakeholder Review helps to determine which issues are material to the company's businesses, performance and strategy. The findings are included in an annual Sustainability – Report to Stakeholders, which charts the significance both to AEGON and its stakeholders of various economic, business and social issues.

Parts of AEGON's Sustainability 2010 - Report to Stakeholders are audited by Ernst & Young, the company's external auditor.

International commitments

As part of its approach to sustainability, AEGON has a number of international commitments:

- AEGON is a signatory to the Carbon Disclosure Project, which encourages companies to be open about their greenhouse gas emissions.
- AEGON Asset Management is also a signatory to the United Nations' Principles for Responsible Investment and, in the United Kingdom, the Extractive Industry Transparency Initiative, which aims to strengthen governance in the international oil, gas and minerals sector. AEGON supports the Global Reporting Initiative, which develops accepted and comparable standards for sustainability reporting.
- AEGON also upholds the United Nations' Universal Declaration of Human Rights and subscribes to the core standards of the International Labor Organization and the principles on human rights and labor standards contained in the UN Global Compact.

In addition, AEGON is listed in the Dow Jones Sustainability World and European indexes for the insurance industry, as well as the FTSE4Good, indexes which measure the performance of leading companies against recognized sustainability standards. AEGON was ranked among the twenty highest performing companies in the Netherlands in the Dutch government's 2010 Transparency Benchmark.

Governance

In October 2010, AEGON appointed Mr. Marc van Weede as its first global head of Sustainability. In addition, each of AEGON's country and business units has assigned responsibility for sustainability to a senior manager, who oversees the implementation of local policies and initiatives. Questions of strategy and policy in this area are subject to approval by AEGON's Executive and Management Boards. The company's Supervisory Board also plays a key role in helping monitor and developing overall strategy.

For more details on AEGON's approach to sustainability, please see the Sustainability 2010 – Report to Stakeholders, available online.

United States

- AEGON is discontinuing sales of executive non-qualified benefit plans and associated Bank-Owned and Corporate-Owned Life Insurance (BOLI-COLI) in the United States. Most of this business' operations are located in Dallas, Texas.
- AEGON's operations in Louisville, Kentucky will be consolidated with locations elsewhere in the United States. In addition, some back office activities in Cedar Rapids, Iowa, will be consolidated or outsourced.
- These measures will result in the loss of between 400 and 500 jobs over the next years, equivalent to approximately 5% of AEGON's US workforce. Organizational changes will result in annual cost savings of approximately USD 70 million.

Optimize ONE AEGON

Key to AEGON's long-term strategy is to manage AEGON as one company. This goal has been part of AEGON's strategy since mid-2008, and is aimed at ensuring the company makes the most of its worldwide resources. In the past two years, AEGON has taken a more integrated approach to areas such as asset management, human resources, risk and capital, and sustainability. AEGON expects this approach will bring greater efficiency and a better transfer of knowledge and best practice within the organization. As part of this approach, AEGON's objective is to standardize best practice in a number of areas, including product innovation, distribution, brand management, underwriting, risk management and IT infrastructure.

Steps AEGON is taking

- Using expertise in the United States to support new variable annuity products in the United Kingdom, the Netherlands, France and Japan.
- AEGON Asset Management fully operational as one global business since beginning of 2010, bringing together asset management businesses in the United States, the United Kingdom, the Netherlands, Asia and Central & Eastern Europe.
- Greater efficiency with establishment of a single European Data Center covering both the Netherlands and the United Kingdom.
- Integration of Asian operations as one regional division headquartered in Hong Kong.
- Move towards a more coordinated approach to underwriting and risk and capital management.
- Appointment of new senior management in the past two years, with new CEOs appointed in the Netherlands, the United States, the United Kingdom and Asia, and the appointment of a new CEO of AEGON Asset Management.
- More integrated approach with the appointments of AEGON's global heads of Human Resources, Sustainability and Brand & Customer Strategy.
- Introduction of consistent performance management across the organization and greater alignment of management compensation with strategic objectives.

Asia

In 2010 AEGON announced a new organizational structure for its operations in Asia under the leadership of a newly-established CEO position for Asia. Whereas a number of AEGON's businesses in Asia had previously been managed from the United States, under the new structure all Asian based insurance businesses will be managed as one regional division headquartered in Hong Kong.

The aim of the integration is to leverage product and distribution expertise, capture efficiencies, and pursue organic growth of AEGON's franchise in Asia. The integration, which will be carried out during 2011, is in line with AEGON's strategy to achieve a greater geographical balance in favor of those regions and markets that offer higher growth and returns in the longer-term. Mr. Douglas Henck, a US citizen who has held a number of senior management positions in the international insurance world over the last 25 years, mostly in Asia, has been appointed CEO of AEGON Asia.

Market conditions

AEGON's main markets are the United States, the Netherlands and the United Kingdom. Together, these markets account for more than three-quarters of AEGON's business. Over the past decade, the company has built up operations in new, emerging markets. AEGON is present in six countries in Central & Eastern Europe, as well as China, India and Japan in Asia, and Brazil and Mexico in Latin America. AEGON is also one of the leading providers of life insurance in Spain and has a partnership in France with insurance and pension specialist AG2R La Mondiale.

During 2010, market and financial conditions continued to improve, following the upward trend that started in 2009. Equity markets continued to rise but remained volatile, while corporate credit spreads remained fairly stable. This had a positive impact on AEGON's earnings and capital position. Sales of equity-linked products benefited from positive sentiment on equities. AEGON saw improved sales on variable annuities and mutual funds as equity markets further improved.

Global interest rates were under pressure during the first nine months of 2010, following concerns about sovereign debt in a number of peripheral European countries. However, AEGON's exposure to the sovereign debt of these countries was, and remains limited. During the remainder of 2010, interest rates began to recover but did not reach the levels of the beginning of the year, but generally have a negative impact on AEGON's businesses.

As part of new pension legislation in Hungary, mandatory pension fund assets have been taken over by the Hungarian State during the first quarter of 2011. In addition, asset management and administration fees have been reduced.

In Poland, the Government plans to amend pension fund legislation as well. The main changes would be a lower contribution fee, special requirements on minimum mandatory capital and solvency margin, and the creation of three pension funds with distinct risk profiles (conservative, balanced, aggressive).

AEGON expects these government measures in Hungary and Poland to have a combined negative effect on underlying earnings of approximately EUR 25 million for the full year of 2011.

In Spain, the financial sector is undergoing significant consolidation and restructuring. Consequently, a number of the country's savings banks are in the process of either merging or entering into so-called integration agreements (SIPs). AEGON remains committed to the Spanish market and intends to maintain its current share of the bancassurance market there.

Despite the improvement in 2010, market conditions remain uncertain with growth still hampered by high unemployment numbers and household debt levels. AEGON expects market conditions to remain uncertain throughout 2011.

FOCUS ON...

Robert Juarez, Transamerica

Long-term industry trends

The financial crisis that began in 2008 brought a shift in financial market and economic conditions. AEGON initially focused on short-term measures designed to combat the effects of the financial crisis. The company transformed its approach, strengthening its balance sheet, lowering costs and significantly improving its overall risk profile. These measures enabled AEGON to emerge from the financial crisis in a sound financial position.

However, the insurance and pensions industry is continuing to go through a period of significant change. AEGON's challenge is to understand the nature of this change, and to adapt to it. There are several factors:

- In many countries, people are living longer, healthier lives. People are spending longer in retirement than they used to, and there is a growing demand for life insurance, private pensions and long-term investment products.
- Working populations in many countries are shrinking. This means that there are fewer economically active people to fund traditional pay-as-you-go state pensions. As a result, governments, particularly in Western Europe, are under pressure to reform pensions systems. At the same time, individuals are increasingly relying on private sector providers to help them finance their retirement.
- Emerging markets are becoming more important. Economic growth and political reform have opened up new markets in Central & Eastern Europe, Asia and Latin America. In these markets, a new and ambitious middle class is emerging, and with it a rise in demand for life insurance, pensions and asset management. The potential of these markets is large. China and India account for 40% of the world's population, but currently only 7% of the global life insurance market.
- Distribution patterns are changing due to new technology. Customers are increasingly using the internet and social media to locate and purchase financial services. In some countries this has led to the emergence of new competitors using online distribution models, or non-traditional suppliers such as supermarkets and retailers. Established providers are under increasing pressure to reduce costs and adapt their systems of distribution.
- Customer behavior is also changing. Customers are more aware of financial risk and they want clear, simpler products with greater guarantees. At the same time, public trust in the financial sector has diminished. In response, governments are introducing new regulations to protect consumers. In 2010, the United States, the United Kingdom and the Netherlands all brought forward new financial sector legislation. The industry also faces the challenge of further reforms to financial regulations and capital adequacy requirements.

Repaying the Dutch State

In December 2008, AEGON secured EUR 3 billion in additional core capital from the Dutch State through the issuance of convertible core capital securities to Vereniging AEGON. This support was part of a broader program of support for banks and insurance companies in the Netherlands during the recent financial crisis.

In December 2009, AEGON repurchased an initial EUR 1 billion of convertible core capital securities followed by another repurchase of EUR 500 million in August 2010. AEGON is committed to repurchasing the remaining amount in full by the end of June 2011, market conditions permitting. As part of the European Commission review process, the Dutch Ministry of Finance agreed to amend the terms and conditions of the convertible core capital securities provided to AEGON:

- Terms were improved on an amount of EUR 500 million repurchased in August 2010.
- Terms on the remaining EUR 1.5 billion remain unchanged, though the Ministry agreed to waive rights to any accrued coupons.

The net effect of these measures was to improve the total premium payable on the remaining EUR 2 billion from 50% to approximately 40%.

Core capital securities

In August 2010, the European Commission approved the support of EUR 3 billion of core capital obtained from the Dutch State through Vereniging AEGON at the height of the global financial crisis. The Commission gave its approval, on condition that the company adopted a limited number of behavioral constraints.

To secure the European Commission's approval, AEGON will[1]:

- Continue to run off its institutional spread-based business in the United States and lower production of fixed annuities. These measures will result in a reduction of USD 25 billion in AEGON's US general account by the end of 2012.
- Increase the equity hedge on the company's variable annuity in-force book in the United States and commit to continue pricing new variable annuity products on a market consistent basis worldwide and in line with AEGON's pricing policy.
- Implement measures to further improve the quality of the company's capital base, primarily by increasing the core capital to at least 75% of total capital by the end of 2012.

Many of these measures had been decided by AEGON before the European Commission ruling as part of broader measures to improve AEGON's risk-return profile and operational efficiency and to lower costs. AEGON does not expect these measures to affect the company's ability to grow its core business profitably.

In addition, AEGON is also subject to a number of other temporary behavioral constraints, which will remain in force until the convertible core capital securities are fully repurchased:

- AEGON will not pursue acquisitions, though investment in the company's partnerships in Spain is permitted, providing AEGON's overall share of the Spanish market does not increase.
- AEGON will make no further dividend payments to common shareholders until all core capital securities issued to the Dutch State are fully repurchased.
- In the Netherlands, AEGON will not pursue a top-three price leadership position in either the residential mortgage or internet savings market.
- AEGON will request Standard & Poor's to no longer publish a financial strength rating for the company's Dutch life insurance unit[2].

1 For full details, please refer to the decision of the European Commission of August 17, 2010, published in the Official Journal of the European Union (C/290/2010 - http://ec.europa.eu).
2 Standard & Poor's has subsequently complied with this request.

Timetable for repayment

Date	Repayment	Terms and conditions
December 2009	EUR 1 billion	AEGON repaid one third of the convertible core capital, taking advantage of a lower premium for repayment. Including this premium and interest, the repayment amounted to EUR 1.15 billion.
August 2010	EUR 500 million	Following the European Commission's approval, a further EUR 500 million was repaid. Accrued interest and premium payments on this repayment amounted to an additional EUR 63 million.
March 2011	EUR 750 million	EUR 750 million was repaid in March 2011. There was a 50% premium and no coupon. In total an amount of EUR 1.25 billion was paid by AEGON.
June 2011 (expected)	EUR 750 million	Market conditions permitting, AEGON has agreed to accelerate repayment of the remaining EUR 750 million. AEGON will repay this amount at a premium of 50%, but without any accrued interest. Repayments must be approved by the Dutch Central Bank.

AEGON AND THE INVESTMENT COMMUNITY

AEGON has thousands of 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.

Communications

AEGON's aim is to provide information that is clear, transparent, accurate and timely. This is particularly important during times of economic uncertainty. During 2010, AEGON organized a number of conferences, road shows, press briefings and other events to communicate the company's strategy and performance to investors and the financial markets. AEGON's investor relations team works closely with the company's media and communications team. AEGON has a clear and well-defined policy with regard to communications between the company and its investors. This policy, adopted in 2008, sets out rules and guidelines in line with the Dutch Corporate Governance Code. A copy of this policy is available on AEGON's website (www.aegon.com).

Investor conferences

During the year, AEGON hosted two Analyst & Investor conferences, one in London and the other in New York. In total, these two events attracted approximately 110 insurance sector analysts and investors. Presentations by members of AEGON's Management Board focused largely on long-term strategy and the performance of both the company and its operating units. In June, CEO Alex Wynaendts provided an update of AEGON's long-term strategy and set out a new ambition for the company: to become a leader in all its chosen markets by 2015. At the same conference, Mr. Wynaendts also outlined plans to restructure AEGON's UK operations and explore strategic options for Transamerica Re, the company's life reinsurance business. In addition to AEGON's Analyst & Investor conferences, senior executives also speak at events organized by brokers and other companies. In 2010, members of the Executive Board spoke at conferences organized by, among others, Bank of America /Merrill Lynch, Citigroup, Goldman Sachs and Morgan Stanley.

Road shows

Members of AEGON's Investor Relations team also regularly visit institutional investors to discuss AEGON's strategy and performance. Institutional investors include pension funds, investment firms and other financial institutions. In 2010, AEGON held road shows in North America, Europe and Asia. In total, there were approximately 460 meetings with shareholders and other potential investors in 42 different locations.

Annual General Meeting of Shareholders

AEGON held its annual General Meeting of Shareholders on April 29, 2010 in The Hague. At the meeting, more than 100 holders of common and preferred shares were present or represented, together accounting for 59.5% of AEGON's issued share capital. All resolutions

FOCUS ON...

Susan Neff, AEGON USA

presented to the meeting were adopted. During the meeting, CEO Alex Wynaendts set out details of the company's strategy and efforts to focus AEGON on long-term opportunities for growth in its main markets.

New reporting format

In May, AEGON introduced a new reporting format to bring its financial reporting more in line with the way the company manages its businesses. Under the new format, AEGON reports underlying earnings and other results primarily by the following segments:

- Americas (which includes AEGON's businesses in the United States, Canada, Mexico and Brazil)
- The Netherlands
- United Kingdom
- New Markets (which encompasses AEGON's operations in Asia, Central & Eastern Europe, Spain, France, Variable Annuities Europe, as well as AEGON Asset Management)

In addition, AEGON has continued to provide details of underlying earnings by line of business. The new format is designed to enhance transparency and reflect recent organizational changes in the company's businesses.

There were also a number of other modifications made to AEGON's reporting format. Full details are available on AEGON's website (www.aegon.com).

Shareholding structure

AEGON's common shares are mostly held by institutional shareholders such as pension or investment funds. These shareholders include Vereniging AEGON, the company's largest shareholder. Vereniging AEGON owns 9.9% of AEGON's common shares. Please see page 244 to 245 for further details.

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 United States Securities and Exchange Commission on February 10, 2011, US-based investment management firm Dodge & Cox owns over 160 million shares, representing more than 5% of the issued share capital and voting rights in the company.

Shareholder base 2010

AEGON has shareholders all over the world, but around 80% are located in the company's main markets in North America, the Netherlands and the United Kingdom. Another 15% of AEGON's shareholders are based elsewhere in Europe, mainly Germany, France, Norway and Switzerland.

Share listings

AEGON's common shares are listed on three stock exchanges. The company's primary listing is in Amsterdam, but shares are also listed in London and New York. These listings give AEGON access to international capital markets and are a vital part of the company's overall corporate and financial management strategies. AEGON delisted its common shares from the Tokyo Stock Exchange in March 2010 because the volume traded did not justify the related expense. In addition, AEGON is also active on world debt markets, and uses its strong credit rating to issue debt instruments in various currencies.

Dividend policy

AEGON recognizes the importance of a clear, stable and coherent dividend policy. Dividend payments to shareholders depend on the company's cash flow and capital position. The dividend is composed of two separate payments:

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

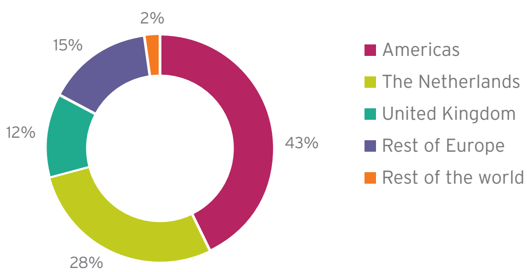
Payment of the interim and final dividends is made in either stock or cash.

AEGON is not allowed to pay a dividend on its common shares until the core capital obtained from the Dutch State through Vereniging AEGON is fully repurchased. Consequently, AEGON did not declare an interim or propose a final dividend for 2010.

AEGON has updated its dividend policy on February 24, 2011.

Shareholder base 2010

In %



Share price performance

AEGON's share price showed a steady improvement during the first few months of the year, however, it declined during the second and third quarter, mostly because investors were anticipating a European debt crisis. Overall, AEGON's share price on the Amsterdam Stock Exchange gained 1% in value in 2010. AEGON shares on the New York Stock Exchange, meanwhile, declined 5% as a result of strengthening of the dollar against the euro. AEGON's share price performed in line with European peers, however, they underperformed compared with peers in the United States. For further information, please refer to the charts on this page.

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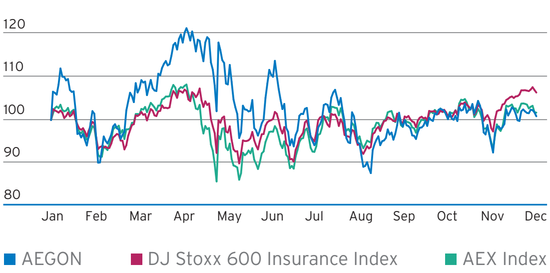
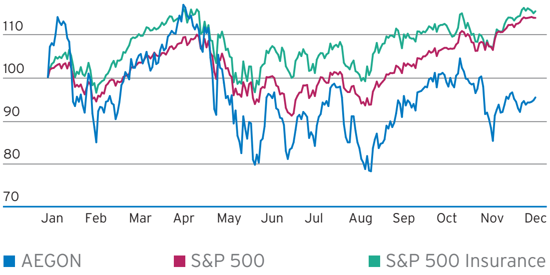
AEGON share price development versus indices

Rebased (in EUR)



AEGON share price development versus indices

Rebased (in USD)



Share price information

In EUR	2010	2009	2008	2007	2006
Price - high	5.41	6.17	11.98	16.06	15.56
Price - low	4.04	1.85	2.68	11.46	12.17
Price - year-end	4.58	4.54	4.53	12.09	14.44
Price/earnings ratio [1]	6.03	N.M. [2]	N.M. [2]	8.22	7.72

[1] 2006 -2007 based on adjusted data.
[2] Not measurable.

Share price information

In USD	2010	2009	2008	2007	2006
Price - high	7.41	9.23	17.52	21.90	18.97
Price - low	5.11	2.30	3.50	16.75	15.24
Price - year-end	6.13	6.41	6.05	17.53	18.95

FINANCIAL CALENDAR 2011

February 24

Announcement of fourth quarter 2010 results

March 31

Publication of AEGON's Annual Report, AEGON's Sustainability 2010 - Report to Stakeholders and information relating to the company's 2011 annual General Meeting of Shareholders

April 14

Record date for 2011 annual General Meeting of Shareholders

May 12

Announcement of first quarter 2011 results and 2010 Embedded Value Report

Annual General Meeting of Shareholders

June 21/22

Analyst & Investor Conference, London

August 11

Announcement of second quarter 2011 results

November 10

Announcement of third quarter 2011 results

December 6/7

Analyst & Investor Conference, New York City

David Stein

Transamerica
United States

FOCUS ON CONTINUITY

A great-grandmother and her great-granddaughter spend precious time together. People today are spending more years in retirement than ever before. We make it our business to help make possible the financial security our customers need to enjoy fully life's simpler moments. Helping customers achieve peace of mind is both AEGON's mission and our promise.

INTERVIEW WITH THE CFO

Chief Financial Officer, Jan Nooitgedagt, explains how the company's business performance is a result of its sharpened focus on its core businesses - life insurance, pensions and asset management. He also reflects on AEGON's commitment to fully repurchase all core capital securities from the Dutch State by the end of June 2011 and outlines the company's strategy up to 2015.

AEGON is today a different company from what it was a few years ago. The financial crisis accelerated key aspects of our strategy. We have sharpened our focus on our core businesses of life insurance, pensions and asset management.

How would you describe AEGON's results for 2010?
AEGON delivered a solid performance in 2010. Underlying earnings and net profit for the year were strong, at EUR 2 billion and EUR 1.8 billion respectively. Sales overall increased, demonstrated by an increase of 5% in new life sales to 2.2 billion, while gross deposits for 2010 increased significantly compared to the previous year to EUR 32.6 billion. We also achieved a reduction of 2% in operating expenses in 2010, excluding restructuring charges and currency effects. This was the result of strict expense management in our established markets while continuing to invest in our new markets.

One of your priorities during the last two years has been to improve AEGON's risk-return profile. Could you outline the steps taken so far?
Indeed, one of AEGON's keys strategic priorities continues to be to improve its risk-return profile. We have reduced our exposure to equity and credit markets and are shifting our focus from spread to fee-based business, particularly in the United States and the Netherlands. These actions make AEGON a more balanced company with an improved risk-return profile.

You have a substantial capital buffer. Could you tell us why it is so important, and outline the steps you have taken to achieve this?

As the recent financial crisis underlined, we need to maintain a substantial capital buffer to ensure that AEGON's balance sheet can withstand volatile market conditions. It is important for our customers to know that AEGON will deliver on its promises even under stressed circumstances. At the end of 2010, AEGON's excess capital was EUR 3.8 billion above AA capital adequacy requirements. This is also important because it will enable us to fund part of the repurchase of core capital from the Dutch State.

On this subject, AEGON received EUR 3 billion of capital from the Dutch State at the height of the financial crisis. Since then you have repurchased EUR 2.25 billion. Will you be able to carry out your plan to repurchase all the remaining core capital securities from the Dutch State in 2011?

We are committed to completing full repurchase by the end of June 2011. Our successful equity offering in February 2011, which we have completed via an accelerated book-build and which yielded EUR 0.9 billion, enabled us to repurchase EUR 750 million nominal value of core capital in March 2011. Repurchasing the remaining portion of core capital - using internal resources, including any divestments - is a key priority.

Europe is moving toward a new regulatory framework for insurers, Solvency II. How are you preparing for that?

Solvency II is expected to come into effect in January 2013. The European Commission's intention with the new framework is to ensure that the amount of capital an insurance company has to hold at any one time is linked directly to its risks, and to the nature of those risks. This should mean a better system for insurers, because it will reward strong risk management. Customers will benefit because the new framework will lead to a healthier industry, which holds capital for the actual risk it runs.

At present, though, there is still some uncertainty about some of the wider implications. We believe that the new framework should ensure a level playing field for European insurers, both in the European Union and internationally. We are involved in the discussions to ensure that in the end this new framework is supportive of AEGON's business ambitions.

What's your outlook for AEGON over the next few years?

AEGON is today a different company from what it was a few years ago. The financial crisis accelerated key aspects of our strategy. We have sharpened our focus on our core businesses of life insurance, pensions and asset management, we have improved our risk-return profile. At the same time, we have continued to free up capital to invest in markets where we believe we can achieve higher growth and greater returns and implemented measures to capture a broad range of operational efficiencies. We are a much better integrated company, globally and locally, and we will continue to look for more synergies.

Our longer-term aim is to deliver sustainable earnings growth with an improved risk-return profile. We have set targets covering various metrics leading up to 2015. These include specific targets for growth of underlying earnings before tax, return on equity, improved operational cash flows and an increase in fee business as a percentage of our total business. We also intend to resume dividend payments in May 2012.

Jan Nooitgedagt

Chief Financial Officer and Member of AEGON's Executive Board

AEGON WORLDWIDE

AEGON operates in more than 20 countries around the world, serving about 40 million customers. AEGON sharpened its focus on its core businesses – life insurance, pensions and asset management – and turned in a strong performance.

AEGON Direct Marketing Services (ADMS)

ADMS is present in Australia, Brazil, France, Germany, Hong Kong, India, Italy, Japan, Korea, Mexico, Singapore, Spain, Taiwan, Thailand and the United Kingdom.

Overview

During 2010, both AEGON's underlying earnings and net income improved considerably. The increases were the result of business growth, cost savings, further improvements in financial markets and strengthening of the dollar against the euro. Sales increased in most countries, while gross deposits also increased. AEGON's capital position improved during the year, with core capital of EUR 18.7 billion at year-end 2010.

Underlying earnings before tax

Underlying earnings before tax increased 66% to EUR 1.97 billion, mainly as a result of a strong recovery in the Americas. The improvement was the result of growth of the business, cost savings, higher fee income as a result of higher account balances driven by net inflows and a recovery in financial markets and the absence of reserve strengthening in the Americas.

Earnings in the Netherlands remained strong. AEGON's operations in the United Kingdom reported higher underlying earnings, while earnings from New Markets increased mainly as a result of the inclusion of AEGON Asset Management, only partly offset by higher claim experience in the non-life business in Hungary.

Net income

AEGON's net income for 2010 amounted to EUR 1.8 billion, a significant increase compared with net income of EUR 204 million in 2009. The improvement was driven by higher underlying earnings, a turnaround in fair value results, higher realized gains on investments and considerably lower impairments. These positive effects were partly offset by higher losses for the run-off businesses and tax charges, where 2009 had included tax benefits.

Results from fair value items amounted to EUR 221 million compared with a loss for the previous year of EUR 544 million. Most of the turnaround was attributable to an improvement in the fair value of guarantees net of related hedges in the Netherlands.

Impairments totaled EUR 452 million, a significant improvement in 2010 that reflected better market conditions. This was the lowest level of impairments in three years, but is still above AEGON's long-term expectations. Impairments were primarily related to US real estate related securities.

Other charges amounted to EUR 309 million and included a one-time payment for settlement of a dispute related to a bank-owned life insurance policy in the United States and restructuring charges in the United States, the United Kingdom and Hungary. The charges were partly offset by a book gain from the sale of AEGON's funeral insurance business in the Netherlands.

Income tax amounted to EUR 165 million for 2010, while 2009 had included a tax credit of EUR 658 million.

Operating expenses

Operating expenses increased 3% in 2010 to EUR 3.4 billion. The results of expense savings in AEGON's main operations in the United States, the Netherlands and the United Kingdom were more than offset by restructuring charges, project related costs (e.g. Solvency II) and investments in growth markets. At constant currency, excluding restructuring charges, operating expenses declined 2% in 2010 compared with the previous year.

Sales and deposits

AEGON's new life sales in 2010 increased 5% compared with 2009 to EUR 2.2 billion. Sales across the company showed improvements during the year. Spain was an exception, as a consequence of continued weak economic conditions that affected one of AEGON's joint venture partners.

Gross deposits – excluding run-off businesses – increased 18% to EUR 32.6 billion in 2010 as a result of continued strong growth in variable annuity, retail mutual fund and pension deposits in the United States, as well as new mandates for AEGON Asset Management. Evidence of the strategic shift from spread to fee-based businesses.

Value of new business

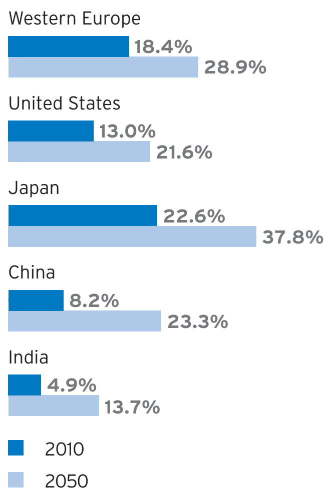
AEGON's value of new business declined 28% to EUR 555 million in 2010, mainly as a result of strategic decisions. In the United States, the value of new business was impacted by the decision to de-emphasize the sale of fixed annuities. In the United Kingdom the main reason for the decline was repricing of immediate annuities.

Revenue-generating investments

AEGON's revenue-generating investments increased 14% to EUR 413 billion during the year. The increase was due to new business growth, stronger financial markets and the positive effects of currency movements.

AEGON is setting its sight toward sustainable growth

Rising retirement populations
In % of population above 65



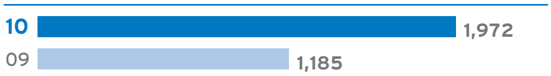
Source: United Nations World Population Prospects.

Capital position

At the end of 2010, AEGON's excess capital above AA capital adequacy requirements totaled EUR 3.8 billion. During the year, AEGON businesses generated EUR 2.7 billion of cash flows, while the company invested EUR 1.3 billion in new business and upstreamed EUR 1.3 billion to the holding company. AEGON's solvency ratio under the EU Insurance Group Directive remained strong and amounted to 198%[1] at year-end 2010.

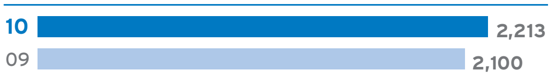
AEGON's core capital position improved considerably during the year to EUR 18.7 billion, as a result of a further increase in the value of the company's investments and the inclusion of 2010 net income. These positive effects were partly offset by the repayment of EUR 500 million to the Dutch State, as well as coupon, premium and dividend payments on AEGON securities.

Underlying earnings before tax
In EUR million



Net income
In EUR million

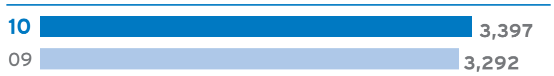
New life sales
In EUR million



Gross deposits (excluding run-off business)
In EUR billion

Revenue-generating investments
In EUR million

Operating expenses
In EUR million



Value of new business (VNB)
In EUR million

Underlying earnings geographically AEGON worldwide

In EUR million	2010	2009
Americas	1,598	817
The Netherlands	385	398
United Kingdom	72	52
New Markets	200	170
Holding and other activities	(283)	(252)
UNDERLYING EARNINGS BEFORE TAX	**1,972**	**1,185**

1 Please refer to note 46 of the consolidated financial statements.

Earnings overview AEGON worldwide

In EUR million	2010	2009	%
Life	1,048	931	13
Individual savings and retirement products	500	(10)	–
Pensions	469	395	19
Life reinsurance	79	21	–
Non-life	53	67	(21)
Distribution	10	(2)	–
Asset management	46	–	–
Holding and other	(283)	(252)	(12)
Share in underlying earnings before tax of associates	50	35	43
Underlying earnings before tax	**1,972**	**1,185**	**66**
Fair value items	221	(544)	–
Realized gains / (losses) on investments	658	518	27
Impairment charges	(452)	(1,277)	65
Other income / (charges)	(309)	(323)	4
Run-off businesses	(165)	(13)	–
Income before tax	**1,925**	**(454)**	**–**
Income tax	(165)	658	–
Net income	**1,760**	**204**	–
NET UNDERLYING EARNINGS	**1,553**	**1,005**	**55**

FOCUS ON...

Kinjal Shah, AEGON Religare

AEGON LINES OF BUSINESS

AMERICAS

Includes AEGON's business and operating units in the United States, Canada, Mexico and Brazil.

- **Life and protection**
  Products with mortality, morbidity and longevity risks, including traditional and universal life, as well as endowment, term and whole life insurance products. Accident and health business, including accidental death and dismemberment insurance, critical illness, cancer treatment, disability, income protection and long-term care insurance.
- **Individual savings and retirement products**
  Primarily fixed and variable annuity products and retail mutual funds.
- **Employer solutions and pensions**
  Includes both individual and group pensions, as well as 401 (k) plans and similar products usually sponsored by, or obtained via, an employer.

THE NETHERLANDS

- **Life and savings**
  Products with mortality, morbidity and longevity risks, including traditional and universal life, as well as endowment, term, whole life insurance products, mortgages and annuity products.
- **Pensions**
  Individual and group pensions, usually sponsored by, or obtained via, an employer.
- **Distribution**
  Includes commissions earned by AEGON's Unirobe-Meeùs distribution business.

UNITED KINGDOM

- **Life**
  Term insurance and annuity products. Accident and health care products, such as accidental death and dismemberment cover, critical illness, cancer treatment, disability, income protection and long-term care insurance.
- **Pensions**
  Both individual and group pensions, usually sponsored by, or obtained via, an employer.
- **Distribution**
  Includes commission earned by AEGON's financial advice and distributions businesses, Origen and Positive Solutions.

NEW MARKETS

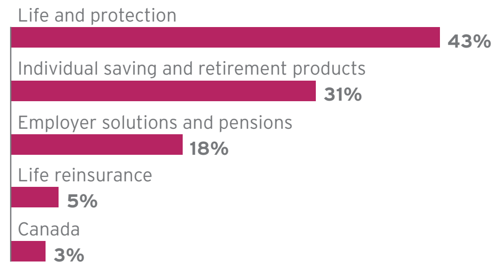
Includes all business and operating units in Central & Eastern Europe, Asia, Spain and France as well as AEGON's variable annuity activities in Europe and AEGON Asset Management.

- **Central & Eastern Europe**
  Active in six countries: Czech Republic, Hungary, Poland, Romania, Slovakia and Turkey.
  Includes life insurance, individual and group pension products, savings and investments, as well as general insurance.
- **Asia**
  Joint ventures in China, India and Japan. Products include life insurance in China and India and variable annuities in Japan.
- **Spain**
  Distribution partnerships with leading Spanish savings banks. Products include life insurance and investments.

- **Life reinsurance**
  Includes business written by AEGON's subsidiary, Transamerica Reinsurance.

2,111 million USD
Underlying earnings before tax

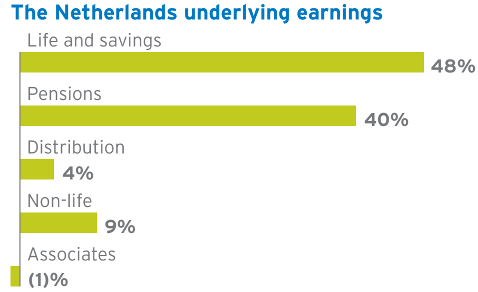
Americas underlying earnings



- **Non-life insurance**
  General insurance, including mainly automotive, liability and household insurance and fire protection.

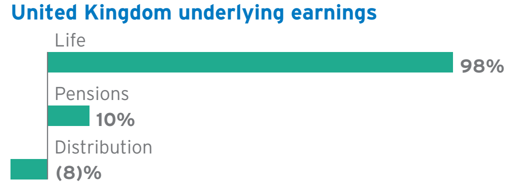
385 million EUR
Underlying earnings before tax

The Netherlands underlying earnings



61 million GBP
Underlying earnings before tax

United Kingdom underlying earnings



- **France**
  Partnership with French insurer and pension specialist AG2R La Mondiale.
- **Variable Annuities Europe**
  Variable annuities offered by AEGON operating companies in Europe.
- **AEGON Asset Management**
  Asset management products, including both equity and fixed income, covering third party clients and AEGON's own insurance companies.

200 million EUR
Underlying earnings before tax

New Markets underlying earnings

AMERICAS

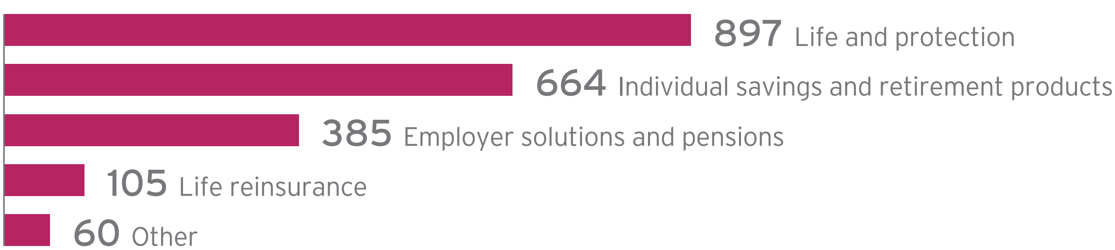
In the Americas, AEGON has taken steps to realign the organization and this new structure is delivering positive results. Refocusing distribution and consolidating administrative functions will enable the company to reduce operating expenses while continuing to grow the business.

FOCUS ON...

Susan Neff, AEGON USA

Underlying earnings by lines of business

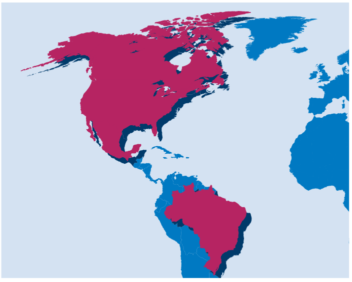
In USD million



12,958
Number of employees

2.1 billion USD
Underlying earnings before tax

320 billion USD
Revenue-generating investments



Market positions

USA
3 Term life
4 Universal life
10 Variable annuities
13 Pensions

Brazil
13 Life insurance

Canada
5 Universal life
6 Term life
6 Segregated funds

Mexico
9 Life insurance

Overview

AEGON's businesses in the Americas showed a strong increase in underlying earnings and net income mainly as a result of improved market conditions in 2010. During the year, AEGON announced that it would explore strategic options regarding its life reinsurance business, Transamerica Reinsurance. This followed the restructuring process started in 2009 and the company's announcement in 2010 that it would sharpen its focus on its core businesses. AEGON also decided to discontinue its small bank BOLI and COLI businesses in the United States and to pursue further operational and cost efficiencies by consolidating operations currently based in Louisville, Kentucky with other existing locations.

Underlying earnings before tax

Underlying earnings before tax increased 84% during the year to USD 2.1 billion. Earnings from life and protection remained stable as cost savings were offset by lower margins. Individual savings and retirement products returned to profit, mainly as a result of higher account balances driven by a recovery in financial markets and the absence of reserve strengthening. Earnings from employer solutions and pensions increased as a result of continued strong growth of the business as well as an improvement in the financial markets.

Net income

Net income from the Americas more than doubled compared with 2009 to USD 1.5 billion. This was mainly the result of higher underlying earnings and realized gains on investments, a better performance from fair value items and fewer impairments. The result was only partly offset by higher charges that were mainly related to restructuring, the settlement of a dispute related to a bank-owned life insurance policy in the United States and losses from the run-off businesses.

Operating expenses

Operating expenses declined 15% compared with 2009 to USD 2 billion, mainly as a result of significant cost reductions, lower restructuring charges, a decrease in employee benefit plan expenses and the transfer of asset management activities to AEGON Asset Management.

Sales and deposits

AEGON experienced a 4% increase in new life sales in the Americas during the course of 2010. Strong retail new life sales in the United States and Latin America were partly offset by lower life reinsurance sales.

Gross deposits – excluding run-off businesses – increased 3% to USD 27.8 billion in 2010. Continued strong growth in variable annuity, retail mutual fund and pension deposits was offset by a decline in fixed annuity deposits as sales of this product are de-emphasized.

One of AEGON's chosen markets and key growth drivers, the company's retirement businesses in the United States, experienced a record year with more than USD 8 billion of net deposits for 2010. Total net deposits, excluding the run-off businesses, declined to USD 1.6 billion during the year, mainly due to the decision to de-emphasize sales of fixed annuities and stable value solutions outflows.

Value of new business

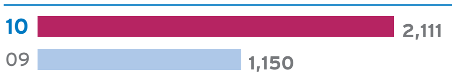
Value of new business in the Americas declined 26% to USD 304 million. The decline was due mostly to lower life reinsurance sales and lower fixed annuity deposits. The internal rate of return amounted to 13% in 2010.

Revenue-generating investments

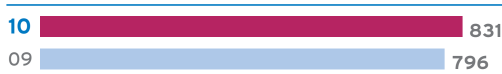
Revenue-generating investments increased 4% to USD 320 billion. This increase was the result of significant improvements in bond, credit and equity markets, partly offset by a decline in run-off assets.

In 2010, AEGON decided to discontinue the small bank BOLI and COLI businesses and to pursue further operational and cost efficiencies.

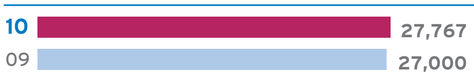
Underlying earnings before tax
In USD million



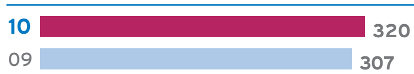
New life sales
In USD million



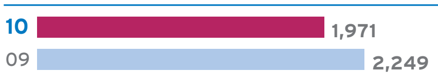
Gross deposits (excluding run-off business)
In USD million



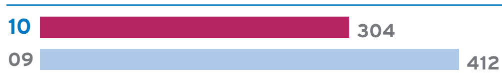
Revenue-generating investments
In USD billion



Operating expenses
In USD million



Value of new business (VNB)
In USD million



Earnings overview AEGON Americas

In USD million	2010	2009	%
Life and protection	897	903	(1)
Individual savings and retirement products	664	(30)	–
Employer solutions and pensions	385	222	73
Life reinsurance	105	29	–
Canada	54	32	69
Latin America	6	(6)	–
Underlying earnings before tax	**2,111**	**1,150**	**84**
Fair value items	(32)	(123)	74
Realized gains / (losses) on investments	502	89	–
Impairment charges	(506)	(1,337)	62
Other income / (charges)	(404)	(4)	–
Run-off businesses	(218)	(18)	–
Income before tax	**1,453**	**(243)**	**–**
Income tax	41	940	(96)
Net income	**1,494**	**697**	**114**
NET UNDERLYING EARNINGS	**1,599**	**1,017**	**57**

THE NETHERLANDS

As a result of AEGON's focus on core businesses, the funeral insurance business in the Netherlands was sold. A further reduction in expenses and investments in new capabilities will position the company for sustainable growth.

FOCUS ON...

Wolter Jan Fonk,
AEGON The Netherlands

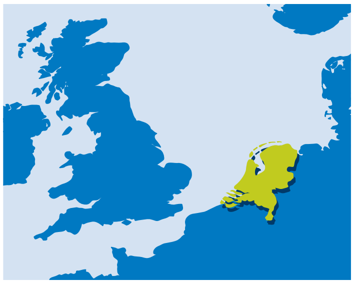
AEGON TKP UNIROBE MEEÙS GROEP

Underlying earnings by lines of business
In EUR million

5,122
Number of employees

385 million EUR
Underlying earnings before tax

73 billion EUR
Revenue-generating investments



Market positions

The Netherlands

3 Group pensions
5 Accident and health
6 Individual life
7 Property and casualty

Overview

AEGON's operation in the Netherlands reported strong underlying earnings for 2010. Net income increased considerably as a result of lower impairments and improved results from fair value items. At the beginning of the year, AEGON sold its funeral insurance activities. During the fourth quarter the company announced a reorganization of its banking activities. This is part of AEGON's strategy to focus on its core businesses, positioning the company for sustainable growth.

Underlying earnings before tax

Underlying earnings before tax declined 3% during the year to EUR 385 million as increased earnings from life and savings and non-life were more than offset by lower pensions earnings. Life and savings increased to EUR 186 million as improved margins on savings account balances were only partly offset by a loss of earnings due to the sale of the funeral insurance business. Earnings from pensions declined to EUR 153 million, mainly as a result of lower investment income. Non-life earnings increased to EUR 33 million as a result of more favorable motor and fire insurance claim levels. Earnings from distribution remained level at EUR 16 million.

Net income

Net income from AEGON's businesses in the Netherlands almost tripled to EUR 711 million. This sharp increase was the result of a significant improvement in the performance of fair value items and lower impairments, somewhat offset by fewer realized gains on investments compared with 2009.

Operating expenses

Operating expenses declined 14% during the year to EUR 748 million. The decline was due mainly to cost savings measures and the transfer of asset management activities to AEGON Asset Management.

Sales and deposits

Total new life sales in the Netherlands increased 4%. AEGON successfully utilized its leading position in the Dutch pension market to secure a number of sizeable group pension contracts during the year. Individual life sales were level at EUR 83 million as a result of continued demand for mortgage-related products and immediate annuities. This was a strong result, given that the market as a whole is declining.

Following changes in government regulations, the disability insurance market in the Netherlands is now more open to private sector insurers. As a result, AEGON accident and health premium production increased 53% to EUR 26 million for the year.

AEGON reported EUR 2.4 billion of gross deposits for 2010, a decrease of 31% compared with 2009 as a result of lower savings deposits. Net deposits turned negative for the year as a result of higher outflows from savings accounts due to lower interest rates offered on savings accounts.

Value of new business

The value of new business in 2010 declined to EUR 144 million. The positive effects of increased sales were more than offset by lower spreads in AEGON's mortgage and annuity businesses. The internal rate of return on new business amounted to 14%.

Revenue-generating investments

Revenue-generating investments increased 2% to EUR 73 billion mainly as a result of improved market conditions.

As part of AEGON's strategy to focus on its core businesses, AEGON The Netherlands sold its funeral business and announced a reorganization of its banking activities.

Underlying earnings before tax
In EUR million

New life sales
In EUR million

Gross deposits
In EUR million

Revenue-generating investments
In EUR billion

Operating expenses
In EUR million

Value of new business (VNB)
In EUR million

Earnings overview AEGON The Netherlands

In EUR million	2010	2009	%
Life and savings	186	180	3
Pensions	153	174	(12)
Non-life	33	29	14
Distribution	16	16	–
Share in underlying earnings before tax of associates	(3)	(1)	(200)
Underlying earnings before tax	**385**	**398**	**(3)**
Fair value items	361	(374)	–
Realized gains / (losses) on investments	155	351	(56)
Impairment charges	(11)	(111)	90
Other income / (charges)	38	–	–
Income before tax	**928**	**264**	**–**
Income tax	(217)	(23)	–
Net income	**711**	**241**	**195**
NET UNDERLYING EARNINGS	**292**	**298**	**(2)**

UNITED KINGDOM

In 2010, AEGON started implementing a new operating model in the United Kingdom in order to reduce costs in the life and pensions business by 25% by the end of 2011. The company is on track and focuses for future growth on the At Retirement and Workplace Savings markets, where AEGON has leading positions.

FOCUS ON...

Lon Martin, Transamerica

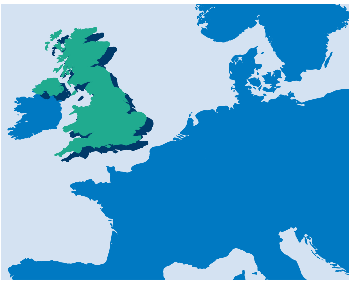
AEGON

Underlying earnings by lines of business
In GBP million

4,138
Number of employees

61 million GBP
Underlying earnings before tax

58 billion GBP
Revenue-generating investments



Market positions

United Kingdom

3 Group pensions
3 Individual pensions
6 Annuities
8 Individual protection

Overview

In the United Kingdom, underlying earnings from AEGON's businesses increased substantially in 2010. This was mainly the result of improved financial markets and business growth. Net income also improved, mainly due to a decrease in impairment charges.

AEGON is taking significant steps to improve its return on capital in the United Kingdom. The company is on track to reduce costs by 25% in its life and pensions operation by the end of 2011, and is directing more resources to the key growth At Retirement and Workplace Savings markets, where AEGON has leading positions. The company has set a target for a reduction in operating expenses of GBP 80 to GBP 85 million annually, of this, savings of GBP 33 million had already been enacted by the end of 2010.

Underlying earnings before tax

Underlying earnings from AEGON's businesses in the United Kingdom increased 30% to GBP 61 million during 2010, as a result of growth of the business and improved financial markets. Earnings from the life business increased to GBP 60 million due to growth of the annuity book in previous periods and lower expenses following the closure of the employee benefits business. However, results from pensions declined to GBP 6 million. Benefits from further business growth and improved market conditions were more than offset by the transfer of asset management activities to AEGON Asset Management, higher deferred policy acquisition costs amortization and expenses relating to AEGON's customer redress program.

AEGON began to implement a program to identify and correct historical issues within its customer policy records in May 2009. The first priority has been to deal with issues that resulted in financial detriment to customers, and to return those affected to the financial position they would have been in had the issue not occurred. The program to determine the full scope of customer redress continues. In 2010, AEGON UK received a fine of GBP 2.8 million from the FSA due to system and control failings, some of which have led to customer detriment. AEGON is on track to pay out the majority of the customer detriment by the end of 2011. 2010 results included a GBP 25 million customer redress charge (2009 GBP 38 million).

Net income

Net income amounted to GBP 72 million for 2010, a significant improvement compared with GBP 8 million the previous year. Higher underlying earnings and significantly lower impairments during the year more than offset a decline in fair value item results and lower realized gains on investments. Net income in 2010 also benefitted from tax credits, in particular a GBP 25 million positive impact from the reduction of the corporate tax rate from 28% to 27% effective April, 1, 2011, with consequential impact on deferred taxes.

Operating expenses

Operating expenses declined 6% during the year to GBP 390 million. The decline was mainly due to cost saving measures and the transfer of the asset management activities to AEGON Asset Management, partly offset by project-related costs and charges relating to the restructuring of AEGON's operations in the United Kingdom, announced in June 2010. The restructuring aims to reduce costs by 25% in the life and pensions operations by the end of 2011. Further restructuring charges are expected. As already noted, a significant proportion of the targeted reduction was enacted 2010.

Sales and deposits

Compared with the previous year, new life sales increased 1% to GBP 907 million. Higher sales of pensions and retirement products were offset by a planned decrease in sales of immediate annuities following repricing. Sales during 2009 included existing AEGON group personal pension business which was transferred internally to new group pension contracts. AEGON decided in 2010 not to include these rewrites as part of new business reporting. The company believes that the exclusion of such rewrites provides a clearer indication of new premium secured.

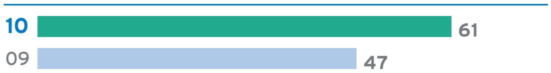
Value of new business

In 2010, the value of new business in the United Kingdom declined significantly to GBP 56 million as a result of repricing immediate annuities and the decision to adopt a more conservative investment strategy by investing in new assets in gilts, rather than corporate bonds. The internal rate of return on new business amounted to 11% in 2010.

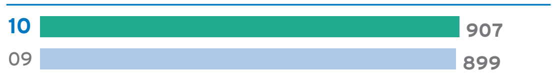
Revenue-generating investments

Revenue-generating investments increased 8% to GBP 58 billion mainly as a result of business growth and higher equity markets.

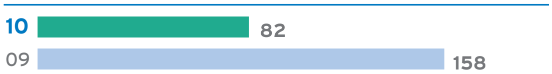
Underlying earnings before tax
In GBP million



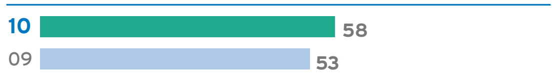
New life sales
In GBP million



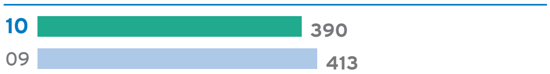
Gross deposits
In GBP million



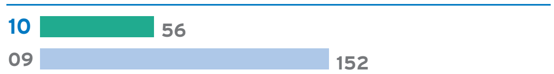
Revenue-generating investments
In GBP billion



Operating expenses
In GBP million



Value of new business (VNB)
In GBP million



Earnings overview AEGON UK

In GBP million	2010	2009	%
Life	60	38	58
Pensions	6	25	(76)
Distribution	(5)	(16)	69
Underlying earnings before tax	**61**	**47**	**30**
Fair-value items	(8)	25	–
Realized gains / (losses) on investments	12	70	(83)
Impairment charges	(30)	(163)	82
Other income / (charges)	41	59	(31)
Income before tax	**76**	**38**	**100**
Income tax attributable to policyholder return	(57)	(59)	3
Income before income tax on shareholders return	**19**	**(21)**	**–**
Income tax on shareholders return	53	29	83
Net income	**72**	**8**	**–**
NET UNDERLYING EARNINGS	**103**	**59**	**75**

NEW MARKETS

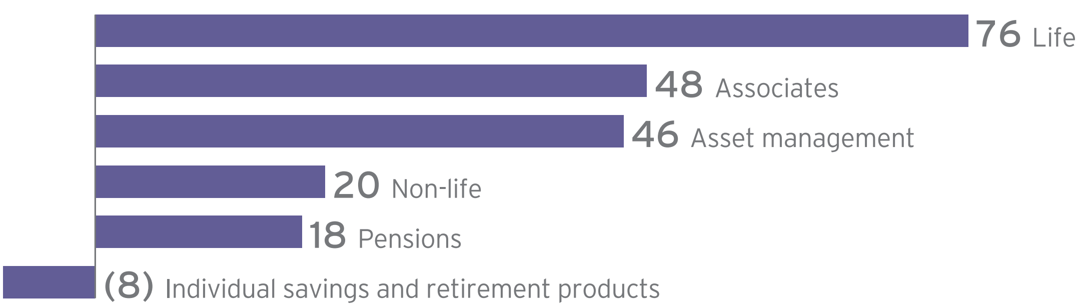
AEGON aims to grow its New Markets to higher underlying earnings before tax despite downturns in earnings in Central & Eastern Europe and losses in Asia due to investments in growth.

FOCUS ON...

Lon Martin, Transamerica

AEGON | AEGON CNOOC 海康人寿 | AEGON RELIGARE LIFE INSURANCE | AEGON Sony Life

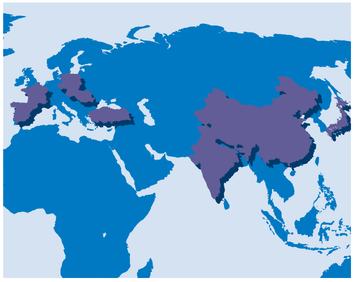
Underlying earnings by lines of business
In EUR million



4,940
Number of employees

200 million EUR
Underlying earnings before tax

34 billion EUR
Revenue-generating investments



Market positions

CEE
2 Life in Hungary
4 Non-life in Hungary
5 Unit-linked in Poland

Spain
7 Life insurance

France
10 Life insurance

China
9 Foreign-owned life insurers

Overview

AEGON's operations in New Markets reported higher underlying earnings in 2010. Higher contributions from Spain and France, Variable Annuities Europe and the first-time inclusion of AEGON Asset Management were partly offset by lower earnings from Central & Eastern Europe and higher losses from continued investments in the company's operations in Asia. Although still negative, net results from AEGON's Asian operations improved considerably compared to the previous year, which included a charge related to the sale of the company's activities in Taiwan.

Underlying earnings before tax

Underlying earnings before tax from New Markets increased 18% compared with 2009 to EUR 200 million. The increase was driven by a higher contribution from Spain and France and Variable Annuities Europe, as well as the inclusion of AEGON Asset Management, which added EUR 46 million in earnings to New Markets. Earnings from Central & Eastern Europe decreased, while in Asia losses were higher as a result of continued investments in growth of the business.

In Central & Eastern Europe, the life and pensions operations performed in-line with 2009. However, the non-life business reported lower earnings due to higher claims relating to storms and floods in Hungary. AEGON's operations in Asia recorded a loss of EUR 39 million as a result of continued investments in the company's joint ventures in China, India and Japan. Earnings from Spain and France increased due to a higher contribution from La Mondiale Participations, AEGON's associate in France.

Variable Annuities Europe turned to profit during the year and contributed EUR 11 million as a result of continued growth of the business.

In 2010, asset management and administration fees were reduced, due to new pension legislation in Hungary. Assets have been transferred to the Hungarian State during the first quarter of 2011. In Poland, the government has announced plans to reduce contributions to private pension funds. AEGON expects these measures to have an impact on underlying earnings of approximately EUR 25 million in 2011.

Net income

In 2010, New Markets turned a net profit of EUR 91 million. A loss was reported in 2009 due to a one-off charge related to the sale of the company's life insurance activities in Taiwan. Net income in 2010 included charges related to the Hungarian pension legislation changes of EUR 23 million and EUR 19 million related to bank tax in Hungary.

Operating expenses

Operating expenses increased to EUR 562 million for 2010, as compared to EUR 227 million in 2009. The increase was mainly due to the inclusion of AEGON Asset Management and restructuring charges.

Sales and deposits

New life sales during 2010 declined 4% compared with the previous year to EUR 275 million. Growth in Central & Eastern Europe - and to a lesser extent Asia - was more than offset by a decline in Spain. Strong single-premium production in the bank channel in Poland, continued growth in Hungary and a successful shift from pensions to life insurance in Turkey contributed to the 26% growth in new life sales in Central & Eastern Europe. Sales in Asia increased 6% as a result of growth in both China and India, while the decrease in Spain was mainly due to lower sales from AEGON's partnership with CAM.

Gross deposits rose to EUR 9.1 billion, mainly as a result of strong growth in AEGON Asset Management. The main reason for the 2010 net deposits of EUR 3.9 billion was new asset management mandates, but all units contributed and experienced net inflows.

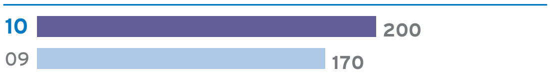
Value of new business

The value of new business for New Markets decreased 3% to EUR 116 million as compared to the previous year. Growth in Variable Annuities Europe and Central & Eastern Europe was largely offset by the decline in Spain, which was driven mainly by lower sales. The internal rate of return on new business remained high at 34%.

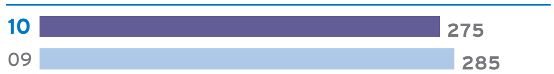
Revenue-generating investments

Revenue-generating investments increased 100% during the year to EUR 34 billion at December 31, 2010, mainly as a result of the inclusion of AEGON Asset Management.

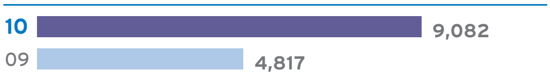
Underlying earnings before tax
In EUR million



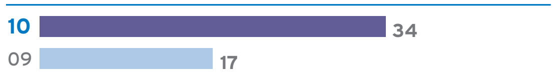
New life sales
In EUR million



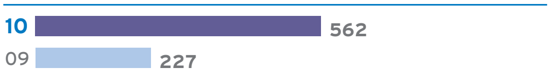
Gross deposits
In EUR million



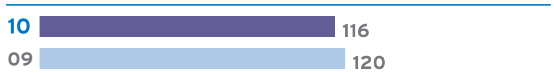
Revenue-generating investments
In EUR billion



Operating expenses
In EUR million



Value of new business (VNB)
in EUR million



Underlying earnings geographically New Markets

In EUR million	2010	2009	%
Central & Eastern Europe	95	117	(19)
Asia	(39)	(14)	(179)
Spain & France	87	71	23
Variable Annuities Europe	11	(4)	–
AEGON Asset Management	46	–	–
UNDERLYING EARNINGS BEFORE TAX	**200**	**170**	**18**

AEGON MILESTONES OF 2010

JANUARY

Transamerica Insurance & Investment Group announces the **launch of TransSecurity**, a concept specifically designed to help financial advisors address the concerns of clients with current financial needs, while ensuring that future generations also benefit.

AEGON Religare introduces iTerm Plan, the **most affordable insurance available in India** and also the only one designed exclusively for online distribution.

FEBRUARY

AEGON shares **delisted from the Tokyo Stock Exchange** because the volume of shares traded did not justify the related expense. AEGON continues to be listed on Euronext Amsterdam, the New York Stock Exchange and the London Stock Exchange.

MARCH

TRANSAMERICA® and LIVESTRONG® announce New Transamerica LIVESTRONG SurvivorPlan policies offering **vital insurance protection for cancer patients** with access to exceptional resources from the Lance Armstrong Foundation.

AEGON Spain launches its **savings product family CuenTAEgon**, including a version for children called CuenTAEgon Junior. The product offers convenience, flexibility, security and tax benefits.

APRIL

AEGON **sells its Dutch funeral insurance business** to Dutch investment firm Egeria for EUR 212 million. The sale was part of an ongoing review of AEGON's businesses around the world.

AEGON-CNOOC launches its **single premium universal life (UL) plan**. The product is designed for people who focus on both protection and asset accumulation with minimum guaranteed return and provides additional accidental medical protection.

JUNE

CEO Alex Wynaendts provides a **strategic update to the market**, which includes steps to sharpen AEGON's focus on its three core activities: life insurance, pensions and asset management. Consistent with this strategy, he announces that the company is taking further steps to allocate capital to businesses and markets that offer higher growth and returns over the long term.

AEGON announces **restructuring and re-focus of its businesses in the United Kingdom** and its decision to **explore all strategic options for the company's life reinsurance business, Transamerica Re**, which include finding a suitable buyer for the business.

JULY

Sarah Russell appointed **CEO of Global Asset Management**, effective August 1, 2010. Ms. Russell will lead AEGON Asset Management into a new period of development and growth, in line with the company's ambitions.

Carla Mahieu appointed **global Head of Human Resources**, effective September 1, 2010. Ms. Mahieu will support AEGON's efforts to attract, develop and retain the best talent in the international insurance, pension and asset management industry.

AEGON Religare Life Insurance announces the launch of its **fixed-benefit health insurance plan, AEGON Religare Health Plan**. This plan offers customers a number of unmatched benefits, including coverage of all surgeries.

AEGON-CNOOC launches its **PAR Endowment with living benefit**. The product is designed for customers who need long-term saving for a well-planned retirement combined with life insurance.

AUGUST

The European Commission **approves the capital support obtained from the Dutch State through Vereniging AEGON** at the height of the financial crisis in 2008. Alongside the company's long-term strategy, it is a key priority for AEGON to repurchase the capital. In line with this, AEGON **repurchases a further EUR 500** million.

SEPTEMBER

AEGON appoints Executive Vice President Marc van Weede as **global Head of Sustainability**, effective October 1, 2010. The appointment of Mr. Van Weede extends AEGON's more integrated approach to managing its operations around the world.

Mongeral AEGON is the first insurance company in Brazil to introduce products for high net worth clients when it launches its **family of Private Solutions products**.

NOVEMBER

AEGON UK announces **significant enhancements** to its flagship unit-linked guarantee product, **AEGON Secure Lifetime Income** (ASLI). The enhancements offer improved benefits for customers and complement AEGON's focus on the At Retirement market in the United Kingdom.

Transamerica Retirement Services announces a unique service, **Total Plan Management, a new systematic plan management program** to help financial advisors, third party administrators and plan sponsors better administer employer-sponsored retirement plans.

AEGON Spain launches **PPA Evolution, a product designed for a generation that is starting to save regularly**.

DECEMBER

AEGON announces **restructuring of some of its United States operations**, as part of its plans to pursue further operational and cost efficiencies by consolidating its operations there. It also announces that it will wind down its executive non-qualified benefit plans and related Bank-Owned and Corporate-Owned Life Insurance (BOLI/COLI) business.

AEGON announces **a new organizational structure for its operations in Asia**. Under the new structure all Asian based insurance businesses will be managed as one regional division headquartered in Hong Kong and led by new CEO, Douglas Henck. The integration will be carried out during 2011.

AEGON announces **a new product, AEGON Settlement Package Saving** in the Netherlands. The product is a savings account in which the settlement amount can later be used to complement income or pension payments.

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 effectively and efficiently.

Definition and tolerances

For AEGON, risk management involves:

- Understanding which risks the company is able to underwrite.
- Establishing a firm framework through which the risk-return trade-off associated with these risks can be assessed.
- Establishing risk tolerances and supporting policies limiting the level of exposure to a particular risk or combination of risks.
- Measuring and monitoring risk exposures and actively maintaining oversight over 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.

Objectives of risk management

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 a number of basic objectives for its risk management strategy:

- **Financial strength:** Ensure AEGON meets long-term obligations to policyholders. AEGON uses three measures to determine its approach to financial strength:
  - the company's internal Excess Capital Requirement;
  - the European Union's Insurance Group Directive capital ratio;
  - and an internal view, based on the company's economic requirements.
- **Continuity:** Ensure a high likelihood that AEGON will meet policyholder obligations, even under plausible extreme events.
- **Culture:** Encourage a strong risk culture by stressing the company's low tolerance for operational risk. This will help improve operational excellence and ensure the company treats its customers and other stakeholders fairly.
- **Risk balance:** Manage the concentration of risk and encourage risk diversification within AEGON.

Types of risk

As an international provider of life insurance, pensions and asset management 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 or mortality 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 2010 [1]

The effects of the global crisis that began in 2008 continued to be felt throughout 2010. Equity markets increased but remained volatile. Interest rates, already at historic lows, declined during the year, improving in the fourth quarter but ending at levels lower than the end of the previous year. After initially narrowing during the first part of the year, credit spreads later widened, reverting to levels seen at the start of 2010. General economic and business conditions remained difficult. During the year, AEGON carried out regular sensitivity analyses to determine the impact of different economic and business scenarios, particularly on the company's

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 in the consolidated financial statements, note 4. Further information on sensitivity analyses may also be found on these pages.

Risk overview 2010

Credit risk	After initially narrowing during the first part of the year, credit spreads later widened, reverting to levels seen at the start of 2010. Defaults and downgrades improved. During the year, AEGON took a number of specific steps to reduce its exposure to credit risk: ■ Restructuring of AEGON US's investment portfolio and a reduction in high yield bonds. ■ Reduction in exposure in the Netherlands through the sale of high yield investments, Dutch residential mortgage-backed and other asset backed securities, as well as a further reduction in exposure to lower-rated European countries. ■ In the United Kingdom, increased investment in lower-risk long-term UK government bonds.
Equity market risk and other investment risks	Equity markets were volatile throughout the year. During 2010, AEGON further extended its program of hedging equity risk at its US and Dutch operations to protect the company against a possible deterioration in equity markets.
Interest rate risk	Interest rates continued to decline for most of 2010 from already low levels. Falling rates particularly impacted investment income and margins on financial guarantees included in certain policies. AEGON took several de-risking initiatives to reduce exposure to movements in interest rates. In the United States, a number of interest rate sensitive products were repriced and product features adjusted to decrease interest rate risk. Fixed annuity sales in the United States, meanwhile, were de-emphasized. In addition, in the United Kingdom, steps were taken to direct investments to lower risk long-dated UK government bonds.
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 capital and liquidity 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 2010, AEGON further increased its holdings of cash and highly liquid assets as a precaution against liquidity risk. AEGON's liquidity management strategy ensures the company will not be a forced seller of assets even in a severe stress scenario. Stress tests show that available liquidity would more than match the company's liquidity requirements for at least the next two years, even if market conditions were to significantly deteriorate from current conditions.
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 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, acts from personnel 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.

earnings and capital position. These plans also cover extreme event scenarios, such as the possibility of pandemics in one or more of the company's main markets.

During 2010, AEGON took a series of measures to limit the company's exposure to major financial risks (see page 45).

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 reporting 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 triggers immediate remedial action or heightened monitoring. Further risk policies may be developed at a local level to cover situations specific to particular regions or operating units.
AEGON's risk management governance structure has three basic layers:

- The Supervisory Board (and the Supervisory Board Risk Committee).
- The Executive Board (and the Executive Board Risk Committee).
- Risk and Capital Committees (RCCs) present at group level, regional level and in AEGON's operating units.

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 company-wide risk policies.

In 2010, AEGON established the Executive Board Risk Committee with responsibility for ensuring proper execution of the risk governance framework, as well as monitoring compliance with the risk tolerance and company-wide risk policies. The Executive Board Risk Committee has three members: the Chief Executive Officer, the Chief Financial Officer and the Chief Risk Officer. This Committee reports regularly significant risks to and discusses risk strategy with the Risk Committee of the Supervisory Board, which is responsible for overseeing AEGON's enterprise risk management, including risk governance and measures taken to ensure risk management is integrated properly into the company's broader strategy. The Risk Committee of the Supervisory Board also supervises overall risk exposure in light of management's risk tolerance, the company-wide risk policies and AEGON's overall solvency position. This 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 can be found on page 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, liquidity or operations of the company.
The Chief Risk Officer also has an individual responsibility in this regard and has direct access to the Chairman of the Supervisory Board Risk Committee.

Risk and Capital Committees

The Executive Board Risk Committee (EBRC) also supervises the work of AEGON's Group Risk & Capital

Committee (GRCC). The GRCC is responsible for managing AEGON's overall balance sheet position, while ensuring that risk-taking is within overall tolerance levels and risk policies, and that the company's capital position is sufficient to support both the company's business objectives and capital requirements. The Management Board oversees the activities of the GRCC.

The GRCC is comprised of the company's Chief Financial Officer (Chairman), the Head of the Corporate Financial Center, the Chief Investment Officer for AEGON's general account, CFOs from the Americas, the Netherlands and the United Kingdom and the Chief Risk Officer. The Chief Risk Officer has the additional authority to defer decisions that can have a significant impact on the company's solvency, liquidity or operations to the Executive Board Risk Committee.

Risk and capital Committees (RCCs) have also been established at each of AEGON's regions and operating units. 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 tailored to local circumstances. AEGON's regional and operating unit Chief Risk Officers (CROs) have the additional authority to defer decisions that can have a significant impact on the region's or operating unit's solvency, liquidity or operations to the Board of the region or operating unit and AEGON's Chief Risk Officer.

Group Risk

Group Risk is responsible for developing and keeping oversight of compliance with the risk governance framework, risk methodology, risk tolerances and risk policies. This involves identifying risk, particularly operational and emerging risk, as well as reviewing risk assessments carried out by operating units.

Group Risk also identifies best risk management practices, facilitates implementation thereof and helps ensure there is consistency in the 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 fully integrated. Operating unit CROs have a direct reporting line into AEGON's Chief Risk Officer or one of the regional CROs that report directly into AEGON's Chief Risk Officer. Regions include the Americas, Central & Eastern Europe and Asia.

Lines of defense

AEGON's risk management structure includes the establishment of three "lines of defense" to ensure conscious risk-return decisions and limit the magnitude of potential losses within defined levels of certainty. The objective of this structure is to avoid surprises, either due to unidentified risks materializing or losses that exceed pre-defined risk tolerance levels and related limit structures.

The company's first line of defense has direct responsibility for managing and taking risk in accordance with defined risk tolerances and risk policies, i.e. business and support functions. The second line of defense facilitates and oversees the effectiveness and integrity of enterprise risk management across the company, i.e. risk functions and committees. Finally, the third line of defense provides independent assurance and challenge regarding the effectiveness and integrity of enterprise risk management across the company, i.e. audit functions and committees.

CAPITAL AND LIQUIDITY MANAGEMENT

AEGON aims to secure 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.

Guiding principles

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

- Ensure AEGON's business and operating units have strong capital adequacy.
- Manage and allocate capital as efficiently as possible, maximizing returns and supporting the company's overall objective of sustainable, profitable growth.
- Maintain overall capital strength and an efficient capital structure through management of the company's capital base and leverage.
- Ensure sufficient liquidity to meet obligations at a reasonable cost to the company.
- Ensure AEGON's continued access to international money and capital markets on competitive terms and thereby reduce the company's overall cost of capital.

Taken together, AEGON believes these guiding principles strengthen the company's ability to withstand adverse market conditions, enhance its financial flexibility and serve the long-term interests of both the company and its stakeholders.

Governance

Since October 2009, AEGON has been subject to group supervision by the Dutch Central Bank in accordance with the requirements of the European Union's Financial Conglomerate Directive. AEGON's Corporate Treasury manages and coordinates capital and liquidity management strategies and processes. The department acts under the authority of the Group Risk & Capital Committee (for further details on this Committee, please see pages 46 to 47).

Capital management

Strategic importance

AEGON's approach to capital management plays a vital role in the company's broader strategy, which is based in part on ensuring more capital is directed toward those markets that offer strong growth prospects and higher returns. In recent years, AEGON has released a significant amount of capital from its existing businesses through a combination of risk reduction, greater capital efficiency and a more active capital management strategy. Given current uncertain economic and market conditions, AEGON intends to retain an adequate capital buffer for the foreseeable future. For an overview of AEGON's strategy, please see pages 9 to 15.

Core capital from the Dutch State

In December 2008, AEGON secured EUR 3 billion in core capital from the Dutch State through the issuance of convertible core capital securities. The core capital was part of a broader program of support for banks and insurance companies in the Netherlands during the recent financial crisis (see the Strategy section of this report on pages 14 to 15 for more detail).

Releasing capital

In the thirty months from June 2008 to December 2010, AEGON released a total of EUR 6.7 billion in capital from its businesses, well above the company's initial target of EUR 4 to EUR 5 billion. In combination with other measures (see the Strategy section of this report on pages 9 to 15), this capital release program ensured AEGON could withstand the sharp deterioration in economic and market conditions during the global financial crisis.

Improving risk-return profile

AEGON has taken measures to improve its risk-return profile and lessen its exposure to world financial markets. These measures, in turn, have had the effect of lowering the company's overall capital requirements.

In addition, AEGON has taken decisions in recent years that have led to an improved risk-return profile, including the sale of the company's life insurance activities in Taiwan and the run-off of AEGON's spread-based institutional business in the United States. Since mid-2008, risk reduction measures have accounted for approximately 40% of AEGON's efforts at preserving and releasing capital.

Measures taken during 2010 included lowering the company's exposure to equity markets by increased hedging of variable annuity back books in the United States.

Reallocating capital

AEGON's aim over the next few years is to reallocate capital toward markets offering strong growth and higher returns. This includes markets in Latin America, Asia, Spain and Central & Eastern Europe, as well as specific, high-growth segments in the company's more established markets – the United States, the Netherlands and the United Kingdom. To achieve this goal, AEGON has put a number of measures in place over the past year:

- Discontinuation of sales of executive non-qualified benefit plans and associated Bank-Owned and Corporate-Owned Life Insurance (BOLI-COLI) in the United States.
- In the United States, AEGON is also shifting its focus from spread-based to fee-based products, expanding its pension business, running off its spread-based institutional business, as well as de-emphasizing fixed annuities.
- AEGON has, in the meantime, continued to invest in growth markets in Asia, Latin America and Central & Eastern Europe.

Capital requirements and leverage

AEGON's goal is to ensure that all units maintain a strong financial position, now and into the future, and are able to sustain losses from adverse business and market conditions. The company's overall capital management depends on the following factors:

- Capital adequacy
- Capital quality
- Capital leverage

Capital adequacy

Capital adequacy is managed at company-wide, country and operating unit levels, as well as at the level of individual legal entities within the organization. As a matter of policy, AEGON maintains operating companies' capital adequacy at whichever is higher of the following:

- Regulatory requirements.
- Relevant requirements for AA capital adequacy.
- Any additionally self-imposed internal requirements.

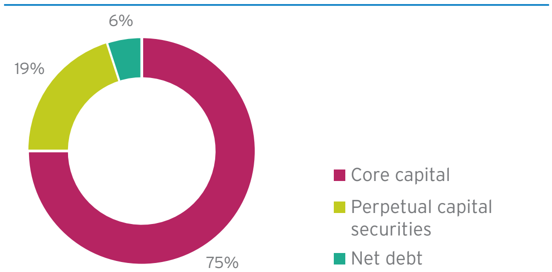
In 2010, AEGON's capital position remained strong. At the end of the year, AEGON had an excess over and above its capital adequacy requirements of EUR 3.8 billion, an improvement from EUR 3.7 billion twelve months earlier. AEGON's Insurance Group Directive ratio – a common measure of capital adequacy in the European Union – was 198%, down from 204% at the end of 2009. This was mainly due to an increase in capital requirements in the Americas. AEGON's capital position in 2010 was strengthened by increased earnings from the company's operating units. Over the past year, these units have generated a total of EUR 1.4 billion in cash flow to the group. Excess capital increased despite a revision to Standard & Poor's risk factors, which led to a rise in capital requirements in 2010. As a result, capital adequacy requirements in the Americas rose by an estimated USD 1.8 billion during the year.

Capital quality and leverage

AEGON's capital base consists of the following components:

- Core capital, which comprises shareholders' equity (excluding the revaluation reserve), and convertible core capital securities issued in December 2008.
- Perpetual capital securities (including currency revaluations).
- Dated subordinated and senior debt.

AEGON's capital base 2010
In %



AEGON places limits on the amount of non-core capital in its overall capital base. Currently, the company's aim is to ensure that core capital comprises at least 70% of the capital base, and that perpetual capital securities and dated subordinated and senior debt account for no more than 25% and 5% respectively. At the end of 2010, AEGON's capital base consisted of 75% core capital and 19% perpetual capital securities. Dated subordinated and

Solvency II

In Europe, new rules covering the insurance industry have been proposed and are currently being debated. The Solvency II frameworks will replace and enhance the Solvency I framework, the currently applicable EU rules on capital for insurers. Solvency II is expected to come into force on January 1, 2013.

In broad terms, Solvency II will apply to insurance and reinsurance companies in Europe and to groups with European insurance and/or reinsurance businesses and will redefine the rules under which insurers calculate their capital. The amount of capital an insurance company will be required to hold under the rules of the Solvency II framework will be determined in a more risk-sensitive way, and more by the type of business it writes and the way it manages its risks than under the current rules.

In addition to a risk-based approach, the proposed framework for Solvency II is intended to create a more harmonized European framework of prudential regulation of insurers and reinsurers. The main aims of Solvency II include:

- The introduction of more sophisticated, comprehensive and risk-sensitive solvency requirements, enabling a better coverage of the risks run by a particular insurer.
- Improved transparency through more extensive disclosure of information (among other measures), thus providing rating agencies, policyholders, brokers, and investors a better understanding of how individual insurance companies are run, the risks they take and how they allocate their capital; the aim is to allow market discipline to help ensure the soundness and stability of insurers.
- A uniform and enhanced level of policyholder protection; the Solvency II framework should, reduce the chance of any particular insurer failing.
- Efficient allocation of capital across the industry, resulting in reduced costs for consumers.
- Increased competition between insurance companies, leading to improved product development and pricing.

AEGON has been managing its business using economic value metrics for a number of years, in addition to using more traditional measures such as embedded value and IFRS earnings. AEGON is working hard with European regulators and supervisors to see that Solvency II is implemented in a way that will ensure the company's ability to remain competitive. A significant amount of AEGON's business is located in the United States, where the company competes against US domestic companies that are not subject to Solvency II requirements. AEGON is coordinating its efforts with key European decision makers across the industry to ensure the best outcome for its businesses.

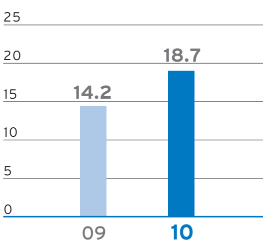
To support the introduction of Solvency II, AEGON has put in place a global project team tasked with implementing the framework across its businesses. The project team includes a range of disciplines, including Finance, Risk Management and Actuarial. The team is presently setting the direction, methodology and strategy for the company's implementation of Solvency II. It also supports teams in each of the strategic business units that are working on the company's implementation of Solvency II.

senior debt accounted for the remaining 6%. AEGON's goal is to further improve the quality of its capital base by increasing the proportion of core capital to at least 75% by the end of 2012.

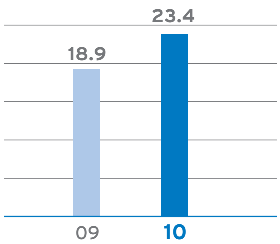
Group equity comprises core capital (including the revaluation reserves), and other equity securities. These include perpetual cumulative capital securities and junior perpetual capital securities, as well as other equity reserves. At the end of 2010, these equity securities totaled EUR 4.7 billion.

Core capital

In EUR billion



Group equity



Ratings

Throughout the recent financial crisis, AEGON's aim has been to maintain excess capital over and above the amount required to maintain an AA financial strength rating. This remains the company's objective, and plays an important role in determining overall capital management strategy. In 2010, AEGON maintained strong financial strength ratings from leading international rating agencies for its operating subsidiaries and a strong credit rating for the holding.

Most important ratings (December 31, 2010)

Agency	AEGON N.V.	AEGON USA
Standard &Poor's	A- Outlook: negative	AA- Outlook: negative
Moody's	A3 Outlook: negative	A1 Outlook: negative
Fitch	A- Outlook: Stable	AA- Outlook: Stable

Liquidity management

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

Sources and uses of liquidity

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 and accessing capital and money markets. Liquidity is coordinated centrally and managed both at AEGON N.V. and at country unit levels. AEGON's liquidity position remained strong throughout 2010.

FOCUS ON...

Andrea Baker-Njenga, Transamerica

Stress tests

Liquidity is measured and stress-tested consistently across the company, and a liquidity stress management plan is maintained at Corporate Treasury 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].

AEGON's liquidity position in 2010

At the end of 2010, AEGON N.V. held EUR 1.7 billion in excess capital compared with EUR 1.4 billion last year. This was invested in highly liquid money market assets.

AEGON's excess liquidity is invested in highly liquid, short-term assets in accordance with the company's internal risk management policies. AEGON believes its working capital, backed by its external funding programs and facilities, is ample for the company's present requirements.

Debt funding and back-up facilities

Most of AEGON's debt is issued by AEGON N.V., the parent company. A limited number of other AEGON companies may also issue debt securities, but for the most part these securities are guaranteed by AEGON N.V. AEGON N.V. has regular access to international capital markets under a USD 6 billion debt issuance program. Access to US markets is made possible by a separate US shelf registration.

AEGON also has access to domestic and international money markets through its USD 4.5 billion commercial paper programs. At the end of 2010, AEGON had EUR 701 million outstanding under these programs.

AEGON maintains back-up credit facilities with international lenders to support outstanding amounts under these commercial paper programs. The company's principal arrangement is a USD 5 billion syndicated facility consisting of a USD 3 billion back-up credit facility which matures in 2012 and a USD 2 billion revolving letter of credit facility of which USD 1.5 billion matures in 2015 and USD 0.5 billion matures in 2017. In addition, AEGON also maintains USD 425 million of shorter-dated bilateral back-up facilities. AEGON N.V. has not drawn any amounts under any of its liquidity back-up facilities.

Operational leverage

Though operational leverage is not considered part of AEGON's 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. Despite volatile market conditions, AEGON issued the following residential mortgage-backed securities during 2010:

July 2010	AEGON completed the sale of EUR 1.02 billion in residential mortgage backed securities to institutional investors.
September 2010	AEGON completed the sale of a further EUR 842 million in residential mortgage-backed securities to institutional investors.

These securities were issued under the Dutch SAECURE program and managed by AEGON Levensverzekering N.V., the company's life insurance unit in the Netherlands.

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.

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, reputation or operations of the company.

The risk management function develops and monitors compliance with 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 risk management best 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 company'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 2010.
- There are no indications to suggest that AEGON's risk management and control systems will not continue to function properly in 2011.

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 23, 2011

The Executive Board of AEGON N.V.

Jan Zegers

AEGON The Netherlands
The Netherlands

FOCUS ON DIRECTION

Tug of war was once encouraged by royal rulers in Egypt and China. As any parent knows, it is also a game that is played between every generation of parents and their children. Which way to go? We make it our business to provide the financial security for whatever life's many choices bring.

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 the company's stakeholders. The Supervisory Board is a separate corporate body, independent of the Executive Board. The Supervisory Board currently consists of ten members (for further details on the individual members of AEGON's Supervisory Board, please see pages 61 to 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 and a summary of the company's compliance with the Dutch Corporate Governance Code may be found on pages 74 to 75 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. Until AEGON has repurchased 3/4 of the core capital securities, approval from these representatives is required for certain decisions[1], 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 2010, the Supervisory Board held a total of seven regular meetings and several additional conference call meetings. No members of the Supervisory Board were frequently absent from these meetings. All regular meetings were either preceded or followed by closed meetings not attended by members of the Executive or Management Board.

In accordance with AEGON's Supervisory Board Rules, all regular meetings in 2010 were preceded by preparatory meetings, attended by the Chairman, the Vice Chairman of the Supervisory Board and, from time to time, the Chairman of the Audit Committee, 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 2010. Other company executives also attended the meetings at the request of the Supervisory Board to update it on various subjects. Representatives from Ernst & Young, AEGON's external auditor, attended the discussions on the company's results.

In 2010, discussions within AEGON's Supervisory Board focused on the following issues, among others:

- Strategy and Group Plan, including the strategic priorities
- Budget and Capital Plan 2011
- Quarterly results
- European Commission approval process of the capital agreement with the Dutch State
- Finance and accounting
- Risk management

1 With the repurchase completed in March 2011, 3/4 of the core capital securities has now been repurchased by AEGON.

- Capital position and Solvency II
- Executive remuneration
- Divestments and restructuring of businesses
- Governance and sustainability issues
- Legal and compliance issues

Highlights

During the year 2010, one of the key priorities for the company was to obtain approval from the European Commission for the core capital received from the Dutch State in 2008. Management and the Board frequently discussed developments with regard to this issue. The process required to obtain clearance proved extensive, and was concluded in August. The Board agreed with management to repay EUR 500 million in August 2010 and agreed to repurchased the remainder of the core capital by the end of June 2011, market conditions permitting. Full repayment of the core capital received from the Dutch state remains a priority of the company.

The Board and management extensively discussed AEGON's strategy, among other matters, at the annual two-day strategy retreat in Edinburgh, Scotland. During the two-day meeting the Board considered the changing environment for insurance companies, as well as changing customer needs and distribution methods.

The Board also had an extensive discussion with local management in the United Kingdom, who presented their views on the situation of AEGON UK and their plans to improve the company's operations.

During this meeting, management presented three strategic priorities, which they had identified as crucial to achieving AEGON's ambition. During 2010, the Board also discussed management's actions and plans to optimize ONE AEGON. In December, the Board reviewed and approved the budget for 2011. The Board approved the 2011 Capital Plan and authorized the Executive Board to provide for AEGON's funding needs as budgeted.

The introduction of new capital requirements under Solvency II (discussed in the Capital and Liquidity section of this Annual Report on page 50) was a regular item on the agenda of meetings of the Board. AEGON's CFO presented updates on relevant regulatory and political developments and on AEGON's preparations for Solvency II. The Board scheduled extra meetings with management, including the senior manager charged with AEGON's Solvency II project, to discuss the implications for the company's business and products.

Members of the Management Board provided a business update of their country or unit at each quarterly Board meeting. During 2010, the Board met with senior managers from operations around the world: the United Kingdom, China, India and Brazil and AEGON Asset Management. The newly appointed heads of Global HR and Global Sustainability also presented their plans to the Supervisory Board during the course of the year. The Board discussed various restructurings and cost saving initiatives in the light of the strategic priority to optimize AEGON's portfolio. The Board supported management's decision to explore strategic options for, among others, the company's life reinsurance activities. The Board and management also discussed the consolidation of the savings banks in Spain and AEGON's position as joint venture partner with some of the Cajas involved.

On February 24, 2010, the Supervisory Board convened to discuss the results of the fourth quarter of 2009, which were released on the next day. In March 2010, the Supervisory Board discussed AEGON's audited annual results for 2009. The Board also reviewed and approved the company's annual accounts for 2009 and decided to pay a dividend of 4.25% on the outstanding preferred shares. At meetings in May, August and November, the Supervisory Board reviewed AEGON's first, second and third quarter results, as well as disclosures on Value of New Business. At the August meeting, the Supervisory Board confirmed that no interim dividend will be declared, in line with the agreement with the European Commission not to pay a dividend until the core capital securities obtained from the Dutch State are fully repurchased. Developments concerning AEGON's investment portfolio and impairment levels were also regularly addressed.
As in previous years, AEGON's capital position was a key point of focus for the Supervisory Board and its Risk Committee. In 2010, the company's capital position continued to be strong, with excess capital at EUR 3.8 billion at December 31, 2010. The Board discussed AEGON's approach towards sustainability in general throughout the year. It also discussed specific issues relevant to AEGON's businesses and its stakeholders - for example, customer complaints and employee engagement.

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

As in 2009, the Chairman of AEGON's Supervisory Board, Rob Routs and two members of the Supervisory Board met with the Director of the Dutch Central Bank to discuss the company's capital position and strategy.

Appointments to the Supervisory and Executive Boards

In February, the Supervisory Board agreed that shareholders would be asked to approve the reappointment of Mr. K.J. Storm for a new term of four years as a member of the Supervisory Board. There were no new appointments of members of the Executive Board. This proposal was accepted by shareholders at their annual General Meeting in April 2010.

Legal and compliance

The Board was regularly updated on operational issues that had surfaced in the company's administration of policies in the United Kingdom. It noted that AEGON UK took the initiative to notify its regulatory authority and implement a program to deal with the issues. As part of the program, AEGON UK identified impacted customers and took steps to return those customers to the financial position they would have been in had the issue not occured. It also noted that AEGON UK has since put in place more stringent controls to prevent similar issues occurring in the future.

During 2010, the Supervisory Board and the Audit Committee discussed various issues of compliance, regulatory and legal issues in Europe, the United States and Asia.

Educational session and Board review

In November, the Board extensively discussed the potential implications of Solvency II for AEGON's business and products during its annual educational session. The Supervisory Board carried out an extensive board evaluation review during the second half of 2010 on the basis of written questionnaires and interviews. The review assessed the performance of individual members, as well as the collective performance of the Board and its Committees. The review of the Chairman was carried out by the Vice Chairman, who collected input from all other Supervisory Board members. The results were consolidated and discussed in a meeting in the absence of management. This year's assessment did not involve any external consultant. There were no major findings. The Board discussed the composition and the size of the Board and compiled an inventory of the topics Board members wanted to put on the agenda for 2011.

The Board assessed the performance of members of the Executive Board during the same meeting.

Supervisory Board Committees

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

The Audit Committee

The Audit Committee held seven meetings in 2010, one of which was a combined meeting with the Supervisory Board's Risk Committee. The meetings were attended by AEGON's Chief Financial Officer, the head of the Corporate Financial Center and the internal auditor. Representatives from Ernst & Young, AEGON's external auditor, also attended most of these meetings. Officials from AEGON's Group Risk and the Actuarial departments were present at some meetings of the Audit Committee. In 2010, discussions focused on the following topics: the quarterly results, the annual accounts and the audit process, AEGON's 2009 Embedded Value Report and annual VNB figures, 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, the external auditor's engagement letter and the audit plan for 2010, tax planning and IT applications. During most meetings closed sessions were held with the internal and external auditors in the absence of management.

During the year, management and the Audit Committee carried out an in-depth assessment of Ernst & Young's performance, quality, cost levels and independence, as required pursuant to the Dutch Corporate Governance Code. The assessment resulted in a recommendation by the Audit Committee to the Supervisory Board that shareholders be asked to reappoint Ernst & Young for the 2010 financial year. The Committee also 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 Act in the United States.

The internal auditor attended most meetings of the Audit Committee during 2010 and provided quarterly updates on his activities. During the meetings, the

Audit Committee held private sessions with the internal auditor, as well as with the external auditor, to discuss their findings. Members of the Executive Board were not present at these sessions.

The Audit Committee also discussed AEGON's compliance with the Sarbanes Oxley Act of the United States, regular reports from the Group Compliance Officer on fraud and general compliance issues.

The Risk Committee

AEGON's Risk Committee convened five times in 2010, including a combined meeting with the Audit Committee. The members of AEGON's Executive Board and the company's Chief Risk Officer attended these meetings, while the head of the Corporate Financial Center and AEGON USA's Chief Investment Officer attended the meetings occasionally. The Risk Committee assists the Supervisory Board and Audit Committee to oversee the activities of AEGON's Enterprise Risk Management framework. The Committee also advises the Executive Board with respect to the company's risk management strategy and policies. Consequently, the Committee regularly reviews the company's Enterprise Risk Management framework, its risk exposure and compliance with company risk policies. In 2010, recurring items on the agenda were the quarterly Risk Dashboard and the Board Risk List. Other topics the Risk Committee discussed with AEGON's Executive Board and senior management were market consistent pricing, capital, AEGON's risk tolerance, the impact of low interest rates and increased longevity and the investment portfolio update. The Risk Committee had a meeting with the newly appointed Chief Risk Officer of AEGON UK during the full Board strategy meeting in Edinburgh.

The Nominating Committee

AEGON's Nominating Committee held five meetings in 2010. 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 the nominations for one reappointment at the shareholders' meeting on April 29, 2010. The Committee agreed on an updated Supervisory Board profile, which was approved by the full Board on May 11, 2010. In addition, the Nominating Committee reviewed the composition and functioning of the Executive Board and discussed succession planning with the CEO and AEGON's Global Head of HR. The CEO also discussed changes in senior management within the company worldwide with the Nominating Committee.

The Compensation Committee

AEGON's Compensation Committee held five meetings in 2010. The Chief Executive Officer and the Chief Financial Officer attended these meetings from time to time, either together or separately. In the first half of the year the Committee's main focus was on the new Executive Board Remuneration Policy, which was submitted to shareholders for approval at the annual General Meeting on April 29, 2010. When reviewing the then current Policy, the Committee took into account international developments regarding remuneration in general and in the financial industry in particular. The Committee reviewed the compensation mix – short-term versus long-term – as well as the details of both the short-term and long-term incentive compensation plans.

The Compensation Committee also reviewed the company's Remuneration Policy for the members of the Supervisory Board. As in 2009, it was decided not to propose an increase of the base fee to shareholders, but instead to submit two amendments for the existing fee structure as from January 1, 2010. At their meeting on April 29, 2010 the shareholders approved the introduction of an attendance fee of EUR 3,000 for additional Supervisory Board meetings above the seven regular scheduled meetings, which members attended either in person or by video or telephone conference. They also approved attendance fees for Committee meetings, when attended by video or telephone conference.

Other topics on the agenda of the Compensation Committee during 2010 were the 2010 targets for the Executive Board members and the scenario analysis of payout levels under the Executive Board Remuneration Policy. In the second half of 2010, the Committee discussed developments regarding executive remuneration, such as the Dutch Insurance Code, the Capital Requirements Directive 3, the views of the Dutch Central Bank and their possible impact on the Remuneration Policy adopted earlier in the year. These discussions were continued in the beginning of 2011 and will lead to a proposal to amend the Executive Board Remuneration Policy in 2011.

During the year, the Committee considered advice from independent external consultants on specific topics and ascertained that these consultants did not also advise the members of the Executive Board.

Composition of the Supervisory Board

All members of the Supervisory Board are considered independent under the terms of the Dutch Corporate Governance Code, with the exception of Kornelis J. Storm. Mr. Storm is not regarded as independent within the definition of the Code since he served as Chairman of AEGON's Executive Board prior to his retirement in April 2002. Mr. Storm joined the Supervisory Board in July 2002. In April 2010, shareholders reappointed Mr. Storm for a term of four years.

In 2010, the mandate of Dudley G. Eustace expired. He was succeeded as Chairman of the Supervisory Board by Robert J. Routs in April 2010. The current terms of Mrs. Karla Peijs, Mr. Antony Burgmans and Mr. Leo van Wijk will expire in 2011. On advice from the Nominating Committee, the Supervisory Board has decided to nominate these persons for reappointment as members of the Board for further terms of four years each by the General Meeting of Shareholders. Their biographies will be provided with the agenda for the 2010 General Meeting of Shareholders. Taking into account the changes detailed above and the resignation of Mrs. Cecelia Kempler beginning 2011, the Supervisory Board will likely consist of ten members after the annual General Meeting of Shareholders on May 12, 2011.

Executive Board

There were no changes in the composition of AEGON's Executive Board. 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.

The current term of Mr. Alex Wynaendts will expire in 2011. On advice of the Nominating Committee, the Supervisory Board has decided to nominate Mr. Wynaendts for reapointment as member of AEGON's Executive Board for a term of four years.

The retirement schedule 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 2010, 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 year 2010 was a challenging period for AEGON, and we expect the coming years to be equally demanding. The members of the Supervisory Board would like to thank both the Executive and Management Boards and the company's employees for their dedication and commitment in facing up to the challenges of the year and staying focused on AEGON's customers. They are also grateful to AEGON's customers for trusting the company with their business. The Supervisory Board is confident that management and employees are on the right track to execute AEGON's strategic priorities and to guide the company towards renewed prosperity.

The Hague, March 23, 2011

Robert J. Routs

Chairman of the Supervisory Board of AEGON N.V.

Resignation Cecelia Kempler

In 2011, AEGON announced that Cecelia Kempler would be stepping down as a member of the Supervisory Board due to health reasons. Ms. Kempler, a US citizen, was elected to the Supervisory Board in 2008. Her term was due to expire in 2012. Ms. Kempler has been an outstanding member of AEGON's Supervisory Board and AEGON has benefitted significantly from her in-depth knowledge of the insurance business in general and AEGON in particular. She has had a career-long involvement with leading industry organizations dedicated to the promotion of high ethical standards in the insurance sector. The Supervisory and Executive Boards would like to express their gratitude for her years of dedicated service to the company in several roles, and they extend their best wishes to her.

MEMBERS OF THE SUPERVISORY BOARD

Robert J. Routs (born 1946, Dutch)

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

Robert J. Routs is a former Executive Director for Downstream at the energy company Royal Dutch Shell. He was appointed to AEGON's Supervisory Board in 2008 and took over as Chairman from Dudley G. Eustace in April 2010. His current term as a member of the AEGON Supervisory Board ends in 2012. Mr. Routs serves as a member of the Supervisory Boards of Royal KPN N.V. and Royal DSM N.V. He also sits on the Board of Directors at Canadian Utilities Ltd, A.P. Møller - Mærsk A/S, UPM-Kymmene Corp. and AECOM Technology Corporation.

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 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. Mr. Bailey is also a member of the Board of Directors of Computer Sciences Corp. and Hospira Inc.

Antony Burgmans (born 1947, Dutch)

Member of the Audit Committee

Antony Burgmans is a retired Chairman of Unilever N.V. and Unilever PLC. He was appointed to AEGON's Supervisory Board in 2007. 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. (not listed) and Jumbo Supermarkten B.V. (not listed) as well as a member of the Board of Directors of BP plc. Mr. Burgmans is also Chairman of the Supervisory Board of Intergamma B.V. (not listed).

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 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, Independent Risk Solutions and Wilgenhaege Vermogensbeheer B.V. He is a member of the Advisory Board of the International Centre for Financial Regulation.

Cecelia Kempler (born 1940, US citizen)

Member of the Risk Committee
Member of the Audit Committee

Cecelia Kempler is a former partner and chair of the international life insurance practice at 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. In February 2011, Ms. Kempler resigned from the Supervisory Board.

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 2014. Mr. Storm is also Chairman of the Supervisory Boards of KLM Royal Dutch Airlines N.V. (not listed) and of Pon Holdings B.V. (not listed) and a non-executive director of Unilever N.V. and Unilever PLC. Mr. Storm also serves as a member of the Board of Directors of Anheuser-Busch InBev SA and Baxter International Inc.

Ben van der Veer (born 1951, Dutch)

Member of the Audit Committee
Member of the Risk 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 N.V., Reed Elsevier N.V. and non-executive Director at Reed Elsevier PLC. He is also a member of the Supervisory Boards of Siemens Nederland N.V. (not listed) and the Dutch dairy company Royal FrieslandCampina N.V. (not listed).

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. (not listed), as well as a member of the Supervisory Board of Aon Groep Nederland B.V. (not listed). He is Chairman of the Benelux Advisory Board of Leonardo & Co. B.V., member of the Advisory Boards of CVC Europe and OVG Projectontwikkeling, Chairman of the INSEAD Dutch Council and Honorary Counsel of the Kingdom of Belgium.

Leo M. van Wijk (born 1946, Dutch)

Chairman of the Compensation Committee
Member of the Nominating 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 N.V. and Chairman of Skyteam.

Audit Committee	Compensation Committee	Nominating Committee	Risk Committee
Shemaya Levy, chairman	Leo M. van Wijk, chairman	Robert J. Routs, chairman	Irving W. Bailey, chairman
Antony Burgmans	Robert J. Routs	Shemaya Levy	Kornelis J. Storm
Arthur Docters van Leeuwen	Irving W. Bailey	Karla M.H. Peijs	Ben van der Veer
Ben van der Veer	Karla M.H. Peijs	Kornelis J. Storm	Dirk P.M. Verbeek
Dirk P.M. Verbeek		Leo M. van Wijk	

REMUNERATION POLICY AND REPORT

AEGON's Remuneration Policies set out terms and conditions for the employment of Executive Board members and the remuneration of members of the company's Supervisory Board. AEGON's current Remuneration Policy for members of the Executive Board has been in force since the beginning of 2010.

AEGON's Remuneration Policies set out terms and conditions for the employment of Executive Board members and the remuneration of members of the company's Supervisory Board. The Compensation Committee of AEGON's Supervisory Board has overall responsibility for the company's Remuneration Policies. Members of the Committee are drawn from the Supervisory Board [1].

Each year, AEGON's Compensation Committee reviews AEGON's Remuneration Policies to ensure they remain in line with prevailing international standards. This review is based partly on information provided by AEGON's external advisor, Towers Watson. Towers Watson does not advise individual members of the Executive and Supervisory Boards. The Compensation Committee may recommend changes to the two Policies to the Supervisory Board. Any material changes must also be referred to the General Meeting of Shareholders for adoption. In 2010, AEGON introduced a new Remuneration Policy for members of the company's Executive Board. This Policy was adopted by the annual General Meeting of Shareholders on April 29, 2010, and introduced retroactively from January 1, 2010.

In 2010, the General Meeting of Shareholders also agreed to two adjustments to the Remuneration Policy for the members of the Supervisory Board.

SUPERVISORY BOARD REMUNERATION POLICY 2010

AEGON's Remuneration Policy with regard to members of its Supervisory Board is aimed at ensuring fair 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 Compensation Committee of the Supervisory Board.

Fees and entitlements

Members of the Supervisory Board are entitled to the following:

- A base fee for membership of the Supervisory Board itself. No attendance fees are paid to members for the attendance of the seven regular Supervisory Board meetings.
- An attendance fee of EUR 3,000 for each Supervisory Board meeting, attended in person or by video or telephone conference, other than one of the seven regular Supervisory Board meetings.
- A committee fee for members on each of the Supervisory Board's Committees.
- An attendance fee for each Committee meeting attended in person or through video and telephone conferencing facilities.

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 the 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 Members of the Compensation Committee are as follows: Leo M. van Wijk (Chairman), Irving W. Bailey II, Karla M. H. Peijs and Robert J. Routs.
2 For meetings in excess of the seven regular scheduled meetings.

Attendance fee for extra meetings [2]

Amount in EUR	
Chairman	3,000
Vice chairman	3,000
Member	3,000

Committee fee

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

Amount in EUR	
Audit Committee	3,000
Other Committees	1,250

AEGON pays a higher fee to members of its Audit Committee because of the additional workload involved. Information on members of the Supervisory Board and the composition of AEGON's four Committees – Audit, Nominating, Compensation and Risk – may be found on page 63.

Adjustments to policy

In 2008, AEGON conducted a review of pay for members of its Supervisory Board. The review found that base fees were generally lower than prevailing market levels. However, given the recent difficult market environment, the Supervisory Board decided, just as in 2009, not to propose to shareholders an increase of the base fee, but instead submit two adjustments.

In April 2010, the General Meeting of Shareholders adopted these adjustments to the Remuneration Policy with regard to members of the Supervisory Board.

- Members of the Board are entitled to an attendance fee of EUR 3,000 for each Supervisory Board meeting that is organized on top of the seven regular Supervisory Board meetings (quarterly results, annual report, strategy and budget meetings), attended either in person or by video or telephone conference.
- Members of the Board are also entitled to attendance fees for Committee meetings when attended by video or telephone conference.

SUPERVISORY BOARD REMUNERATION REPORT 2010

Members of AEGON's Supervisory Board received the following payments in 2010:

Member

In EUR	2010	2009
Robert J. Routs (Chairman)[1]	98,435	70,942
Irving W. Bailey, II	95,750	82,185
Antony Burgmans	78,000	69,000
Arthur Docters van Leeuwen	84,000	72,000
Dudley G. Eustace	37,815	80,750
Cecelia Kempler	93,500	75,315
Shemaya Levy	100,250	76,750
Karla M.H. Peijs	75,000	60,000
Willem F.C. Stevens	–	20,762
Kornelis J. Storm	79,250	54,692
Ben van der Veer	91,096	63,000
Dirk P.M. Verbeek	88,000	66,258
Leo M. van Wijk	71,096	54,500
TOTAL	**992,192**	**846,154**

1 Please note that Mr. Routs was appointed Chairman of the Supervisory Board in April 2010, succeeding Dudley G. Eustace. Mr. Stevens stepped down from AEGON's Supervisory Board in April 2009.

EXECUTIVE BOARD REMUNERATION POLICY 2010

AEGON's Remuneration Policy for members of the company's Executive Board has four main objectives:
1. To enable AEGON to attract and retain highly-qualified members for its Executive Board.
2. To provide a well-balanced and performance-related compensation package for Executive Board members.
3. To ensure that the interests of Executive Board. members are aligned with AEGON's business strategy and risk tolerance as well as the objectives, values and long-term interests of the company.
4. To enhance the transparency and simplicity of Executive Board members' remuneration, consistent with the principle of "pay for performance".

AEGON's current Executive Board Remuneration Policy was introduced in 2010 as part of broader arrangements with the Dutch State. The Policy was formally adopted by the General Meeting of Shareholders on April 29, 2010, and took effect retroactively from January 1, 2010. The Policy will remain in force until AEGON has fully repurchased the core capital obtained from the Dutch State through Vereniging AEGON in December 2008 at the height of the global financial crisis, or until such time as the Supervisory Board proposes changes or amendments.

Review of the Policy

AEGON's Executive Board Remuneration Policy is reviewed every year by the company's Compensation Committee. If necessary, the Committee recommends amendments to the Supervisory Board. Any material changes are submitted by the Supervisory Board to the General Meeting of Shareholders for adoption. The Policy applies to all members of AEGON's Executive Board, and is used as a framework to determine remuneration for members of the company's Management Board and senior managers throughout the organization.

Ensuring pay remains competitive

AEGON regularly compares its levels of executive remuneration with those at other, comparable companies. Companies included in the peer group have been chosen according to the following criteria:
- Industry (preferably life insurance).
- Size (companies with similar assets, revenues and market capitalization).
- Geographic scope (preferably companies operating globally).
- Location (companies based in Europe).

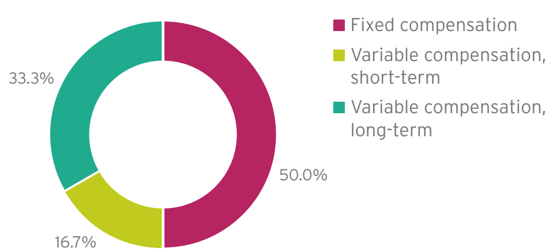
In 2010, the peer group comprised the following companies: Aviva, Axa, CNP Assurances, Generali, ING Group, Legal & General, Münchener Rückversicherung, Old Mutual, Prudential plc., Standard Life, Swiss Re and Zurich Financial Services. In addition, to monitor alignment with the general industry in the Netherlands, a reference group has been established, comprising the twelve leading companies listed on Euronext Amsterdam, excluding financial services providers. The Supervisory Board will regularly review the composition of these two groups to ensure they continue to provide a reliable basis for comparison.

Total compensation

For each member of the Executive Board, AEGON's Supervisory Board determines a maximum total compensation, reflecting the specific roles and responsibilities of the individual. In 2010, the Supervisory Board used 2009 remuneration levels as an initial reference point to help determine total compensation. Each year, the Supervisory Board will review total compensation levels to ensure they remain competitive and provide proper, risk-based incentives to members of AEGON's Executive Board. Total compensation will consist of two elements:
- Fixed compensation
- Variable compensation, both short and long-term

The chart below gives each of these components as a maximum percentage of total compensation for 2010.

Total compensation
At maximum level



The Supervisory Board will conduct a regular "scenario analysis" to determine the long-term effect of level and structure of compensation granted to members of the Executive Board. The analysis was executed for the first time in 2010, based on information provided by AEGON's external advisor, Towers Watson.

Fixed compensation

It is the responsibility of the Supervisory Board to determine fixed compensation for members of the Executive Board based on their qualifications, experience and expertise.

Variable compensation

AEGON believes that variable compensation strengthens Executive Board members' commitment to the company's objectives, both short and long-term. In addition, AEGON's system of variable compensation deliberately places emphasis on the company's long-term performance and its aim of creating sustainable, profitable growth. Variable compensation is based on a number of performance indicators, regularly evaluated by experts in the company's Finance, Risk, Audit, Human Resources and Compliance departments.

Variable compensation consists of *Short-term Incentive Compensation* and *Long-term Incentive Compensation*. Short-term incentive compensation is paid in cash. Payment is made once accounts for the financial year in question have been adopted by the company's shareholders. Long-term incentive compensation, on the other hands, is paid in shares. At the beginning of each three-year performance period, conditional shares are made available. The number of conditional shares is calculated using the fair value of one AEGON share at the beginning of that financial year. This fair value is equal to the average price on the New York and Euronext Amsterdam stock exchanges for the period December 15 through January 15. These shares will (partly) vest only if the pre-agreed performance targets are met and if the Executive Board member remains in continuous employment. At the end of three years, the vested shares are restricted for a further period of two years (with the exception of shares sold to meet income tax obligations).

Variable compensation is based on both company and individual performance. This performance is determined using a mix of financial and non-financial indicators. AEGON believes these indicators provide an accurate and reliable reflection of company and individual performance. Performance is assessed by AEGON's Compensation Committee and validated by the Audit Committee.

Short-term incentive compensation is based on the following indicators.

	Maximum % of total short-term incentive compensation	Target
Earnings	37.5%	Growth in net underlying earnings
Profitable growth	37.5%	Value of new business, adjusted for risk
Non-financial	25.0%	Individual basket of strategic and personal objectives

Each year, an annual target is set for each indicator. At the end of the year, a comparison is made between the targets and actual performance. Short-term incentive compensation is then calculated accordingly. At an aggregate level, payments are made as follows:

- 50% of the maximum short-term incentive compensation if the threshold target is reached.
- 80% if the pre-determined performance targets are met.
- Up to 100% if the targets are exceeded.

Long-term incentive compensation is based on the following indicators.

	Maximum % of total long-term incentive compensation	Target
Earnings	20%	Growth in net underlying earnings
Return on capital	20%	Return on capital, adjusted for risk
Shareholder returns	35%	Relative total shareholder return as measured against peers [1]
Non-financial	25%	Objectives measuring corporate responsibility

Long-term incentive compensation is based on performance over a three-year period during which the terms and conditions of the long-term incentive compensation plan remain unchanged. A three-year target is set for each indicator. At the end of the three-year period, a comparison is made between the targets and actual performance, and long-term incentive compensation is calculated accordingly. At an aggregate level, payments are made as follows:

- 50% of the maximum long-term incentive compensation if the threshold target is reached.
- 80% if the pre-determined performance targets are met.
- Up to 100% if the targets are exceeded.

Discretionary adjustments

AEGON's Supervisory Board may make adjustments to variable compensation payments as follows:

- Should the Supervisory Board decide that AEGON's short or long-term business is being affected by significant and exceptional circumstances, not reflected in the performance indicators, it may request the company's Compensation Committee to consider possible adjustments.
- The Compensation Committee reviews all circumstances in detail and documents its findings. If its analysis confirms the Supervisory Board's initial assessment, the Committee will then bring forward a proposal to the Supervisory Board to adjust either short or long-term incentive compensation.
- To reflect such exceptional circumstances, variable compensation may be adjusted within a range of between 75% and 125% of the original entitlement, but may not exceed 100% of the maximum.
- Discretionary adjustments may not be made to fixed compensation.

Circuit breaker

Short-term incentive compensation is only paid if AEGON N.V. reports a net income for the year.

Claw-back provision

In cases of material financial restatements or individual gross misconduct, AEGON's Supervisory Board reserves the right to re-claim short-term incentive compensation payments. With regard to long-term incentive compensation, AEGON believes the three-year performance period already provides sufficient scope to identify any potential accounting errors or individual wrongdoing.

Pension arrangements

Members of AEGON's Executive Board are offered pension arrangements and retirement benefits in line with local practice in their countries of residence and in line with those provided to executives at other multinational companies in those countries. Benefits are similarly offered consistent with Executive Board members' contractual agreements, local practices and comparable arrangements at other multinationals. AEGON does not grant Executive Board members personal loans, guarantees or the like, unless in the normal course of business and on terms applicable to all employees, and only with the approval of the company's Supervisory Board.

1 In 2010, the peer group comprises the following companies: Aviva, AXA, Generali, Hartford Financial Services Group, Legal & General, Manulife Financial, MetLife, Principal Financial Group, Prudential Financial, Prudential Plc, Sun Life Financial, and Zurich Financial Services.

Terms of employment

Members of the Executive Board are appointed for four years, and may then be reappointed for successive mandates also of four years.

Members of the Executive Board may terminate their employment with a notice period of three months. If AEGON wishes to terminate the employment of a member of its Executive Board, then the company must give six months' notice. Termination arrangements conform to the provisions of the Dutch Corporate Governance Code and Dutch law, whatever the circumstances.

The maximum severance payment for members of the Executive Board is equal to one year's gross fixed compensation, providing the employment contract has been terminated or cancelled at the request of the company. The Supervisory Board has taken appropriate steps to ensure the contractual arrangements of members of the Executive Board remain in line with the company's Remuneration Policy.

Executive Board Remuneration Policy 2011

In the second half of 2010, the Compensation Committee discussed developments regarding executive remuneration, such as the Dutch Insurance Code, the Capital Requirements Directive III, the views of the Dutch Central Bank and their possible impact on the Remuneration Policy. These discussions were continued in the beginning of 2011 and will lead to a proposal to amend the Executive Board Remuneration Policy in 2011.

EXECUTIVE BOARD REMUNERATION REPORT 2010

At the end of December 2010, AEGON's Executive Board had two members:

- Alexander R. Wynaendts, Chief Executive Officer and Chairman of the Executive Board. Mr. Wynaendts was appointed member of the Executive Board in 2003 for four years. He was re-appointed in 2007 and is again up for re-appointment in 2011.
- Jan J. Nooitgedagt, Chief Financial Officer and member of the Executive Board. Mr. Nooitgedagt was appointed member of the Executive Board in 2009 for four years.

Compensation structure

Fixed compensation provides members of AEGON's Executive Board with a base salary based on their qualifications, experience and expertise. Amounts paid in 2010 increased marginally as compared to 2009 due to annual salary adjustments in the AEGON Nederland N.V. collective labor agreement and are shown in table 1. Variable compensation comprises of two elements: short-term and long-term.

Fixed compensation

Executive Board members

In EUR	2010	2009	% change
Alexander R. Wynaendts CEO & Chairman EB	955,542	950,000	0.6
Jan J. Nooitgedagt [1] CFO & member EB	704,083	525,000	0.6

1 Please note that Mr. Nooitgedagt was appointed Chief Financial Officer in April 2009. His 2009 salary was prorated, based on an annual salary for that year of EUR 700,000.

Variable compensation 2010

Short-term variable compensation for members of the Executive Board is based on the company's performance against three one-year indicators, earnings, profitable growth and a basket of strategic and personal objectives. The 2010 targets for each of these indicators have been set in alignment with the company budgets. Subject to adoption of the annual accounts at the annual General Meeting of Shareholders in 2011, Mr. Wynaendts and Mr. Nooitgedagt are eligible to receive EUR 317,000 and EUR 233,000 respectively [1]. However, in consultation with the Supervisory Board, the Executive Board has decided to forego short-term variable compensation over AEGON's performance during 2010, given that the company had not completed full repayment of capital support to the Dutch State during the year.

Long-term variable compensation 2010-2012

Long-term variable compensation for members of the Executive Board is paid in shares, based on the company's performance against four three-year indicators, earnings, return on capital, shareholder returns and the Dow Jones Sustainability Index score. Targets for these indicators have been set in alignment with the company budgets. Actual performance is being measured over the period 2010-2012. The conditional number of shares that were made available under the 2010-2012 long-term incentive compensation plan are 104,515 and 76,891 for Mr. Wynaendts and Mr. Nooitgedagt respectively [2]. Following the evaluation of the company's performance by the Supervisory Board at the end of the 2010-2012 performance period, the conditional shares may vest in 2013. Any vested shares under this plan shall subsequently be held for another two years.

Pension arrangements for members of the Executive Board

Mr. Wynaendts pension benefits amounted to EUR 547,076 for 2010, including the additional pension benefit he receives from the company. In 2010, Mr. Nooitgedagt received a contribution to his pension benefits of EUR 181,984.

1 For comparison, please note that, under the agreement between the Dutch government and the country's financial sector, no variable compensation was paid to members of the Executive Board for the year 2009. Furthermore, no variable compensation was paid to members of the Executive Board over 2008.
2 These numbers reflect at target performance. The share price was set at EUR 4.851.

CORPORATE GOVERNANCE

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. As a company based and registered in the Netherlands, AEGON is subject to the Dutch Corporate Governance Code[1].

AEGON's common shares are listed in Amsterdam, New York and London. AEGON has institutional and retail shareholders around the world. Around 80% is located in North America, the Netherlands and the United Kingdom, the company's three main markets. AEGON's largest shareholder is Vereniging AEGON, an association established to protect the broader interests of the company and its 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 1% of AEGON's issued capital or block of shares worth at least EUR 50 million[2] may request items be added to the agenda of these meetings. In according with AEGON's Articles of Association, 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, 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 provide proof of their identity and shareholding, and must notify the company ahead of time of their intention to attend the meeting.

Record date

The record date is used to determine shareholders' entitlements with regard to their participation and voting rights. In accordance with the Dutch law, the record date will be set 28 days before the day of the General Meeting of Shareholders.

Stichting Communicatiekanaal

AEGON is a member of the Stichting Communicatiekanaal Aandeelhouders, 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.

Voting at the General Meeting

At the General Meeting, each share carries one vote. However, under certain circumstances, AEGON's largest shareholder, Vereniging AEGON, may cast 25/12 votes per preferred share[3]. All resolutions are adopted by an absolute majority of votes cast, unless Dutch law or AEGON's Articles of Association stipulate otherwise.

Executive Board

AEGON's Executive Board currently has two members: Alexander R. Wynaendts, who is Chairman of the Executive Board and Chief Executive Officer, and Jan J. Nooitgedagt, who is AEGON's Chief Financial Officer.

1 For further details on how AEGON's corporate governance practices differ from those required of US companies under New York Stock Exchange standards, please refer to the NYSE Listing standards in the Governance section of AEGON's website at www.aegon.com.
2 The Dutch law currently provides for a threshold of EUR 50 million. It is expected that the law will be amended and that the threshold will be increased to EUR 100 million. The Articles of Association of AEGON N.V. already provide for a threshold of EUR 100 million. During the General Meeting of Shareholders in 2010 it was confirmed that the threshold of EUR 100 million in market value will not be effective until the Dutch law has been amended.
3 For further information, please see pages 244 to 245.

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 sustainability issues and the development of the company's earnings. Each member 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.

For certain decisions – detailed in AEGON's Articles of Association – 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.

Management Board

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[1]. During 2010, AEGON's Management Board was composed of Alexander R. Wynaendts, Jan J. Nooitgedagt, Mark Mullin, Marco B.A. Keim, Otto Thoresen and Gábor Kepecs.

Severance payments

The employment contracts with current members of the Executive Board contains provisions entitling them to severance payments, should their employment be terminated as a result of a merger or takeover[2]. As part of the capital transaction agreed with the Dutch State in 2008, severance payments for the members of the Executive Board are limited to a maximum of one year's fixed salary. The company's Remuneration Policy for the Executive Board also limits the exit arrangement to a maximum of one year's fixed salary[3].

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.

Appointment of Board members

Members are appointed by the General Meeting of Shareholders following nomination by the Supervisory Board itself. At present, AEGON's Supervisory Board consists of ten 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 Board

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

AEGON's ownership structure and exercise of control

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

Capital of the company

AEGON has authorized capital of EUR 610 million, divided into three billion common shares, each with a par value of EUR 0.12 and one billion class A and class B preferred shares, each with a par value of EUR 0.25. At the end of 2010, a total of 1,736,049,139 common shares and 280,710,000 preferred shares had been issued.

1 For further details, please see page 4 to 5.
2 Employment contracts for members of AEGON's Executive Board are available on AEGON's website (www.aegon.com).
3 See page 66 to 69 for the Remuneration Policy Executive Board. The Policy is also available on AEGON's website (www.aegon.com).

These represented respectively 74.8% and 25.2% of AEGON's total issued and fully paid-up capital. Depository receipts for AEGON shares are not issued with the company's cooperation.

Common shares

Each common share carries one vote. There are no restrictions whatsoever on the exercise of voting rights by holders of common shares, whether with regard to the number of votes or to the time period in which they may be exercised.

Preferred shares

All preferred shares are held by Vereniging AEGON, the company's largest shareholder. In line with their higher par value, preferred shares may carry 25/12, or approximately 2.08, votes per share. The voting rights attached to preferred shares are subject to restrictions, as described hereunder under "Special Control Rights". Under these restrictions each share carries one vote. The capital contribution on class A preferred shares is a reflection of the market value of AEGON's common shares at the time the contribution was made. In addition, 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.

Significant shareholdings

On December 31, 2010, Vereniging AEGON, AEGON's largest shareholder, held a total of 171,974,055 common shares, 211,680,000 class A preferred shares and 69,030,000 class B preferred shares. In the case of new common shares being issued, Vereniging AEGON has the option, under the terms of the *1983 Merger Agreement*[1], 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 right to more than 33%.

Special control rights

Under the *Preferred Shares Voting Rights Agreement*[2], 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" may include:

- 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 acting 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 its 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 Association, 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 represented 22.8% at December 31, 2010. For more information on Vereniging AEGON, please refer to the Financial Statement in this Annual Report (see pages 244 to 245) or the website of Vereniging AEGON (www.verenigingaegon.com).

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 United States Securities and Exchange Commission on February 10, 2011, US-based investment management firm Dodge & Cox owns over 160 million shares, representing more than 5% of the issued share capital and voting rights in the company.

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. The General Meeting of Shareholders may cancel the binding nature of these nominations with a majority of two-thirds of votes cast, representing at least one half of AEGON's issued capital.

The General Meeting may, in addition, bring forward a resolution to appoint someone not nominated by

1 The 1983 Merger Agreement, as amended, is published on AEGON's website www.aegon.com.
2 The Preferred Shares Voting Rights Agreement is published on AEGON's website (www.aegon.com).

the Supervisory Board. Such a resolution also requires a two-thirds majority of votes cast and representing at least one half of AEGON's issued capital. Provisions on appointing Board members were included as part of a wider review of AEGON's corporate governance framework. They were adopted at an Extraordinary General Meeting of Shareholder 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.

Suspending or dismissing Board members

Members of AEGON's Supervisory and Executive Boards may 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's 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.

Amending the Articles of Association

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

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 it acts within existing statutory restrictions. Shareholders usually authorize the Executive Board to purchase the company's shares under terms and conditions determined by the General Meeting.

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*[1].

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.

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 pages 199 to 202. Under the terms of existing share option plans, AEGON cannot influence the exercise of granted rights.

Significant agreements and potential change of control

AEGON is not party to any significant agreements which would take effect, alter or terminate as a consequence of 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).

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. 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.

1 The 1983 Merger Agreement, as amended, is published on AEGON's 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 requires 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 on Code II.2.8.

AEGON is committed to applying this best practice provision to all new Executive Board appointments. This best practice provision is also embedded in the company's Remuneration Policy for the Executive Board. 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 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 on Code II.3.3.

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 them 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.

A number of documents relating to corporate governance may be found on AEGON's website (www.aegon.com). These include:

- Articles of Association
- AEGON's Corporate Governance Statement
- Employment agreements for members of the Executive Board
- Remuneration Policies, Executive Board and Supervisory Board
- Appointment schedules, Executive Board and Supervisory Board
- Charters for Executive Board, Management Board, Supervisory Board and Supervisory Board Committees
- Protocol Vereniging AEGON – AEGON N.V.
- Transactions AEGON N.V. – Vereniging AEGON
- Amended Merger Agreement
- Preferred Shares Voting Rights Agreement
- The New York Stock Exchange Listing Standards

Code IV.1.1 The Dutch Corporate Governance Code states that the General Meeting of Share-holders 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 on Code IV.1.1.

AEGON's Articles of Association 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.

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).

Rhona Bradbury

AEGON UK
United Kingdom

FOCUS ON FAMILY

A wedding day is one of life's most treasured occasions, representing the beginning of a promising yet unpredictable future. We make it our business to help young couples and families plan for life's many adventures – wherever they lead and whatever they bring.

FINANCIAL INFORMATION 2010

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

Amounts in EUR million	Note	2010	2009
ASSETS			
Intangible assets	6	4,359	4,609
Investments	7	143,188	134,205
Investments for account of policyholders	8	146,237	125,845
Derivatives	9	6,251	4,917
Investments in associates	10	733	696
Reinsurance assets	11	5,580	5,110
Defined benefit assets	25	352	356
Deferred tax assets	27	512	278
Deferred expenses and rebates	12	11,948	11,481
Other assets and receivables	13	7,912	6,823
Cash and cash equivalents	14	5,231	4,314
TOTAL ASSETS		**332,303**	**298,634**
EQUITY AND LIABILITIES			
Shareholders' equity	15	17,210	12,164
Convertible core capital securities	16	1,500	2,000
Other equity instruments	17	4,704	4,709
Issued capital and reserves attributable to equity holders of AEGON N.V.		**23,414**	**18,873**
Minority interest		11	10
GROUP EQUITY		**23,425**	**18,883**
Trust pass-through securities	18	143	130
Insurance contracts	19	100,506	93,790
Insurance contracts for account of policyholders	20	77,650	69,760
Investment contracts	21	23,237	27,932
Investment contracts for account of policyholders	22	69,527	57,421
Derivatives	9	5,971	5,716
Borrowings	23	8,518	7,485
Provisions	24	357	421
Defined benefit liabilities	25	2,152	2,104
Deferred revenue liabilities	26	82	69
Deferred tax liabilities	27	1,824	817
Other liabilities	28	18,495	13,714
Accruals	29	416	392
TOTAL LIABILITIES		**308,878**	**279,751**
TOTAL EQUITY AND LIABILITIES		**332,303**	**298,634**

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

Amounts in EUR million (except per share data)	Note	2010	2009	2008
Premium income	30	21,097	19,473	22,409
Investment income	31	8,762	8,681	9,965
Fee and commission income	32	1,744	1,593	1,703
Other revenues		5	4	5
Total revenues		**31,608**	**29,751**	**34,082**
Income from reinsurance ceded	33	1,869	1,721	1,633
Results from financial transactions	34	15,662	14,937	(28,195)
Other income	35	40	–	6
TOTAL INCOME		**49,179**	**46,409**	**7,526**
Premiums to reinsurers	30	1,859	1,727	1,571
Policyholder claims and benefits	36	38,081	36,899	(808)
Profit sharing and rebates	37	83	117	98
Commissions and expenses	38	6,034	5,983	6,109
Impairment charges / (reversals)	39	701	1,369	1,113
Interest charges and related fees	40	426	412	526
Other charges	41	122	389	2
TOTAL CHARGES		**47,306**	**46,896**	**8,611**
Income before share in profit / (loss) of associates and tax		**1,873**	**(487)**	**(1,085)**
Share in profit / (loss) of associates		41	23	24
Income / (loss) before tax		**1,914**	**(464)**	**(1,061)**
Income tax	42	(154)	668	(21)
NET INCOME / (LOSS)		**1,760**	**204**	**(1,082)**
Net income / (loss) attributable to:				
Equity holders of AEGON N.V.		1,759	204	(1,082)
Minority interest		1	–	–
Earnings and dividend per share (EUR per share)	43			
Earnings per share [1]		0.83	(0.16)	(0.92)
Diluted earnings per share [1, 2]		0.83	(0.16)	(0.92)
Earnings per share after potential attribution to convertible core capital securities [1, 3]		0.76	–	–
Diluted earnings per share after conversion of convertible core capital securities [1, 2]		0.68	–	–
Dividend per common share	44	–	–	0.30

[1] After deduction of preferred dividend, coupons on perpetuals and coupons and premium on core capital securities.
[2] The potential conversion of the convertible core capital securities is taken into account in the calculation of diluted earnings per share if this would have a dilutive effect (i.e. diluted earnings per share would be lower than the earnings after potential attribution to convertible core capital securities).
[3] Reflects basic earnings per share. For 2009, basic earnings per share is EUR (0.16) and for 2008 EUR (0.92).

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME OF AEGON N.V.
FOR THE YEAR ENDED DECEMBER 31

Amounts in EUR million	2010	2009	2008
Net income / (loss)	**1,760**	**204**	**(1,082)**
Other comprehensive income:			
Gains / (losses) on revaluation of available-for-sale investments	3,873	7,860	(11,139)
(Gains) / losses transferred to the income statement on disposal and impairment of available-for-sale investments	(203)	640	718
Changes in revaluation reserve real estate held for own use	4	(1)	8
Changes in cash flow hedging reserve	373	(731)	798
Movement in foreign currency translation and net foreign investment hedging reserve	1,046	(204)	(82)
Equity movements of associates	(25)	27	(7)
Disposal of group assets	(22)	94	–
Aggregate tax effect of items recognized in other comprehensive income / (loss)	(1,409)	(2,315)	2,876
Other	(10)	(6)	–
Other comprehensive income / (loss) for the period	**3,627**	**5,364**	**(6,828)**
TOTAL COMPREHENSIVE INCOME / (LOSS)	**5,387**	**5,568**	**(7,910)**
Total comprehensive income / (loss) attributable to:			
Equity holders of AEGON N.V.	5,386	5,564	(7,900)
Minority interest	1	4	(10)

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY OF AEGON N.V

FOR THE YEAR ENDED DECEMBER 31, 2010

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, 2010		8,184	7,995	(1,709)	(2,306)	2,000	4,709	18,873	10	18,883
Net income / (loss) recognized in the income statement		–	1,759	–	–	–	–	1,759	1	1,760
Other comprehensive income:										
Gains / (losses) on revaluation of available-for-sale investments		–	–	3,873	–	–	–	3,873	–	3,873
(Gains) / losses transferred to income statement on disposal and impairment of available for-sale-investments		–	–	(203)	–	–	–	(203)	–	(203)
Changes in revaluation reserve real estate held for own use		–	–	4	–	–	–	4	–	4
Changes in cash flow hedging reserve		–	–	373	–	–	–	373	–	373
Movements in foreign currency translation and net foreign investment hedging reserves		–	–	–	1,046	–	–	1,046	–	1,046
Equity movements of associates		–	–	–	(25)	–	–	(25)	–	(25)
Disposal of group assets		–	–	(22)	–	–	–	(22)	–	(22)
Aggregate tax effect of items recognized in other comprehensive income / (loss)		–	–	(1,358)	(51)	–	–	(1,409)	–	(1,409)
Other		–	7	–	(17)	–	–	(10)	–	(10)
TOTAL OTHER COMPREHENSIVE INCOME / (LOSS)		**–**	**7**	**2,667**	**953**	**–**	**–**	**3,627**	**–**	**3,627**
TOTAL COMPREHENSIVE INCOME / (LOSS) FOR 2010		**–**	**1,766**	**2,667**	**953**	**–**	**–**	**5,386**	**1**	**5,387**
Repurchase of convertible core capital securities		–	–	–	–	(500)	–	(500)	–	(500)
Preferred dividend		–	(90)	–	–	–	–	(90)	–	(90)
Coupons on perpetual securities		–	(187)	–	–	–	–	(187)	–	(187)
Coupons and premiums on convertible core capital securities		–	(63)	–	–	–	–	(63)	–	(63)
Share options		–	–	–	–	–	(5)	(5)	–	(5)
AT DECEMBER 31, 2010	15, 16, 17	**8,184**	**9,421**	**958**	**(1,353)**	**1,500**	**4,704**	**23,414**	**11**	**23,425**

[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, 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 / (loss) 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 / (loss)		–	–	(2,369)	54	–	–	(2,315)	–	(2,315)
Other		–	(10)	–	–	–	–	(10)	4	(6)
TOTAL OTHER COMPREHENSIVE INCOME / (LOSS)		**–**	**(10)**	**5,458**	**(88)**	**–**	**–**	**5,360**	**4**	**5,364**
TOTAL COMPREHENSIVE INCOME / (LOSS) FOR 2009		**–**	**194**	**5,458**	**(88)**	**–**	**–**	**5,564**	**4**	**5,568**
Shares issued		837	(14)	–	–	–	–	823	–	823
Repurchase of 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 / (loss)		–	–	2,964	(88)	–	–	2,876	–	2,876
Other		–	10	–	–	–	–	10	(10)	–
TOTAL OTHER COMPREHENSIVE INCOME / (LOSS)		**–**	**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 CASH FLOW STATEMENT OF AEGON N.V.
FOR THE YEAR ENDED DECEMBER 31

Amounts in EUR million	Note	2010	2009	2008
Income / (loss) before tax		**1,914**	**(464)**	**(1,061)**
Results from financial transactions		(15,662)	(14,937)	28,195
Amortization and depreciation		1,637	1,716	1,691
Impairment losses		701	1,369	1,113
Income from associates		(41)	(23)	(24)
Release of cash flow hedging reserve		(8)	(117)	306
Other		(5)	262	52
Adjustments of non-cash items		**(13,378)**	**(11,730)**	**31,333**
Insurance and investment liabilities		(4,321)	(4,811)	4,349
Insurance and investment liabilities for account of policyholders		14,274	18,925	(24,556)
Accrued expenses and other liabilities		502	466	3,689
Accrued income and prepayments		(2,299)	(1,307)	(1,792)
Changes in accruals		**8,156**	**13,273**	**(18,310)**
Purchase of investments (other than money market investments)		(42,691)	(49,022)	(56,394)
Purchase of derivatives		(940)	(1,255)	(843)
Disposal of investments (other than money market investments)		45,446	50,875	51,055
Disposal of derivatives		1,452	1,474	1,045
Net purchase of investments for account of policyholders		(1,522)	(3,837)	(2,563)
Net change in cash collateral		3,003	(4,979)	(22)
Net purchase of money market investments		39	(1,821)	(2,658)
Cash flow movements on operating items not reflected in income		**4,787**	**(8,565)**	**(10,380)**
Tax paid		(274)	345	(437)
Other		58	136	178
NET CASH FLOWS FROM OPERATING ACTIVITIES		**1,263**	**(7,005)**	**1,323**

CONTINUATION ›

CONSOLIDATED CASH FLOW STATEMENT OF AEGON N.V.

FOR THE YEAR ENDED DECEMBER 31 > CONTINUATION

Amounts in EUR million	Note	2010	2009	2008
Purchase of individual intangible assets				
(other than VOBA and future servicing rights)		(20)	(10)	(12)
Purchase of equipment and real estate for own use		(116)	(202)	(85)
Acquisition of subsidiaries and associates, net of cash		(31)	(202)	(461)
Disposal of intangible asset		2	–	–
Disposal of equipment		33	25	150
Disposal of subsidiaries and associates, net of cash		(158)	11	–
Dividend received from associates		14	53	4
Other		(2)	–	6
NET CASH FLOWS FROM INVESTING ACTIVITIES		**(278)**	**(325)**	**(398)**
Issuance of share capital		–	837	–
Issuance of convertible core capital securities		–	–	3,000
Issuance and (purchase) of treasury shares		–	175	(217)
Proceeds from TRUPS [1], subordinated loans and borrowings		7,551	6,926	4,876
Repurchase of convertible core capital securities		(500)	(1,000)	–
Repurchase of perpetual securities		–	–	(114)
Repayment of TRUPS [1], subordinated loans and borrowings		(6,577)	(4,529)	(5,134)
Dividends paid		(90)	(122)	(660)
Coupons and premium on convertible core capital securities		(63)	(273)	–
Coupons on perpetual securities		(251)	(244)	(254)
Other		49	(14)	(36)
NET CASH FLOWS FROM FINANCING ACTIVITIES		**119**	**1,756**	**1,461**
NET INCREASE / (DECREASE) IN CASH AND CASH EQUIVALENTS [2]		**1,104**	**(5,574)**	**2,386**
Net cash and cash equivalents at the beginning of the year		4,013	9,506	7,385
Effects of changes in exchange rate		57	81	(265)
NET CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	14	**5,174**	**4,013**	**9,506**

1 Trust pass-through securities.
2 Included in net increase / (decrease) in cash and cash equivalents are interest received (2010: EUR 8,167 million, 2009: EUR 7,778 million and 2008: EUR 8,614 million) dividends received (2010: EUR 635 million, 2009: EUR 816 million and 2008: EUR 925 million) and interest paid (2010: EUR 380 million, 2009: EUR 510 million and 2008: EUR 356 million).

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

EXCHANGE RATES

Exchange rates at December 31, 2010

		EUR	USD	GBP	CAD	PLN	CNY	RON	HUF	CZK
1	EUR	–	1.3362	0.8608	1.3322	3.9750	8.8220	4.2620	277.9500	25.0610
1	USD	0.748	–	0.644	0.997	2.975	6.602	3.190	208.015	18.755
1	GBP	1.162	1.552	–	1.548	4.618	10.249	4.951	322.897	29.114
1	CAD	0.751	1.003	0.646	–	2.984	6.622	3.199	208.640	18.812
1	PLN	0.252	0.336	0.217	0.335	–	2.219	1.072	69.925	6.305
1	CNY	0.113	0.151	0.098	0.151	0.451	–	0.483	31.506	2.841
1	RON	0.235	0.314	0.202	0.313	0.933	2.070	–	65.216	5.880
100	HUF	0.360	0.481	0.310	0.479	1.430	3.174	1.533	–	9.016
100	CZK	3.990	5.332	3.435	5.316	15.861	35.202	17.007	1,109.094	–

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	–

Weighted average exchange rates 2010

		EUR	USD	GBP	CAD	PLN	CNY	RON	HUF	CZK
1	EUR	–	1.3210	0.8544	1.3599	3.9771	8.9699	4.1917	273.9494	25.1205
1	USD	0.757	–	0.647	1.029	3.011	6.790	3.173	207.380	19.016
1	GBP	1.170	1.546	–	1.592	4.655	10.498	4.906	320.634	29.401
1	CAD	0.735	0.971	0.628	–	2.925	6.596	3.082	201.448	18.472
1	PLN	0.251	0.332	0.215	0.342	–	2.255	1.054	68.882	6.316
1	CNY	0.111	0.147	0.095	0.152	0.443	–	0.467	30.541	2.801
1	RON	0.239	0.315	0.204	0.324	0.949	2.140	–	65.355	5.993
100	HUF	0.365	0.482	0.312	0.496	1.452	3.274	1.530	–	9.170
100	CZK	3.981	5.259	3.401	5.414	15.832	35.707	16.686	1,090.541	–

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	–

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 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 27,500 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 2010 is provided below in paragraph 2.1.1. Certain amounts in prior years have been reclassified to conform to the current year presentation. These reclassifications had no effect on net income, shareholders' equity or earnings per share. The consolidated financial statements are presented in euros and all values are rounded to the nearest million except when otherwise indicated.

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 23, 2011. The financial statements are put to the Annual General Meeting of Shareholders on May 12, 2011 for adoption. The shareholders' meeting can decide not to adopt the financial statements but cannot amend them.

NOTE 2.1.1 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 2010, the following new standards issued by the IASB and Interpretations issued by the IFRS Interpretations Committee (formerly known as the IFRIC) became mandatory:
- IFRS 3 (revised) Business Combinations.
- IAS 27 (revised) Consolidated and separate financial statements.
- Improvements to IFRS (2009).

IFRS 3 (revised) 'Business Combinations'
The revised IFRS 3, applicable prospectively to all new acquisitions undertaken after January 1, 2010, continues to require the application of the acquisition method to business combinations, with some significant changes. For example, all payments to purchase a business will be recorded at fair value at the acquisition date, with contingent payments classified as liabilitty subsequently re-measured at fair value through profit or loss. There is a choice on an acquisition-by-acquisition basis to measure the non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's net assets. All acquisition-related transaction costs will be expensed.

The adoption of IFRS 3 (revised) does not change the accounting treatment, including the accounting for contingent consideration, for past acquisitions. The adoption of this standard did not have any impact during the current period as there were no acquisitions.

IAS 27 (revised) 'Consolidated and separate financial statements' and consequential amendments to IAS 28 'Investments in Associates' and IAS 31 'Interests in Joint Ventures'

The revised IAS 27, applicable prospectively to all new transactions undertaken with non-controlling interest (minority interest) after January 1, 2010, requires the recording of the effect of all transactions in equity if there is no change in control. Where an interest is disposed and control (or significant influence or joint control) is lost, any remaining interest in the entity is re-measured to fair value and a gain or loss is recognized in profit and loss. In the past, the effect of transactions with non-controlling interests were accounted for as partial acquisitions and disposals and reflected either as goodwill or within the profit and loss account. The adoption of IAS 27 (revised) had no impact during the current period as there were no transactions with non-controlling interests and no disposals where an interest in an entity was retained after the loss of control (or significant influence or joint control) of that entity.

Improvements to IFRS (2009)

The IASB issued, in April 2009, a number of minor amendments to IFRS which resulted from the IASB's 2009 annual improvements project. These amendments, which were effective either from July 1, 2009 or January 1, 2010, 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.
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, 2010 but are not currently relevant for the Group:

- 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.
- Amendment to IFRS 2 Share Based Payments (Group cash settled and share based payment transactions.
- Amendment to IAS 32 Classification of Rights Issues.

NOTE 2.1.2 FUTURE ADOPTION OF NEW IFRS ACCOUNTING STANDARDS

The following standards, amendments to existing standards and interpretations, published prior to January 1, 2011, were not early adopted by the Group and will be applied in future years:

- IFRS 9 Financial Instruments [1].
- IFRS 7 (amendment) Financial Instruments - Disclosures (adopted October 2010).
- Improvements to IFRS (2010).

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 likely 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 are completed and issued.

Improvements to IFRS (2010)

This set of improvements to IFRS issued by the IASB in May 2010 makes a number of minor amendments to 7 different standards and interpretations. These amendments, which are effective for accounting periods beginning on January 1, 2011, will all be applied by AEGON in its 2011 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.
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, 2011 or later periods but are not material for the Group's operations:

- IAS 24 (revised) Related Party Disclosures.
- IFRIC 14 (amendment) Prepayment of a minimum funding requirement.
- IFRIC 19 Extinguishing financial liabilities with equity instrument.
- IFRS 1 (amendment) First Time Adoption – Limited Exemption from Comparative IFRS 7 Disclosures for First Time Adopters.

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[1] Not yet endorsed by the European Union.

NOTE 2.2 CHANGES IN PRESENTATION

Starting January 1, 2010, AEGON introduced a new reporting format for segment reporting that aligns with changes implemented in the way AEGON manages its businesses. Refer to section 2.5 Segment reporting for details about this change. The change in operating segments had no impact on equity or net income. The comparative segment information presented in note 5 has been adjusted to make the information consistent with the current period figures.

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.

The excess of the consideration paid to acquire the interest and the fair value of any interest already owned, 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. Contingent consideration is discounted and the unwinding is recognized in the income statement as an interest expense. Any changes in the estimated value of contingent considerations given in a business combination are recognised in the income statement.

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 plus the fair value of any retained interest and the carrying amount of the subsidiary including non-controlling interest is recognized in the income statement.

Transactions with minority interests

Transactions with minority interests are accounted for as transactions with equity holders. Therefore disposals to minority interests and acquisitions from minority interests, not resulting in gaining or losing control of the subsidiary are recorded in equity. Any difference between consideration paid or received and the proportionate share in net assets is accounted for in equity attributable to shareholders of AEGON N.V..

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 statements 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

Starting January 1, 2010, AEGON introduced a new reporting format for segment reporting that aligns with changes implemented in the way AEGON manages its business. 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 operating decision maker'. The operating segments are:

- AEGON Americas: Covers business units in the United States, Canada, Mexico and Brazil, including any of the units' activities located outside these countries.
- AEGON The Netherlands: Covers businesses operating in the Netherlands.
- AEGON UK: Covers businesses operating in the United Kingdom.
- New Markets: Covers businesses operating in Central & Eastern Europe, Asia, Spain and France as well as AEGON's variable annuity activities in Europe and AEGON Asset Management.
- Holding and other activities: Includes financing, employee and other administrative expenses of Holding companies.

In addition, AEGON made the following other changes:

- The use of 'operating earnings' is discontinued to further simplify AEGON's reporting and to focus on the key performance indicator 'underlying earnings'.
- The line item 'Run-off businesses' is introduced which includes earnings of certain business units where management has decided to exit the market and to run-off the existing block of business. Currently, this line item includes the earnings of the institutional spread-based business and structured settlements (payout annuities)

business of AEGON Americas. AEGON believes that excluding the earnings of these blocks of business enhances the comparability from period to period of AEGON's key earnings measure, underlying earnings.

- Earnings from the Company's associates in insurance companies in Spain, India, Brazil and Mexico are reported on an underlying earnings basis.

Non-IFRS measures

For segment reporting purposes underlying earnings before tax, income before tax including associated companies and income tax including associated companies are calculated by consolidating on a proportionate basis the revenues and expenses of our associated companies in Spain, India, Brazil and Mexico. AEGON believes that the non-IFRS measures provide meaningful information about the underlying operating results of its business including insight into the financial measures that senior management uses in managing AEGON's business. Among other things senior management is compensated based in part on AEGON's results against targets using the non-IFRS measures presented here. While other insurers in AEGON's peer group present substantially similar non-IFRS measures, the non- IFRS measures presented in this document may nevertheless differ from the non-IFRS measures presented by other insurers. There is no standardized meaning to these measures under IFRS or any other recognized set of accounting standards and readers are cautioned to consider carefully the different ways in which AEGON and its peers present similar information before comparing them. Proportionately consolidated earnings from the Company's associates in insurance companies in Spain, India, Brazil and Mexico are reported on an underlying earnings basis. AEGON has blocks of businesses other than those characterized as run-off businesses under IFRS for which sales have been discontinued of which the earnings are included in underlying earnings.

AEGON believes the non-IFRS measures shown herein, when read together with AEGON's reported IFRS financial statements, provide meaningful supplemental information for the investing public to evaluate AEGON's business after eliminating the impact of current IFRS accounting policies for financial instruments and insurance contracts, which embed a number of accounting policy alternatives that companies may select in presenting their results (i.e. companies can use different local GAAPs) and that can make the comparability from period to period difficult. The reconciliation of this measure to the most comparable IFRS measures is shown in the table Segment reporting on page 150.

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 include assets such as investments in 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 Deferred Policy Acquisition Costs (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 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 and excluded is any over- or underperformance compared to management's expected return. 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 New Markets) are excluded from underlying earnings, the long-term expected return for these guarantees is set at zero.

Holding and other activities include 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 movement resulting from changes in AEGON's credit spread used in the valuation of these bonds are excluded from underlying earnings and reported under fair value items.

Fair value items

Fair value items include the 'over' or 'under' performance of investments and guarantees held at fair value for which the expected long-term return is included in underlying earnings, the gains (losses) on real estate and hedge ineffectiveness.

In addition, hedge ineffectiveness on hedge transactions, fair value changes on economic hedges without natural offset in earnings and for which no hedge accounting is applied and fair value movements on real estate are included under Fair value items.

Realized gains or losses on investments

Includes realized gains and losses on available-for-sale investments, as well as mortgage and loan portfolios.

Impairment charges / (reversals)

Includes impairments (reversals) on available-for-sale debt securities and impairments on shares including the effect of deferred policyholder acquisition costs and mortgage and loan portfolios on amortized cost and associates.

Other income or charges

Other income or charges is used to report any items which cannot be directly allocated to a specific line of business. Also items that are outside the normal course of business are included under this heading.

Other charges include restructuring charges that are considered other charges for segment reporting purposes because these are outside the normal course of business. In the IFRS financial statements, these charges are included in commissions and expenses or impairment charges.

Run-off businesses

Includes results of business units where management has decided to exit the market and to run-off the existing block of business. Currently, this line includes the run-off of the institutional spread-based business and structured settlements blocks of business in the United States. AEGON has other blocks of businesses for which sales have been discontinued of which the earnings are included in underlying earnings.

Share in earnings of associates

Earnings from the Company's associates in insurance companies in Spain, India, Brazil and Mexico are reported on an underlying earnings basis. Other associates are included on a net income basis.

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 and, when the Group retains the right to receive cash flows from the asset or has an obligation to pay received cash flows in full without delay to a third party and either: has transferred the asset and substantially all the risks and rewards of ownership, or has neither transferred nor retained all the risks and rewards but has transferred control of the asset. Financial assets of which the group has neither transferred nor retained significantly all the risk 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 defaults. 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. Such cost includes the cost of replacing part of the real estate and borrowing cost for long term construction projects if recognition criteria are met. 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 (being hedged item) 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 any 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 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. 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 objectively related to a credit 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. Significant or prolonged decline is defined as an unrealized loss position for generally more than 6 months or a fair value of less than 80% of the cost price of the investment. 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 Group 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 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 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 accounted for under IFRS 4 – *Insurance Contracts*. In accordance with this standard AEGON continues to apply the existing accounting policies that were applied prior to the adoption of IFRS, with certain modifications allowed by IFRS 4 for standards effective subsequent to adoption. AEGON applies non-uniform accounting policies for insurance liabilities and related deferred acquisition costs and intangible assets, as was allowed under Dutch Accounting Principles. As a result, specific methodologies applied may differ between our operations as they may reflect local regulatory requirements and local practices for specific product features in these local markets. In the United States we apply US GAAP and in the Netherlands and the United Kingdom we apply Dutch Accounting Principles, both with consideration of standards effective subsequent to the date of transition to IFRS.

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 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 2.19 c 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, 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. Certain of these contracts, however, 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. These future returns on investments take into account management's best estimate related to the actual investments and, where applicable, reinvestments of these investments at maturity.

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.

Deferred tax assets and liabilities are recognised in correlation to the underlying transaction either in profit and loss, other comprehensive income or directly in equity.

NOTE 2.25 CONTINGENT ASSETS AND LIABILITIES

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

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

NOTE 2.26 PREMIUM INCOME

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

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

NOTE 2.27 INVESTMENT INCOME

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

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

NOTE 2.28 FEE AND COMMISSION INCOME

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

NOTE 2.29 POLICYHOLDER CLAIMS AND BENEFITS

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

NOTE 2.30 RESULTS FROM FINANCIAL TRANSACTIONS

Results from financial transactions include:

Net fair value change of general account financial investments at fair value through profit or loss, other than derivatives

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

Realized gains and losses on financial investments

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

Net fair value change of derivatives

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

Net fair value change on for account of policyholder financial assets at fair value through profit or loss

Net fair value change on for account of policyholder financial assets at fair value through profit or loss include fair value movements of investments held for account of policyholders (refer 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 39.

NOTE 2.32 INTEREST CHARGES AND RELATED FEES

Interest charges and related fees includes interest expense on trust pass-through securities and other borrowings. Interest expense on trust pass-through securities 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.

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) and the effects of hedging. 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.

Estimated gross profits on variable life and variable annuity products in the Americas include a short- and long term equity market return assumption. As of the second quarter of 2010, AEGON held its short-term equity market return assumption equal to its long-term assumption at 9%, reflecting continued volatility experienced in equity markets and the use of macro equity hedges.

At December 31, 2010, other assumptions applicable to 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% (2009: 9%); gross short- and long-term fixed security growth rate of 6% (2009: 6%); and the gross short- and long-term growth rate for money market funds of 3.5% (2009: 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 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 or fair value through profit or loss) 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 management's 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 management's 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. In the event no collateral is 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 assumption with market-based implied volatility inputs for the first five years and a long-term forward rate assumption of 25% thereafter. The volume of observable option trading from which volatilities are derived generally declines as the contracts' term increases, therefore, the volatility curve grades from implied volatilities for five years to the ultimate rate. The resulting volatility assumption in year 20 for the S&P 500 index (expressed as a spot rate) was 24.8% at December 31, 2010 and 25.3% at December 31, 2009. Correlations of market returns across underlying indices are based on historical market returns and their inter-relationships over a number of years preceding the valuation date. Assumptions regarding policyholder 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 45 for more details about AEGON's guarantees.

Investment contracts

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

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

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

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.

In accordance with IFRS 7 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.

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 2010
Available-for-sale investments				
Shares	680	63	555	1,298
Debt securities	18,148	73,000	3,788	94,936
Money market and other short-term instruments	–	10,141	–	10,141
Other investments at fair value	60	10	805	875
	18,888	**83,214**	**5,148**	**107,250**
Fair value through profit or loss				
Shares	813	264	1	1,078
Debt securities	46	1,611	132	1,789
Money market and other short-term instruments	289	370	–	659
Other investments at fair value	–	581	1,205	1,786
Investments for account of policyholders [1]	81,442	61,309	2,352	145,103
Derivatives	24	6,049	178	6,251
	82,614	**70,184**	**3,868**	**156,666**
TOTAL FINANCIAL ASSETS AT FAIR VALUE	**101,502**	**153,398**	**9,016**	**263,916**
Financial liabilities carried at fair value				
Investment contracts	–	–	1,656	1,656
Investment contracts for account of policyholders	5,020	20,405	178	25,603
Borrowings [2]	520	467	–	987
Derivatives	10	4,911	1,050	5,971
	5,550	**25,783**	**2,884**	**34,217**

[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.

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 2010, the amount of assets transferred from Level I to Level II classification was EUR 469 million (2009: 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, 2010	Total gains / (losses) in income statement [1]	Total gains / (losses) in OCI	Purchases	Sales	Settlements	Net exchange differences	Transfers from Levels I and II	Transfers to Levels I and II	At December 31, 2010	Total gains or losses for the period included in profit and loss for assets held at December 31, 2010 [2]
Available-for-sale investments											
Shares	443	3	52	163	(159)	–	16	37	–	555	–
Debt securities	4,334	(85)	475	460	(339)	(418)	311	375	(1,325)	3,788	–
Money market and other short-term instruments	10	–	–	–	(10)	–	–	–	–	–	–
Other investments at fair value	842	(140)	(73)	172	(47)	(17)	68	–	–	805	–
	5,629	**(222)**	**454**	**795**	**(555)**	**(435)**	**395**	**412**	**(1,325)**	**5,148**	**–**
Fair value through profit or loss											
Shares	14	1	–	–	(15)	–	1	–	–	1	–
Debt securities	142	–	2	1	(25)	(1)	1	19	(7)	132	(2)
Other investments at fair value	1,080	66	–	159	(149)	–	84	77	(112)	1,205	62
Investments for account of policyholders	2,776	153	–	396	(1,108)	–	100	191	(156)	2,352	106
Derivatives	170	(28)	–	18	(6)	(6)	7	23	–	178	(2)
	4,182	**192**	**2**	**574**	**(1,303)**	**(7)**	**193**	**310**	**(275)**	**3,868**	**164**
Financial liabilities carried at fair value											
Investment contracts	(1,145)	(511)	–	–	–	–	–	–	–	(1,656)	(511)
Investment contracts for account of policyholders	(521)	(18)	–	(24)	430	–	(45)	–	–	(178)	–
Derivatives	(1,683)	720	1	(1)	9	–	(96)	–	–	(1,050)	–
	(3,349)	**191**	**1**	**(25)**	**439**	**–**	**(141)**	**–**	**–**	**(2,884)**	**(511)**

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.

Financial assets carried at fair value	At January 1, 2009	Total gains / (losses) in income state ment [1]	Total gains / (losses) in OCI	Pur-chases	Sales	Settle-ments	Net ex-change differ-ences	Trans-fers from Levels I and II	Trans-fers to Levels I and II	At Decem-ber 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	729	115	(295)	264	(363)	–	(7)	–	–	443	–
Debt securities	6,234	(341)	930	847	(358)	(727)	(130)	343	(2,464)	4,334	–
Money market and other short-term instruments	61	–	–	–	(51)	–	–	–	–	10	–
Other investments at fair value	841	(141)	(22)	230	(35)	(2)	(29)	–	–	842	–
	7,865	**(367)**	**613**	**1,341**	**(807)**	**(729)**	**(166)**	**343**	**(2,464)**	**5,629**	**–**
Fair value through profit or loss											
Shares	73	4	–	–	(62)	–	(1)	–	–	14	1
Debt securities	217	(11)	9	–	(66)	(7)	2	6	(8)	142	5
Other investments at fair value	1,379	(216)	–	126	(160)	–	(41)	95	(103)	1,080	(233)
Investments for account of policyholders	3,344	(196)	–	480	(840)	–	(12)	–	–	2,776	(25)
Derivatives	296	(129)	–	18	(2)	(34)	21	–	–	170	(118)
	5,309	**(548)**	**9**	**624**	**(1,130)**	**(41)**	**(31)**	**101**	**(111)**	**4,182**	**(370)**
Financial liabilities carried at fair value											
Investment contracts	(2,410)	1,265	–	–	–	–	–	–	–	(1,145)	1,265
Investment contracts for account of policyholders	(301)	31	–	(287)	20	–	16	–	–	(521)	–
Derivatives	(2,354)	744	–	(3)	36	–	(106)	–	–	(1,683)	(32)
	(5,065)	**2,040**	**–**	**(290)**	**56**	**–**	**(90)**	**–**	**–**	**(3,349)**	**1,233**

[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 2010, 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 722 million (2009: EUR 444 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 2010, 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 1,600 million (2009: EUR 2,575 million). The change in level was mainly the 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 161 million (pre-tax) (2009: EUR 1,125 million).

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, 2010			December 31, 2009		
Financial assets carried at fair value	**Note**	Carrying amount	Effect of reasonably possible alternative assumptions (+/-)		Carrying amount	Effect of reasonably possible alternative assumptions (+/-)	
			Increase	Decrease		Increase	Decrease
Available-for-sale investments							
Shares	a	555	31	(31)	443	20	(20)
Debt securities	b	3,788	189	(189)	4,334	219	(219)
Money market and other short-term investments	b	–	–	–	10	1	(1)
Other		805	11	(10)	842	13	(13)
Financial assets designated at fair value through profit or loss [1]							
Shares		–	–	–	14	1	(1)
Debt securities		132	7	(7)	142	15	(15)
Other investments at fair value	c	1,205	177	(177)	1,080	136	(136)
Derivatives	d	38	3	(3)	27	3	(3)
Financial liabilities carried at fair value							
Investment contracts	e	1,656	126	(118)	1,145	94	(87)
Derivatives	f	1,050	102	(99)	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 178 million (2009: 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 1,117 million; 2009: EUR 1,239 million) and other structured debt securities (EUR 2,610 million; 2009: 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 types 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 475 million; 2009: EUR 444 million) and private equity investments (EUR 692 million; 2009: 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 possible alternative assumption analysis for this portfolio.

d. Derivatives exclude derivatives for account of policyholders amounting to EUR 140 million (2009: 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 0.9 billion; 2009: 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. 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 ABS, cash flow trends and underlying levels of collateral are monitored.

Housing related ABS 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. Housing related ABS, CMBS and RMBS asset specialists utilize modeling software to perform a loan-by-loan, bottom-up approach to modeling. The Housing related ABS models incorporate market estimates on the property market, borrowing characteristics, propensity of a borrower to default 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. Once the entire pool is modelled, the results are analyzed by internal asset specialists to determine whether or not a particular tranche or holding is at risk for not collecting all contractual cash flows taking into account the seniority and other terms of the tranches held. AEGON impaired its particular tranche to fair value where it would not be able to receive all contractual cashflows.

In addition, at least quarterly, AEGON reviews all housing related ABS, CMBS and RMBS in relation to both severity and duration of unrealized losses. Reviews include a realized loss analysis and analysis where the remaining exposure to the issuer is in a material unrealized loss position. Housing related ABS, 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. AEGON impairs a particular tranche to fair value where it would not be able to receive all contractual cash flows. The impairment analysis is therefore based on a combination of models and analyst reviews 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 level of protection provided by the subordination 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. Key assumptions used in the models are projected defaults, loss severities and prepayments. Each of these key assumptions varies greatly based on the significantly diverse characteristics of the current collateral pool for each security. Loan-to-value, loan size and borrower credit history are some of the key characteristics used to determine the level of assumption that is utilized. 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. Assumed defaults on delinquent loans are dependent on the specific security's collateral attributes and historical performance. Loss severity assumptions were determined by observing historical rates from broader market data, while being adjusted for specific pool performance, collateral type, mortgage insurance and estimated loan modifications. Prepayments were estimated by examining historical averages of prepayment activity on the underlying collateral. Once the entire pool is modelled, the results are analyzed by the internal asset specialist to determine whether or not particular tranches or holdings are at risk for not collecting all contractual cash flows taking into account the seniority and other terms of the tranches held. AEGON impaired its particular tranche to fair value where it would not be able to receive all contractual cash flows.

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.

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 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 shareholders' equity to various scenarios. For each type of market risk, the analysis shows how net income and shareholders' 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 DPAC 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 shareholders' equity. AEGON has classified a significant part of its investment portfolio as 'available for sale', which is one of the main reasons why the economic shocks tested have a different impact on net income than on shareholders' equity. Unrealized gains and losses on these assets are not recognized in the income statement but are booked directly to the revaluation reserves in shareholders' equity, unless impaired. As a result, economic sensitivities predominantly impact shareholders' 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 shareholders' 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 shareholders' 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.

1 Please refer to note 3 for a description of the critical accounting estimates and judgments.

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 shareholders' equity in functional currency are shown in the table below:

	2010	2009	2008
Net income (loss)			
AEGON Americas (in USD)	1,494	697	(2,022)
AEGON The Netherlands (in EUR)	711	241	94
United Kingdom (in GBP)	72	8	84
New Markets (in EUR)	91	(289)	(34)
Equity in functional currency			
AEGON Americas (in USD)	21,335	17,586	10,617
AEGON The Netherlands (in EUR)	4,080	3,544	2,954
United Kingdom (in GBP)	2,469	2,168	1,200
New Markets (in EUR)	1,853	1,778	2,008

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	2010	2009	2008	2007	2006
USD	1.34	1.44	1.39	1.47	1.32
GBP	0.86	0.89	0.95	0.73	0.67

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 shareholders' equity
2010		
Increase by 15% of non-euro currencies relative to the euro	166	2,620
Decrease by 15% of non-euro currencies relative to the euro	(166)	(2,620)
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)

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.

	2010	2009	2008	2007	2006
3-month US LIBOR	0.30%	0.25%	1.42%	4.70%	5.36%
3-month EURIBOR	1.01%	0.70%	2.89%	4.69%	3.73%
10-year US Treasury	3.29%	3.83%	2.22%	4.03%	4.70%
10-year Dutch government	3.15%	3.56%	3.54%	4.32%	3.97%

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 shareholders' equity. Increases in interest rates have a negative effect on shareholders' 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 rates would also 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. 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 shareholders' equity
2010		
Shift up 100 basis points	(77)	(3,529)
Shift down 100 basis points	(142)	3,432
2009		
Shift up 100 basis points	(270)	(3,820)
Shift down 100 basis points	(111)	3,463

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 48 and note 49 for further information on capital commitments and contingencies and on collateral given, which may expose the Group to credit risk.

General account exposure	Exposure 2010	Exposure 2009
Shares [1]	2,376	2,096
Debt securities - carried at fair value	96,725	91,398
Debt securities - carried at amortized cost	139	70
Money market and other short-term investments - carried at fair value	10,800	10,064
Mortgage loans - carried at amortized cost	23,781	21,525
Private loans - carried at amortized cost	829	760
Other loans - carried at amortized cost	3,093	3,283
Other financial assets - carried at fair value	2,661	2,430
Derivatives with positive values	5,722	4,428
Reinsurance assets	5,489	4,953
AT DECEMBER 31	**151,615**	**141,007**

[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:

	2010		2009	
CDOs and CDSs	Notional	Fair value	Notional	Fair value
Synthetic CDOs	78	–	80	(6)
CDSs	3,306	(6)	989	(11)

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 markets froze, which ultimately resulted in a restructuring of the Asset Backed Commercial Paper (ABCP) into long term asset backed notes. The restructuring required AEGON to restructure its EUR 113 million notional liquidity facility agreement backing the original ABCP. To restructure the liquidity facility, AEGON entered into swaps (the "Swaps") that are linked to three collaterilized debt obligations comprising the assets within the liquidity facility backed ABCP (the "CDO"). The three CDOs are as follows:

- 15%-30% tranche of a bespoke CDO (EUR 957 million notional) maturing 6/20/2013
- 30%-60% tranche of the CDX.IG.6 index (EUR 766 million notional) maturing 6/20/2016
- 30%-60% tranche of the CDX.IG.7 index (EUR 287 million notional) maturing 12/20/2016

AEGON has issued the Swaps under an ISDA Master Agreement requiring collateralization of the Swap's market value. The amount of collateral to be posted by AEGON is subject to a threshold of EUR 15 million, provided AEGON maintains it current credit rating.

The Swaps exposure to the CDO will be reduced by a proportionate share of the assets that supported the original ABCP and from additional funding sources negotiated as part of the ABCP restructuring (the "Margin"). The market value of the Margin allocated to the Swaps is EUR 403 million. If losses attached to any of the CDO that exceeds the fair value of the Margin, then AEGON will recognize a loss on its Swaps. AEGON considers it remote that a loss will be incurred due to the attachment point on the tranches and the amount of Margin.

The Swaps also incorporate the unwind triggers that were built into the restructured long term notes. The triggers are defined by a matrix based on credit losses and credit spreads related to the underlying CDX.IG.7. If a trigger event occurs, AEGON will have the option to continue with the existing Swaps, settle the market value of the Swaps, or terminate the Swaps and enter directly into the reference CDO while taking ownership of a proportionate share of the Margin.

AEGON manages credit risk exposure by individual counterparty, sector and asset class, including cash positions. Normally, AEGON mitigates credit risk in derivative contracts by entering into collateral agreements, where practical, and in 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 which 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 OTC 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 and 2010 AEGON did not take possession of collateral or call on other credit enhancements. The credit risk associated with financial assets subject to a master netting agreement 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 individual country units. The limits also vary by a rating system, which is a composite of the main rating agencies (S&P, Moody's and Fitch) 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 (GRCC). The policy is reviewed regularly.

At December 31, 2010, there were two violations of the Credit Name Limit Policy at the group level, both of which have received exemption from GRCC.

Under the Credit Name Limit Policy, AEGON's largest credit exposures are to JPMorgan, ING, Barclays, Rabobank and Bank of America. AEGON had large investments in sovereign backed assets, the largest being in the UK, Germany, The Netherlands, France and the USA, but AAA rated sovereign assets are excluded from the policy.

AEGON Group level long-term counterparty exposure limits at the end of 2010 are as follows:

Credit rating In EUR million	Group Limit
AAA	900
AA	900
A	600
BBB	400
BB	200
B	125
CCC or lower	50

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 and National Association of Insurance Commissioners (NAIC).

Credit rating general account investments excluding reinsurance assets	Americas		The Netherlands		United Kingdom		New Markets		Total 2010 [1]	
	Amort cost	Fair value	Amort cost	Fair value	Amort cost	Fair value	Amort cost	Fair value	Amort cost	Fair value
Sovereign exposure	–	4,554	92	9,339	–	1,635	–	56	92	15,584
AAA	666	13,893	289	2,633	–	355	–	186	955	17,361
AA	3,597	8,818	466	1,650	–	1,435	33	559	4,096	12,459
A	3,388	25,707	304	3,416	–	3,812	50	624	3,742	33,562
BBB	726	19,602	50	1,149	–	1,717	39	511	815	22,979
BB	396	2,576	38	228	–	162	33	16	467	2,982
B	7	1,284	11	50	–	27	6	4	24	1,365
CCC or lower	25	673	–	22	–	–	–	3	25	698
Assets not rated	2,180	4,075	14,126	5,137	9	61	478	83	16,793	9,585
Total	**10,985**	**81,182**	**15,376**	**23,624**	**9**	**9,204**	**639**	**2,042**	**27,009**	**116,575**
Past due and / or impaired assets	427	1,309	254	343	–	56	153	–	834	1,708
AT DECEMBER 31	**11,412**	**82,491**	**15,630**	**23,967**	**9**	**9,260**	**792**	**2,042**	**27,843**	**118,283**

[1] Includes investments of Holding and other activities.

Credit rating general account investments excluding reinsurance assets	Americas		The Netherlands		United Kingdom		New Markets		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.

The following table shows the credit quality of the gross balance sheet positions for general account reinsurance assets specifically:

	Carrying value 2010	Carrying value 2009
AAA	10	214
AA	3,565	3,455
A	1,282	638
Below A	16	156
Not rated	616	490
AT DECEMBER 31	**5,489**	**4,953**

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	New Markets	Total 2010 [1]	Of which past due and / or impaired assets
ABSs - Collateralized Bond Obligations (CBOs)	692	754	–	–	1,446	43
ABSs - Housing related	1,457	–	433	185	2,075	254
ABSs - Credit cards	2,123	134	–	–	2,257	–
ABSs - Other	1,983	178	897	19	3,077	78
Residential mortgage backed securities	4,129	1,362	–	1	5,492	703
Commercial mortgage backed securities	6,725	3	371	2	7,101	6
Financial - Banking	5,872	3,312	1,421	350	11,244	76
Financial - Other	14,762	375	1,163	125	16,429	42
Industrial	27,240	1,995	2,092	197	31,524	57
Utility	5,856	360	1,092	115	7,423	11
Sovereign exposure	6,749	10,032	1,729	1,086	19,596	1
AT DECEMBER 31	**77,588**	**18,505**	**9,198**	**2,080**	**107,664**	**1,271**

[1] Includes investments of Holding and other activities.

Credit risk concentrations - mortgages	Americas	The Netherlands	United Kingdom	New Markets	Total 2010 [1]	Of which past due and / or impaired assets
Agricultural	387	–	–	–	387	87
Apartment	1,640	–	–	–	1,640	67
Industrial	1,500	–	–	–	1,500	106
Office	3,398	37	–	–	3,435	63
Retail	1,907	25	–	–	1,932	78
Other commercial	373	7	–	–	380	24
Residential	60	14,076	–	371	14,507	399
AT DECEMBER 31	**9,265**	**14,145**	**–**	**371**	**23,781**	**824**

[1] Includes investments of Holding and other activities.

Credit risk concentrations - debt securities and money market investments	Americas	The Netherlands	United Kingdom	New Markets	**Total 2009**[1]	Of which past due and / or impaired assets
ABSs - Collateralized Bond Obligations (CBOs)	595	655	–	–	1,250	28
ABSs - Housing related	1,341	–	219	60	1,620	85
ABSs - Credit cards	2,615	374	–	–	2,989	–
ABSs - Other	2,075	237	793	–	3,105	15
Residential mortgage backed securities	3,581	1,641	15	2	5,239	236
Commercial mortgage backed securities	5,514	22	314	125	5,975	9
Financial - Banking	5,679	3,668	1,491	411	11,871	93
Financial - Other	12,078	455	1,077	103	13,713	93
Industrial	24,324	2,077	2,161	184	28,746	117
Utility	5,259	387	1,100	74	6,820	9
Sovereign exposure	6,515	10,868	682	1,090	20,203	4
AT DECEMBER 31	**69,576**	**20,384**	**7,852**	**2,049**	**101,531**	**689**

[1] Includes investments of Holding and other activities.

Credit risk concentrations - mortgages	Americas	The Netherlands	United Kingdom	New Markets	**Total 2009**[1]	Of which past due and / or impaired assets
Agricultural	498	25	–	–	523	136
Apartment	1,731	–	–	–	1,731	55
Industrial	1,789	–	–	–	1,789	89
Office	3,728	48	–	–	3,776	93
Retail	1,756	19	–	–	1,775	34
Other commercial	402	33	–	–	435	6
Residential	65	11,157	–	274	11,496	371
AT DECEMBER 31	**9,969**	**11,282**	**–**	**274**	**21,525**	**784**

[1] Includes investments of Holding and other activities.

The fair value of AEGON Americas commercial mortgage portfolio as per December 31, 2010 amounts to EUR 9,317 million (2009: EUR 9,338 million). The loan to value (LTV) amounts to about 66% (2009: 65%). 2.68% (2009: 2.48%) of the portfolio is in delinquency (defined as 60 days in arrears). In 2010 we recognized impairments of EUR 67 million on this portfolio. AEGON foreclosed upon, or recovered EUR 169 million of real state. The impairments associated with these loans amounted to EUR 13 million.

The fair value of AEGON The Netherlands mortgage portfolio as per December 31, 2010 amounts to EUR 14,668 million (2009: EUR 11,476 million). The LTV amounts to about 93% (2009: 95%). A significant part of the portfolio (52%; 2009: 51%) is government guaranteed. 0.8% (2009: 1.0%) of the portfolio is in delinquency (defined as 60 days in arrears). There were no significant impairments during 2009 and 2010. Historical defaults of the portfolio have been between 2 and 9 basis points per year.

Included in the debt securities and money market investments are EUR 139 million of assets that have been classified as held-to-maturity and are therefore carried at amortized cost (2009: EUR 70 million). Of the EUR 139 million assets held-to-maturity, EUR 29 million are government bonds (2009: EUR 11 million) and EUR 110 million is corporate exposure (2009: EUR 59 million).

ADDITIONAL INFORMATION ON CREDIT CONCENTRATION IN CERTAIN SECTORS

Government bond investments

Included in AEGON's sovereign investments are exposures to central governments of the European peripheral countries of Portugal, Italy, Ireland, Greece and Spain. The table below provides the amortized cost and fair value of our exposure to central government of these countries.

	Amortized cost 2010	Fair value 2010	Amortized cost 2009	Fair value 2009
Portugal	33	32	56	58
Italy	114	112	138	143
Ireland	37	32	135	138
Greece	58	45	94	92
Spain	1,008	904	1,769	1,784
AT DECEMBER 31	**1,250**	**1,125**	**2,192**	**2,215**

AEGON Americas Exposure [1]	2010	2009
ABSs – Housing related	1,457	1,341
Residential mortgage backed securities (RMBS)	4,129	3,581
Commercial mortgage backed securities (CMBS)	6,725	5,514

[1] Exposures include past due and impaired assets.

The fair values of these instruments were determined as follows:

	Level II	Level III	Total 2010	Level II	Level III	Total 2009
ABSs – Housing related	1,294	163	1,457	1,125	216	1,341
RMBS	3,430	699	4,129	2,429	1,152	3,581
CMBS	6,575	150	6,725	5,350	164	5,514

HOUSING RELATED ABS

AEGON Americas holds EUR 1,457 million (2009: EUR 1,341 million) of Housing related ABS securities of which AEGON USA holds EUR 1,448 million (2009: EUR 1,319 million). The unrealized loss on the AEGON USA Housing related ABS securities amounts to EUR 312 million (2009: EUR 629 million).
Housing related ABS securities are secured by pools of residential mortgage loans primarily those which are categorized as subprime. The unrealized loss is primarily due to decreased liquidity and increased credit spreads in the market combined with significant increases in expected losses on loans within the underlying pools. Expected losses within the underlying pools are generally higher than original expectations, primarily in certain later-vintage adjustable rate mortgage loan pools, which has led to some rating downgrades in these securities.

ABS – Subprime mortgage exposure

AEGON USA does not currently invest in or originate whole loan residential mortgages. AEGON USA categorizes asset backed securities issued by a securitization trust as having subprime mortgage exposure when the average credit score of the underlying mortgage borrowers in a securitization trust is below FICO score 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 FICO score 660 at issuance. As of December 31, 2010, the amortized cost of investments backed by subprime mortgage loans was EUR 1,610 million (2009: EUR 1,805 million) and the market value was EUR 1,302 million (2009: EUR 1,202 million).

The following table provides the amortized costs of the ABS subprime mortgage exposure by quality and vintage. Disclosure of ratings follows a hierarchy of S&P, Moody's, Fitch, internal and NAIC.

	Amortized cost by quality and vintage						
	AAA	AA	A	BBB	< BBB	**Total**	Of which insured
Pre-2005	283	33	12	6	31	365	60
2005	91	33	20	–	3	147	–
2006	14	–	–	7	51	72	11
2007	27	100	–	2	63	192	100
2008	–	18	–	–	–	18	18
Total subprime mortgages - Fixed rate	**415**	**184**	**32**	**15**	**148**	**794**	**189**
Pre-2005	17	4	–	1	40	62	31
2005	54	38	–	20	13	125	–
2006	7	45	–	3	72	127	11
2007	4	17	–	6	99	126	20
2008	–	15	–	–	–	15	15
Total subprime mortgages - Floating rate	**82**	**119**	**–**	**30**	**224**	**455**	**77**
Pre-2005	41	4	7	24	10	86	42
2005	–	–	–	25	10	35	35
2006	–	1	10	–	60	71	71
2007	–	4	–	–	165	169	169
Total second lien mortgages [1]	**41**	**9**	**17**	**49**	**245**	**361**	**317**
AT DECEMBER 31, 2010	**538**	**312**	**49**	**94**	**617**	**1,610**	**583**

[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 - 2009 figures:

	Amortized cost by Quality and Vintage						
	AAA	AA	A	BBB	< BBB	**Total**	Of which insured
Pre-2005	314	36	9	–	42	401	82
2005	118	8	19	–	3	148	–
2006	15	–	–	7	69	91	17
2007	124	–	–	2	85	211	96
2008	17	–	–	–	–	17	17
Total subprime mortgages - Fixed rate	**588**	**44**	**28**	**9**	**199**	**868**	**212**
Pre-2005	17	19	2	13	17	68	30
2005	60	40	–	19	13	132	–
2006	11	46	–	3	87	147	–
2007	14	15	–	–	126	155	17
2008	16	–	–	–	–	16	16
Total subprime mortgages - Floating rate	**118**	**120**	**2**	**35**	**243**	**518**	**63**
Pre-2005	51	8	8	27	8	102	47
2005	–	–	–	27	13	40	40
2006	–	4	9	8	51	72	72
2007	6	–	–	–	199	205	204
Total second lien mortgages 1	**57**	**12**	**17**	**62**	**271**	**419**	**363**
AT DECEMBER 31, 2009	**763**	**176**	**47**	**106**	**713**	**1,805**	**638**

[1] Second lien collateral primarily composed of loans to prime and Alt-A borrowers.

Additionally, AEGON USA has exposure to ABS collateralized by manufactured housing loans. The market value of these securities is EUR 125 million (2009: EUR 122 million) with an amortized cost balance of EUR 132 million (2009: EUR 135 million). All but three positions 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 4,121 million (2009: EUR 3,572 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 tables below summarize the credit quality of these securities based on a hierarchy of S&P, Moody's, Fitch, internal and NAIC of the RMBS portfolio.

The unrealized loss on RMBS is EUR 457 million which relates to positions of AEGON USA. The pace of deterioration continued in early 2009, but began to stabilize in late 2009 and continued to stabilize in 2010. Even with the stabilization, fundamentals in RMBS securities continue to be weak which impacts the magnitude of the unrealized loss. 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 market uncertainty, credit spreads remain elevated across the asset class. In addition, a high percentage of the RMBS portfolio is comprised of floating rate securities, which has resulted in higher unrealized losses relative to fixed rate securities but not necessarily in higher default losses.

	AAA	AA	A	BBB	<BBB	Total amortized cost	Total fair value
GSE guaranteed	1,859	–	–	–	–	1,859	1,884
Prime Jumbo	122	22	120	13	177	454	418
Alt-A	71	12	–	27	619	729	701
Negative amortization floaters	171	49	43	66	865	1,194	821
Reverse mortgage floaters	103	–	–	239	–	342	297
AT DECEMBER 31, 2010	**2,326**	**83**	**163**	**345**	**1,661**	**4,578**	**4,121**
Of which insured	–	–	–	1	10	11	11

	SSNR [1]	SNR [2]	MEZZ [3]	SSUP [4]	Total amortized cost	Total fair value
GSE guaranteed	–	1,859	–	–	1,859	1,884
Prime Jumbo	196	230	19	9	454	418
Alt-A	493	233	2	1	729	701
Negative amortization floaters	1,140	24	7	23	1,194	821
Reverse mortgage floaters	–	342	–	–	342	297
AT DECEMBER 31, 2010	**1,829**	**2,688**	**28**	**33**	**4,578**	**4,121**
Of which insured	–	1	–	10	11	11

[1] SSNR - super senior
[2] SNR - senior
[3] MEZZ - mezzanine
[4] SSUP - senior support

	AAA	AA	A	BBB	<BBB	Total amortized cost	Total fair value
GSE guaranteed	1,464	–	–	–	–	1,464	1,487
Prime Jumbo	281	16	10	6	203	516	404
Alt-A	151	12	17	–	682	862	667
Negative amortization floaters	283	44	62	91	882	1,362	722
Reverse mortgage floaters	350	–	–	–	–	350	292
AT DECEMBER 31, 2009	**2,529**	**72**	**89**	**97**	**1,767**	**4,554**	**3,572**
Of which insured	–	–	13	1	30	44	8

	SSNR [1]	SNR [2]	MEZZ [3]	SSUP [4]	Total amortized cost	Total fair value
GSE guaranteed	–	1,464	–	–	1,464	1,487
Prime Jumbo	222	256	21	17	516	404
Alt-A	586	272	3	1	862	667
Negative amortization floaters	1,273	26	7	56	1,362	722
Reverse mortgage floaters	–	350	–	–	350	292
AT DECEMBER 31, 2009	**2,081**	**2,368**	**31**	**74**	**4,554**	**3,572**
Of which insured	–	1	–	43	44	8

[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 701 million at December 31, 2010 (2009: EUR 667 million). Net unrealized losses amount to EUR 28 million at December 31, 2010 (2009: EUR 195 million). Alt-A loans are made to borrowers whose qualifying mortgage characteristics do not meet the standard underwriting criteria established by the GSEs. 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.

	2010		2009	
Rating	Amortized cost	%	Amortized cost	%
AAA	71	9.7%	151	17.5%
AA	12	1.7%	12	1.4%
A	–	–	17	2.0%
BBB	27	3.7%	–	–
<BBB	619	84.9%	682	79.1%
AT DECEMBER 31	**729**	**100.0%**	**862**	**100.0%**

	2010		2009	
Vintage	Amortized cost	%	Amortized cost	%
Prior 2005	76	10.4%	69	8.0%
2005	108	14.8%	131	15.2%
2006	163	22.4%	187	21.7%
2007	265	36.4%	324	37.6%
2008	117	16.0%	151	17.5%
AT DECEMBER 31	**729**	**100.0%**	**862**	**100.0%**

Negative Amortization (option ARMs) Mortgage Exposure

As part of AEGON USA's RMBS Exposure, AEGON USA holds EUR 821 million of Negative Amortization Floaters (2009: EUR 722 million), net unrealized losses on this portfolio amount to EUR 373 million at December 31, 2010 (2009: EUR 640 million). Negative Amortization Floaters (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 three and five years from the date of origination.

AEGON's exposure to Negative Amortization Floaters 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.

	2010		2009	
Rating	Amortized cost	%	Amortized cost	%
AAA	171	14.3%	283	20.8%
AA	49	4.1%	44	3.2%
A	43	3.6%	62	4.6%
BBB	66	5.5%	91	6.7%
<BBB	865	72.5%	882	64.7%
AT DECEMBER 31	**1,194**	**100.0%**	**1,362**	**100.0%**

	2010		2009	
Vintage	Amortized cost	%	Amortized cost	%
Prior 2005	33	2.8%	37	2.7%
2005	381	31.9%	427	31.4%
2006	466	39.0%	538	39.5%
2007	289	24.2%	319	23.4%
2008	25	2.1%	41	3.0%
AT DECEMBER 31	**1,194**	**100.0%**	**1,362**	**100.0%**

Commercial mortgage backed securities

AEGON USA holds EUR 6,700 million (2009: EUR 5,482 million) of CMBS. The unrealized loss on CMBS is EUR 56 million (2009: EUR 878 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 305 million, and the total net unrealized loss on CMBS of AEGON USA is EUR 56 million. Over the past 24 months, the commercial real estate market experienced a deterioration in property level fundamentals, which has led to an increase in CMBS loan-level delinquencies. The introduction of the 20% and 30% credit enhanced classes within the 2005-2008 vintage deals provide some offset to these negative fundamentals.

Despite advancements in the availability of financing for commercial real estate, as evidenced by the gradual reopening of the CMBS markets, the lending market remains limited as lenders continue to be more conservative with underwriting standards. Moreover, property transactions have increased but still remain low relative to historical standards. While liquidity has improved within the CMBS market, a broad re-pricing of risk has kept credit spreads across the subordinate CMBS tranches at wide levels.

CMBS exposure by quality	AAA	AA	A	BBB	< BBB	Total amortized cost	Total fair value
CMBS	5,068	637	583	152	169	6,609	6,618
CMBS and CRE CDOs	30	20	35	15	47	147	82
AT DECEMBER 31, 2010	**5,098**	**657**	**618**	**167**	**216**	**6,756**	**6,700**
CMBS	4,520	681	477	306	219	6,203	5,418
CMBS and CRE CDOs	72	48	13	24	–	157	64
AT DECEMBER 31, 2009	**4,592**	**729**	**490**	**330**	**219**	**6,360**	**5,482**

AEGON USA ABS - NON HOUSING EXPOSURE

AEGON USA holds EUR 4,715 million (2009: EUR 5,216 million) of non-housing related ABS, net unrealized losses on this portfolio amount to EUR 204 million at December 31, 2010 (2009: EUR 496 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 amortized cost	Total fair value
Credit cards	1,145	97	249	504	10	2,005	2,044
Autos	395	77	–	–	93	565	574
Small business loans	180	120	14	62	60	436	335
CDOs backed by ABS, Corp. Bonds, Bank loans	314	377	16	19	40	766	691
Other ABS	508	156	170	76	237	1,147	1,071
AT DECEMBER 31, 2010	**2,542**	**827**	**449**	**661**	**440**	**4,919**	**4,715**
Credit cards	1,227	382	355	609	14	2,587	2,548
Autos	304	87	106	41	188	726	725
Small business loans	414	9	11	31	–	465	322
CDOs backed by ABS, Corp. Bonds, Bank loans	413	208	42	19	37	719	596
Other ABS	551	124	299	187	54	1,215	1,025
AT DECEMBER 31, 2009	**2,909**	**810**	**813**	**887**	**293**	**5,712**	**5,216**

The fair values of AEGON USA's ABS- non housing instruments were determined as follows:

			2010
	Level II	Level III	Total
ABSs – non housing	3,324	1,391	4,715

			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-CDOs 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 11,244 million (2009: EUR 11,871 million) of bonds issued by banks. The net unrealized loss on these bonds amount to EUR 386 million (2009: EUR 799 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 follow table highlights AEGON's credit risk to capital securities within the banking sector:

	Americas	The Netherlands	United Kingdom	New Markets	**Total cost price**	**Total fair value**
Hybrid	183	–	38	1	222	196
Trust Preferred	566	–	50	–	616	495
Tier 1	480	195	490	48	1,213	1,038
Upper Tier 2	673	63	136	7	879	718
AT DECEMBER 31, 2010	**1,902**	**258**	**714**	**56**	**2,930**	**2,447**
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**

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 1.4 billion of the bonds in AEGON USA's portfolio are insured by monoline insurers (2009: EUR 1.7 billion), of which EUR 427 million of bonds (2009: EUR 381 million) in the EUR 1.3 billion subprime portfolio (2009: EUR 1.2 billion). Expected claims against the monolines amount to EUR 122 million (2009: EUR 160 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 insured by monoline insurers. The disclosure by rating follows a hierarchy of S&P, Moody's, Fitch, internal and NAIC.

	2010		2009	
Bonds insured by monoline insurers	Cost price	Fair value	Cost price	Fair value
AAA	116	114	439	343
AA	354	301	51	45
<AA	912	741	1,171	829
AT DECEMBER 31	**1,382**	**1,156**	**1,661**	**1,217**

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 1,382 million (2009: EUR 1,661 million) indirect exposure on the monoline insurers, 35% relates to MBIA, 24% to AMBAC, 10% to FGIC and 15% to FSA (2009: 35% related to MBIA, 29% to AMBAC, 9% to FGIC and 14% to FSA). Of the remaining 16% (2009: 13%), no individual monoline insurer represents more than 10% of the total wrapped portfolio.

In addition to its indirect exposure via wrapped bonds, AEGON USA also has direct exposure of EUR 8 million (2009: EUR 38 million) via holdings in monoline insurers and derivative counterparty exposure where monoline insurers are AEGON's counterparty. Of AEGON's direct exposure 100% relates to MBIA (2009: 36% related to XL, 25% to MBIA, 39% to AMBAC).

Past due and impaired assets

The tables that follow provide information on past due and individually impaired financial assets for the whole AEGON Group. 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 (2009: EUR 13 million). At December 31, 2010 EUR 377 million (2009: EUR 165 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.

Past due but not impaired assets	2010 0-6 months	2010 6-12 months	2010 > 1 year	2010 Total	2009 0-6 months	2009 6-12 months	2009 > 1 year	2009 Total
Debt securities - carried at fair value	73	57	15	145	19	–	1	20
Mortgage loans	120	50	19	189	77	11	77	165
Other loans	1	–	1	2	–	–	–	–
Accrued Interest	–	–	1	1	2	–	–	2
AT DECEMBER 31	**194**	**107**	**36**	**337**	**98**	**11**	**78**	**187**

Impaired financial assets	Carrying amount 2010	Carrying amount 2009
Shares	402	344
Debt securities – carried at fair value	1,126	669
Mortgage loans	635	619
Other loans	7	8
Other financial assets – carried at fair value	36	41
AT DECEMBER 31	**2,206**	**1,681**

EQUITY, REAL ESTATE AND NON-FIXED INCOME EXPOSURE

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. AEGON also operates an Investment and Counterparty Policy that limits the Group's overall counterparty risk exposure.

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	New Markets	Holding and other activities	**Total 2010**
Equity funds	844	419	–	59	–	1,322
Common shares [1]	370	335	62	12	(3)	776
Preferred shares	105	14	–	–	–	119
Investments in real estate	729	2,055	–	–	–	2,784
Hedge funds	617	127	–	–	–	744
Other alternative investments	1,458	–	–	–	–	1,458
Other financial assets	522	90	–	6	–	618
AT DECEMBER 31	**4,645**	**3,040**	**62**	**77**	**(3)**	**7,821**

[1] Common shares in Holdings and other activities reflect the elimination of treasury shares in the general account.

Equity, real estate and non-fixed income exposure	Americas	The Nether-lands	United Kingdom	New Markets	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 in the general account.

The tables that follow present specific market risk concentration information for general account shares.

Market risk concentrations - shares	Americas	The Netherlands	United Kingdom	New Markets	Total 2010 [1]	Of which impaired assets
Communication	40	–	–	–	40	–
Consumer cyclical	4	17	–	–	21	6
Consumer non-cyclical	3	58	–	–	61	25
Financials	1,160	203	7	13	1,380	134
Funds	–	502	55	57	614	148
Industries	37	43	–	2	82	18
Resources	–	49	–	–	49	15
Services cyclical	–	16	–	–	16	8
Services non-cyclical	–	14	–	–	14	6
Technology	7	33	–	–	40	13
Transport	1	–	–	–	1	–
Other	48	10	–	–	58	29
AT DECEMBER 31	**1,300**	**945**	**62**	**72**	**2,376**	**402**

[1] Includes investments of Holding and other activities.

Market risk concentrations - shares	Americas	The Netherlands	United Kingdom	New Markets	Total 2009 [1]	Of which impaired assets
Communication	32	–	–	–	32	–
Consumer cyclical	3	12	–	–	15	4
Consumer non-cyclical	4	42	–	–	46	24
Financials	1,248	105	7	30	1,387	131
Funds	–	362	47	19	428	117
Industries	15	52	–	3	70	19
Resources	–	34	–	–	34	10
Services cyclical	–	15	–	–	15	8
Services non-cyclical	–	12	–	–	12	5
Technology	8	28	–	–	36	11
Transport	1	–	–	–	1	1
Other	19	–	–	1	20	14
AT DECEMBER 31	**1,330**	**662**	**54**	**53**	**2,096**	**344**

[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	2010	2009	2008	2007	2006
S&P 500	1,258	1,115	903	1,468	1,418
Nasdaq	2,653	2,269	1,577	2,652	2,415
FTSE 100	5,900	5,413	4,434	6,457	6,221
AEX	355	335	247	516	495

The sensitivity analysis of net income and shareholders' equity to changes in equity prices is presented in the table below. 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 2010 arise mainly as a result of additional equity hedges during 2010 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 shareholders' equity
2010		
Equity increase 10%	55	127
Equity decrease 10%	(100)	(156)
Equity increase 20%	90	232
Equity decrease 20%	(214)	(331)
2009		
Equity increase 10%	93	150
Equity decrease 10%	(92)	(147)
Equity increase 20%	175	287
Equity decrease 20%	(201)	(304)

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 account holders 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 29,922 million of general account investments in cash, money market products and sovereign bonds that are readily saleable or redeemable on demand (2009: EUR 28,389 million). 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 23, amounting to EUR 2,563 million which were unused at the end of the reporting period (2009: EUR 2,412 million).

The maturity analysis below shows the remaining contractual maturities of each category of financial liabilities (including coupon interest). When the counterparty has a choice of when an amount is paid, the liability is included on the basis of the earliest date on which 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.

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**
2010						
Trust pass-through securities	–	8	34	44	204	290
Borrowings [1]	39	1,371	4,494	1,512	4,044	11,460
Investment contracts [2]	9,717	2,901	8,624	820	1,659	23,721
Investment contracts for account of policyholders [2]	16,516	5,717	–	–	–	22,233
Other financial liabilities	7,918	6,011	1,097	974	–	16,000
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

[1] Borrowings include debentures and other loans, short term deposits, bank overdrafts and commercial paper; refer to note 23 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 amount**
2010						
Insurance contracts	–	6,171	27,874	22,716	132,102	188,863
Insurance contracts for account of policyholders	–	5,617	23,853	21,096	72,824	123,390
Investment contracts	–	5,571	13,580	2,180	5,669	27,000
Investment contracts for account of policyholders	90	5,778	20,447	19,837	83,020	129,172
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

[1] The projected cash benefit payments are based on management's best estimates of the expected gross benefits and expenses partially offset by the expected gross premiums, fees and charges relating to the existing business in force. Estimated cash benefit payments are based on mortality, morbidity and lapse assumptions comparable with AEGON's historical experience, modified for recent observed trends. Actual payment obligations may differ if experience varies from these assumptions. The cash benefit payments are presented on an undiscounted basis and are before deduction of tax and before reinsurance. The liability amount in the consolidated financial statement reflects the discounting for interest as well as adjustments for the timing of other factors as described above. As a result, the sum of the cash benefit payments shown for all years in the table exceeds the corresponding liability amounts included in notes 19, 20 and 22.

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) 2010**	On demand	< 1 yr amount	1 < 5 yrs amount	5 < 10 yrs amount	> 10 yrs amount	**Total amount**
Gross settled						
Cash inflows	–	18,348	14,658	16,355	36,753	86,114
Cash outflows	–	(18,298)	(14,859)	(16,871)	(37,040)	(87,068)
Net settled						
Cash inflows	–	450	1,252	1,610	5,999	9,311
Cash outflows	–	(645)	(1,280)	(1,475)	(5,102)	(8,502)

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.

UNDERWRITING RISK

AEGON's earnings depend significantly upon the extent to which actual claims experience differs from 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. The sensitivities represent an increase or decrease of mortality and morbidity rates over best estimate. Increases in mortality rates lead to an increase in the level of benefits and claims. The impact on net income and shareholders' 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	**2010**		**2009**	
Estimated approximate effect	On share-holders' equity	On net income	On share-holders' equity	On net income
20% increase in lapse rates	(47)	(46)	(30)	(29)
20% decrease in lapse rates	46	44	26	25
10% increase in mortality rates	(90)	(90)	(102)	(102)
10% decrease in mortality rates	92	91	104	103
10% increase in morbidity rates	(75)	(75)	(67)	(67)
10% decrease in morbidity rates	74	74	66	66

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. Increased life expectation above our assumed life expectation at the time of underwriting negatively impacts our results. Refer to note 2.19 for a discussion on how longevity assumptions are accounted for.

On March 1, 2011 the European Court of Justice (ECJ) delivered a judgment in the Test Achats case which relates to the ability of an insurance company to use gender as a rating factor when pricing risk. The ECJ has ruled that using gender as a rating factor when pricing risk is invalid. However, the ECJ has granted a transitional period for relief for implementation. The effect of this is that, as from December 21, 2012, it will be unlawful to use gender-related factors for determining premiums and benefits under insurance policies. Currently AEGON uses gender as a risk factor pricing for both general and life insurance policies. AEGON will consider the impact the judgment of the ECJ on its insurance business.

OTHER RISKS

As required under European Union state aid rules, the Dutch State notified the European Commission of the issuance by AEGON in December 2008 of EUR 3 billion of non-voting convertible core capital securities to Vereniging AEGON, which was funded by the Dutch State. The European Commission determined that the aid provided by the Dutch State was compatible with the common market, raised no objection to the aid and authorized the aid as emergency intervention in response to the financial crisis. In July 2010, the Dutch State submitted a final viability plan regarding AEGON's status as a fundamentally sound institution to the European Commission. The European Commission approved the plan on August 17, 2010. As part of the process to conclude the European Commission's final review of the plan, AEGON agreed with the Dutch Ministry of Finance to amend the terms and conditions of full repurchase of the then-remaining EUR 2 billion of convertible core capital securities. The conditions, which assume a full repurchase no later than June 30, 2011, impose certain requirements on AEGON and its future actions. For example, AEGON may not pay dividends on common shares, and may not pursue acquisitions, except for certain investments in bancassurance partnerships in Spain, provided that AEGON does not increase its overall market share in the Spanish market. In addition, AEGON may not pursue a top-three price leadership position in its residential mortgage and internet savings businesses in the Netherlands. AEGON also agreed to request Standard & Poor's to no longer publish its insurance financial strength rating on AEGON Levensverzekering N.V. in the Netherlands and to explore the sale or exit of certain businesses. These requirements may have a material adverse effect on AEGON's business, results of operations and financial condition.

Under the terms and conditions agreed with the Ministry of Finance, AEGON is required to seek approval from the Dutch Central Bank before being permitted to repurchase the remaining core capital securities. In determining whether to approve a request for repurchase, the Dutch Central Bank considers certain criteria including the adequacy of AEGON's excess capital. There is no limit on the duration of such consultations or certainty as to the outcome of such consultations. If AEGON is unable to meet its interest obligations or is unsuccessful in repurchasing the capital, AEGON may be required to convert the convertible core capital securities into its ordinary shares, which may result in both the ability of the Dutch State to exert influence in its capacity as a large holder of AEGON's ordinary shares and a significant dilution to existing shareholders. If full repurchase of the convertible core capital securities is not achieved before June 30, 2011, AEGON may face revised and / or additional conditions to repurchase and / or other operational restrictions, which could have a material adverse effect on AEGON's business, results of operations and financial condition.

NOTE 5 SEGMENT INFORMATION

Income statement - Underlying earnings	Americas	The Netherlands	United Kingdom	New Markets	Holding and other activities	Eliminations	Total	Associates eliminations	Total IFRS based
2010									
Underlying earnings before tax	**1,598**	**385**	**72**	**200**	**(283)**	**–**	**1,972**	**(9)**	**1,963**
Fair value items	(24)	361	(9)	(10)	(97)	–	221	–	221
Realized gains / (losses) on investments	380	155	14	13	96	–	658	(2)	656
Impairment charges	(464)	(17)	(39)	(22)	–	–	(542)	–	(542)
Impairment reversals	81	6	3	–	–	–	90	–	90
Other income / (charges)	(306)	38	48	(56)	(34)	1	(309)	–	(309)
Run-off businesses	(165)	–	–	–	–	–	(165)	–	(165)
Income / (loss) before tax	**1,100**	**928**	**89**	**125**	**(318)**	**1**	**1,925**	**(11)**	**1,914**
Income tax (expense) / benefit	31	(217)	(5)	(34)	60	–	(165)	11	(154)
NET INCOME / (LOSS)	**1,131**	**711**	**84**	**91**	**(258)**	**1**	**1,760**	**–**	**1,760**
Inter-segment underlying earnings	*(154)*	*(51)*	*(67)*	*248*	*24*				

Revenues	Americas	The Netherlands	United Kingdom	New Markets	Holding and other activities	Eliminations	Total	Associates eliminations	Total IFRS based
2010									
Life insurance gross premiums	6,877	3,185	7,425	1,306	–	–	18,793	(427)	18,366
Accident and health insurance	1,850	201	–	72	–	–	2,123	(2)	2,121
General insurance	–	451	–	159	–	–	610	–	610
Total gross premiums	**8,727**	**3,837**	**7,425**	**1,537**	**–**	**–**	**21,526**	**(429)**	**21,097**
Investment income	4,073	2,161	2,340	234	305	(279)	8,834	(72)	8,762
Fee and commission income	998	348	164	479	–	(245)	1,744	–	1,744
Other revenues	1	–	–	4	1	–	6	(1)	5
TOTAL REVENUES	**13,799**	**6,346**	**9,929**	**2,254**	**306**	**(524)**	**32,110**	**(502)**	**31,608**
Inter-segment revenues	*–*	*1*	*3*	*246*	*274*				

Income statement – Underlying earnings	Americas	The Nether-lands	United Kingdom	New Markets	Holding and other activities	Elimi-nations	**Total**	Associates elimi-nations	**Total IFRS based**
2009									
Underlying earnings before tax	**817**	**398**	**52**	**170**	**(252)**	**–**	**1,185**	**(12)**	**1,173**
Fair value items	(87)	(374)	28	3	(114)	–	(544)	–	(544)
Realized gains / (losses) on investments	63	351	79	5	20	–	518	(1)	517
Impairment charges	(1,065)	(132)	(184)	(27)	(5)	–	(1,413)	3	(1,410)
Impairment reversals	115	21	–	–	–	–	136	–	136
Other income / (charges)	(3)	–	67	(387)	–	–	(323)	–	(323)
Run-off businesses	(13)	–	–	–	–	–	(13)	–	(13)
Income / (loss) before tax	**(173)**	**264**	**42**	**(236)**	**(351)**	**–**	**(454)**	**(10)**	**(464)**
Income tax (expense) / benefit	669	(23)	(33)	(53)	98	–	658	10	668
NET INCOME / (LOSS)	**496**	**241**	**9**	**(289)**	**(253)**	**–**	**204**	**–**	**204**
Inter-segment underlying earnings	*(19)*	*(11)*	*3*	*(5)*	*32*				

Revenues									
2009									
Life insurance gross premiums	5,961	3,066	7,014	1,284	–	–	17,325	(423)	16,902
Accident and health insurance	1,689	206	–	68	–	–	1,963	–	1,963
General insurance	–	457	–	151	–	–	608	–	608
Total gross premiums	**7,650**	**3,729**	**7,014**	**1,503**	**–**	**–**	**19,896**	**(423)**	**19,473**
Investment income	3,913	2,211	2,296	283	86	(42)	8,747	(66)	8,681
Fee and commission income	896	383	174	140	–	–	1,593	–	1,593
Other revenues	2	–	–	2	1	–	5	(1)	4
TOTAL REVENUES	**12,461**	**6,323**	**9,484**	**1,928**	**87**	**(42)**	**30,241**	**(490)**	**29,751**
Inter-segment revenues	*1*	*2*	*2*	*–*	*37*				

Income statement - Underlying earnings	Americas	The Nether-lands	United Kingdom	New Markets	Holding and other activities	Elimi-nations	**Total**	Associates elimi-nations	**Total IFRS based**
2008									
Underlying earnings before tax	**723**	**378**	**148**	**101**	**(130)**	**18**	**1,238**	**(15)**	**1,223**
Fair value items	(1,748)	(193)	(22)	(24)	342	–	(1,645)	–	(1,645)
Realized gains / (losses) on investments	17	48	1	(5)	–	–	61	–	61
Impairment charges	(812)	(138)	(23)	(76)	(34)	–	(1,083)	9	(1,074)
Impairment reversals	36	–	–	–	–	–	36	–	36
Other income / (charges)	4	–	(17)	1	(1)	1	(12)	–	(12)
Run-off businesses	350	–	–	–	–	–	350	–	350
Income / (loss) before tax	**(1,430)**	**95**	**87**	**(3)**	**177**	**19**	**(1,055)**	**(6)**	**(1,061)**
Income tax (expense) / benefit	51	(1)	18	(31)	(64)	–	(27)	6	(21)
NET INCOME / (LOSS)	**(1,379)**	**94**	**105**	**(34)**	**113**	**19**	**(1,082)**	**–**	**(1,082)**
Inter-segment underlying earnings	*(69)*	*(35)*	*2*	*(6)*	*108*				

Revenues									
2008									
Life insurance gross premiums	5,975	3,204	9,017	1,880	–	–	20,076	(277)	19,799
Accident and health insurance	1,713	210	–	71	–	–	1,994	–	1,994
General insurance	–	458	–	158	–	–	616	–	616
Total gross premiums	**7,688**	**3,872**	**9,017**	**2,109**	**–**	**–**	**22,686**	**(277)**	**22,409**
Investment income	4,681	2,387	2,438	425	218	(120)	10,029	(64)	9,965
Fee and commission income	938	416	220	129	–	–	1,703	–	1,703
Other revenues	2	–	–	3	–	–	5	–	5
TOTAL REVENUES	**13,309**	**6,675**	**11,675**	**2,666**	**218**	**(120)**	**34,423**	**(341)**	**34,082**
Inter-segment revenues	*4*	*–*	*2*	*–*	*114*				

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	2010	2009	2008
Underlying earnings before tax		**1,963**	**1,173**	**1,223**
Fair value items		369	(460)	(1,619)
Realized gains and (losses) on financial investments	34	564	475	99
Gains and (losses) on investments in real estate	34	135	(179)	(48)
Fair value changes on economic hedges for which no hedge accounting is applied	34	(119)	152	(46)
Ineffective portion of hedge transactions for which hedge accounting is applied	34	(1)	(41)	50
Realized gains and (losses) on repurchased debt	34	18	11	–
DPAC / VOBA offset	38	(27)	78	14
Impairment (charges) / reversals	39	(694)	(1,331)	(1,072)
Other income / (charges)	35, 36, 38, 40, 41	(129)	(329)	(12)
Run-off businesses		(165)	(13)	350
INCOME / (LOSS) BEFORE TAX		**1,914**	**(464)**	**(1,061)**

Other selected income statement items	Americas	The Nether-lands	United Kingdom	New Markets	Holding and other activities	**Total**
2010						
Amortization of deferred expenses, VOBA and future servicing rights	1,061	99	250	100	–	**1,510**
Depreciation	41	18	12	15	2	**88**
Impairment charges / (reversals) on financial assets, excluding receivables	456	11	36	22	–	**525**
Impairment charges / (reversals) on non-financial assets and receivables	161	(2)	1	16	–	**176**
2009						
Amortization of deferred expenses, VOBA and future servicing rights	1,118	125	232	94	–	**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	241	184	–	**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**

Number of employees	Americas	The Nether-lands	United Kingdom	New Markets	Holding and other activities	Total
2010						
Employees - excluding agents	11,358	4,652	4,056	4,026	316	24,408
Agent employees	1,600	470	82	914	–	3,066
TOTAL	**12,958**	**5,122**	**4,138**	**4,940**	**316**	**27,474**
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**

Summarized assets and liabilities per segment	Americas	The Nether-lands	United Kingdom	New Markets	Holding and other activities	Elimi-nations	Total
2010							
ASSETS							
VOBA and future servicing rights	2,589	135	752	189	–	–	3,665
Investments general account	93,645	37,173	9,269	2,811	293	(3)	143,188
Investments for account of policyholders	59,353	23,058	57,693	6,138	–	(5)	146,237
Investments in associates	85	59	9	576	4	–	733
Deferred expenses	7,806	296	3,327	292	–	–	11,721
Other assets	9,936	11,195	2,211	1,222	30,824	(28,629)	26,759
TOTAL ASSETS	**173,414**	**71,916**	**73,261**	**11,228**	**31,121**	**(28,637)**	**332,303**
LIABILITIES							
Insurance contracts general account	68,476	20,992	9,026	2,012	–	–	100,506
Insurance contracts for account of policyholders	42,792	23,413	8,594	2,851	–	–	77,650
Investment contracts general account	16,420	5,986	679	152	–	–	23,237
Investment contracts for account of policyholders	16,573	–	49,642	3,312	–	–	69,527
Other liabilities	13,180	17,445	2,449	1,044	7,694	(3,854)	37,958
TOTAL LIABILITIES	**157,441**	**67,836**	**70,390**	**9,371**	**7,694**	**(3,854)**	**308,878**

Summarized assets and liabilities per segment	Americas	The Netherlands	United Kingdom	New Markets	Holding and other activities	Eliminations	**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	48,826	5,355	–	(5)	125,845
Investments in associates	72	53	8	560	4	(1)	696
Deferred expenses	7,495	432	3,057	244	–	–	11,228
Other assets	9,579	7,589	2,646	899	30,088	(27,997)	22,804
TOTAL ASSETS	**155,577**	**66,122**	**63,211**	**9,967**	**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	41,593	2,944	–	–	57,421
Other liabilities	9,876	13,188	2,213	717	12,880	(8,026)	30,848
TOTAL LIABILITIES	**143,364**	**62,578**	**60,766**	**8,189**	**12,880**	**(8,026)**	**279,751**

Investments	Americas	The Nether-lands	United Kingdom	New Markets	Holding and other activities	Elimi-nations	**Total**
2010							
Shares	1,300	945	62	72	–	(3)	2,376
Bonds	67,121	18,504	9,198	2,041	–	–	96,864
Loans	11,412	15,629	9	653	–	–	27,703
Other financial assets	13,083	40	–	45	293	–	13,461
Investments in real estate	729	2,055	–	–	–	–	2,784
Investments general account	**93,645**	**37,173**	**9,269**	**2,811**	**293**	**(3)**	**143,188**
Shares	–	8,087	29,589	3,139	–	(5)	40,810
Bonds	–	14,435	15,768	223	–	–	30,426
Separate accounts and investment funds	59,353	–	7,427	1,309	–	–	68,089
Other financial assets	–	536	3,775	1,467	–	–	5,778
Investments in real estate	–	–	1,134	–	–	–	1,134
Investments for account of policyholders	**59,353**	**23,058**	**57,693**	**6,138**	**–**	**(5)**	**146,237**
Investments on balance sheet	152,998	60,231	66,962	8,949	293	(8)	289,425
Off balance sheet investments third parties	86,287	12,353	–	25,126	–	–	123,766
TOTAL REVENUE GENERATING INVESTMENTS	**239,285**	**72,584**	**66,962**	**34,075**	**293**	**(8)**	**413,191**
Investments							
Available-for-sale	76,929	19,261	9,177	1,879	4	–	107,250
Loans	11,412	15,629	9	653	–	–	27,703
Held-to-maturity	–	–	–	139	–	–	139
Financial assets at fair value through profit or loss	63,928	23,286	56,642	6,278	289	(8)	150,415
Investments in real estate	729	2,055	1,134	–	–	–	3,918
TOTAL INVESTMENTS ON BALANCE SHEET	**152,998**	**60,231**	**66,962**	**8,949**	**293**	**(8)**	**289,425**
Investments in associates	85	59	9	576	4	–	733
Other assets	20,331	11,626	6,290	1,703	30,824	(28,629)	42,145
CONSOLIDATED TOTAL ASSETS	**173,414**	**71,916**	**73,261**	**11,228**	**31,121**	**(28,637)**	**332,303**

Investments	Americas	The Nether-lands	United Kingdom	New Markets	Holding and other activities	Elimi-nations	**Total**
2009							
Shares	1,331	661	53	54	–	(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**	**7,916**	**2,707**	**1,671**	**(3)**	**134,205**
Shares	–	7,184	24,669	2,750	–	(5)	34,598
Bonds	–	13,777	14,314	212	–	–	28,303
Separate accounts and investment funds	49,920	–	4,772	1,117	–	–	55,809
Other financial assets	–	788	4,023	1,276	–	–	6,087
Investments in real estate	–	–	1,048	–	–	–	1,048
Investments for account of policyholders	**49,920**	**21,749**	**48,826**	**5,355**	**–**	**(5)**	**125,845**
Investments on balance sheet	135,690	57,893	56,742	8,062	1,671	(8)	260,050
Off balance sheet investments third parties	77,715	12,968	3,116	8,983	–	–	102,782
TOTAL REVENUE GENERATING INVESTMENTS	**213,405**	**70,861**	**59,858**	**17,045**	**1,671**	**(8)**	**362,832**
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	47,864	5,500	622	(8)	129,873
Investments in real estate	496	2,084	1,048	–	–	–	3,628
TOTAL INVESTMENTS ON BALANCE SHEET	**135,690**	**57,893**	**56,742**	**8,062**	**1,671**	**(8)**	**260,050**
Investments in associates	72	53	8	560	4	(1)	696
Other assets	19,815	8,176	6,460	1,346	30,088	(27,997)	37,888
CONSOLIDATED TOTAL ASSETS	**155,577**	**66,122**	**63,210**	**9,968**	**31,763**	**(28,006)**	**298,634**

NOTE 6 INTANGIBLE ASSETS

Net book value	Goodwill	VOBA	Future servicing rights	Software	Other	Total
At January 1, 2009	720	4,119	522	29	35	5,425
At December 31, 2009	720	3,362	493	18	16	4,609
AT DECEMBER 31, 2010	**652**	**3,221**	**444**	**32**	**10**	**4,359**
Cost						
At January 1, 2010	720	6,965	648	210	68	8,611
Additions	–	1	3	16	1	21
Acquisitions through business combinations	–	–	14	–	–	14
Capitalized subsequent expenditure	–	–	–	3	–	3
Disposals	–	–	–	(2)	–	(2)
Net exchange differences	21	516	38	6	4	585
Other movements	3	–	–	5	–	8
AT DECEMBER 31, 2010	**744**	**7,482**	**703**	**238**	**73**	**9,240**
Accumulated amortization, depreciation and impairment losses						
At January 1, 2010	–	3,603	155	192	52	4,002
Amortization / depreciation through income statement	–	185	19	9	3	216
Shadow accounting adjustments	–	187	–	–	–	187
Impairment losses	93	–	77	–	4	174
Net exchange differences	(1)	286	8	5	4	302
AT DECEMBER 31, 2010	**92**	**4,261**	**259**	**206**	**63**	**4,881**
Cost						
At January 1, 2009	720	6,996	650	207	69	8,642
Additions	–	4	–	7	–	11
Acquisitions through business combinations	6	–	8	–	–	14
Capitalized 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**

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.

Impairments of goodwill and future servicing rights related to the wind-down of small bank Bank-Owned Life Insurance / Corporate Owned Life Insurance (BOLI / COLI) business in the Americas and unfavourable pension legislation changes in Hungary. 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 50 for further information on the business combinations entered into by AEGON in 2009 and 2010.

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:

	2010	2009
Americas		
- USA	110	210
New Markets		
- Spain	342	336
- Central & Eastern Europe	106	107
Other	94	67
AT DECEMBER 31	**652**	**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. The value in use test in the USA for the Individual savings & retirement cash generating unit (EUR 109 million) assumes 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% (2009: 17%).

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% (2009: 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 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 16 years, with an average remaining amortization period of 11 years (2009: 11 years). Future servicing rights are amortized over an average period up to 35 years, of which 14 remains at December 31, 2010 (2009: 13 years). Software is generally depreciated over a period of three to five years. At December 31, 2010, the remaining depreciation period was 3 years (2009: 2 years).

NOTE 7 INVESTMENTS

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

	Note	2010	2009
Available-for-sale (AFS)		107,250	100,911
Loans		27,703	25,568
Held-to-maturity (HTM)		139	70
Financial assets at fair value through profit or loss (FVTPL)[1]		5,312	5,076
Total financial assets, excluding derivatives	**7.1**	**140,404**	**131,625**
Investments in real estate	7.2	2,784	2,580
TOTAL INVESTMENTS FOR GENERAL ACCOUNT		**143,188**	**134,205**

[1] Refer to note 47 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
2010						
Shares	1,298	1,078	–	–	2,376	2,376
Debt securities	94,936	1,789	139	–	96,864	96,861
Money market and other short-term investments	10,141	659	–	–	10,800	10,800
Mortgages	–	–	–	23,781	23,781	24,327
Private loans	–	–	–	829	829	920
Deposits with financial institutions	–	–	–	748	748	748
Policy loans	–	–	–	2,169	2,169	2,169
Receivables out of share lease agreements	–	–	–	25	25	25
Other	875	1,786	–	151	2,812	2,812
AT DECEMBER 31, 2010	**107,250**	**5,312**	**139**	**27,703**	**140,404**	**141,038**
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**

Of the debt securities, money market and other short-term investments, mortgages and private loans EUR 16,841 million is current (2009: EUR 23,788 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, 2010 securitization contracts named SAECURE 3, SAECURE 4, SAECURE 5 and SAECURE 6 NHG have been derecognized with a total value of EUR 3.1 billion (2009: EUR 3.9 billion).

In the third quarter of 2010, in relation to the publicly placed securitization SAECURE 2, the special purpose entity decided to use its right to redeem all notes to the note holders and sold the mortgage loans back to AEGON Levensverzekering N.V., a wholly owned subsidiary of AEGON N.V. via AEGON Nederland N.V., at market value. This transaction did not generate a profit or loss for AEGON.

With respect to the transactions SAECURE 3, 4, 5 and 6 NHG, the related mortgage loans have been sold and derecognized and the special purpose entities are not consolidated in the financial statements of AEGON. The structure of these transactions is as follows: the economic ownership of a certain amount of aggregate mortgage receivables was conveyed to a special purpose entity. This special purpose entity funded the purchase of mortgages from AEGON Levensverzekering N.V. 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 entity upon the occurrence of certain pre-defined 'notification events'. At the same time AEGON Levensverzekering N.V. entered into a fixed-to-floating swap agreement with the contract parties 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 entity 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 entity 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 entity entitles AEGON Levensverzekering N.V. to any specified residual positive value of the special purpose entity at maturity. A 3.3% portion of securitized mortgage loans forming part of SAECURE 4 and amounting to EUR 12 million (2009: EUR 13 million) continues to be recognized as a financial asset on balance, representing the interest rate risk retained by AEGON Levensverzekering N.V. in respect of the fourth publicly placed securitization contract. At December 31, 2010 the market value of these securitized mortgage loans (off balance) is EUR 3.1 billion (2009: 3.9 billion).

MEASUREMENT

AEGON owns EUR 178 million (2009: EUR 194 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:

	2010	2009
At January 1	(150)	(90)
Addition charged to income statement	(114)	(132)
Reversal to income statement	17	20
Amounts written off	66	50
Net exchange differences	(6)	2
AT DECEMBER 31	**(187)**	**(150)**

Refer to note 49 for a discussion of collateral received and paid.

NOTE 7.2 INVESTMENTS IN REAL ESTATE

	2010	2009
At January 1	2,580	2,528
Additions	93	139
Subsequent expenditure capitalized	7	4
Transfers from other headings	223	164
Disposals	(288)	(58)
Fair value gains / (losses)	135	(179)
Net exchange differences	34	(18)
AT DECEMBER 31	**2,784**	**2,580**

In 2010, 88% of the value of AEGON's properties, both for general account and for account of policyholders, were appraised (2009: 89%), of which 91% was performed by independent external appraisers (2009: 92%).

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 48 for description of non-cancellable lease rights.

Rental income of EUR 100 million (2009: EUR 86 million; 2008: EUR 96 million) is reported as part of investment income in the income statement. EUR 3 million (2009: 7 million; 2008: 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 72 million (2009: EUR 65 million; 2008: EUR 53 million). EUR 9 million (2009: EUR 2 million; 2008: 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 48 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	2010	2009
Shares		40,810	34,598
Debt securities		30,426	28,303
Money market and other short-term investments		2,597	2,925
Deposits with financial institutions		2,630	2,357
Separate accounts and unconsolidated investment funds		68,089	55,809
Other		551	805
Total investments for account of policyholders at fair value through profit or loss, excluding derivatives [1]		**145,103**	**124,797**
Investments in real estate	8.1	1,134	1,048
TOTAL INVESTMENTS FOR ACCOUNT OF POLICYHOLDERS		**146,237**	**125,845**

[1] Refer to note 47 for a summary of all financial assets and financial liabilities at fair value through profit or loss.

NOTE 8.1 INVESTMENTS IN REAL ESTATE

	2010	2009
At January 1	1,048	1,131
Additions	109	77
Subsequent expenditure capitalized	9	12
Disposals	(138)	(217)
Fair value gains / (losses)	73	(37)
Net exchange differences	33	82
AT DECEMBER 31	**1,134**	**1,048**

The investment property is fully leased out under operating leases.

Rental income of EUR 73 million (2009: 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 48 for a summary of contractual obligations to purchase investment property or for repairs, maintenance or enhancements.

NOTE 9 DERIVATIVES

	Derivative asset		Derivative liability	
	2010	2009	**2010**	2009
Derivatives for general account				
Derivatives not designated in a hedge	4,702	3,614	4,383	4,375
Derivatives designated as fair value hedges	393	340	626	606
Derivatives designated as cash flow hedges	479	315	393	354
Net foreign investment hedges	148	159	168	138
	5,722	**4,428**	**5,570**	**5,473**
Derivatives for account of policyholders				
Derivatives not designated in a hedge	529	489	401	243
	529	**489**	**401**	**243**
TOTAL DERIVATIVES [1]	**6,251**	**4,917**	**5,971**	**5,716**

[1] Refer to note 47 for a summary of all financial assets and financial liabilities at fair value through profit or loss.

Of these derivatives EUR 141 million net asset is current (2009: EUR 77 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	**2010**	2009	**2010**	2009
Derivatives held as an economic hedge	4,624	3,541	3,261	2,642
Bifurcated embedded derivatives	7	22	1,118	1,671
Other	71	51	4	62
TOTAL	**4,702**	**3,614**	**4,383**	**4,375**

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 and of anticipated maturities of unit linked insurance contracts in 2010 the market value of the guarantees embedded in the written insurance contracts decreased significantly. Please refer to note 45 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.

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. Some of the arrangements use forward starting swaps to better match the duration of assets and liabilities.

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, 2010, 2009 and 2008, AEGON recognized gains and (losses) related to the ineffective portion of designated fair value hedges of EUR (6) million, EUR (31) million and EUR 38 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 31 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 22 years. The cash flows from these hedging instruments are expected to affect the profit and loss for approximately the next 41 years. For the year ended December 31, 2010, the contracts for which cash flow hedge accounting was terminated resulted in deferred gains of EUR 57 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 16 years. These agreements involve the exchange of the underlying principal amounts.

For the year ended December 31, 2010, AEGON recognized a gain of EUR 6 million of hedge ineffectiveness on cash flow hedges. In 2009 and 2008 gains of EUR 10 million and EUR 12 million respectively of hedge ineffectiveness were recorded in the income statement. In 2010 EUR (8) million was released from equity into investment income (2009: EUR (117) million, 2008: EUR 306 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 10 million.

The periods when the cash flows are expected to occur are as follows:

	< 1 year	1 - 5 years	5 - 10 years	> 10 years	2010 Total
Cash inflows	496	2,150	1,825	2,133	6,604
Cash outflows	1	1	1	5	8
NET CASH FLOWS	**495**	**2,149**	**1,824**	**2,128**	**6,596**

	< 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**

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 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

	2010	2009
At January 1	696	595
Additions	23	112
Disposals	(1)	–
Share in net income	41	23
Share in changes in associate's equity (note 15.5)	(25)	27
Deferred gains on disposal	1	1
Impairment losses	–	(6)
Dividend	(13)	(53)
Net exchange difference	11	5
Other	–	(8)
AT DECEMBER 31	**733**	**696**

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 in associates.

Summarized financial information of associates	2010	2009
Assets	12,382	11,070
Liabilities	11,944	10,662
Revenue	2,163	2,050
Net income	41	23

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 51 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:	2010	2009
Life insurance general account	4,530	4,061
Life insurance for account of policyholders	91	157
Non-life insurance	947	881
Investment contracts	12	11
AT DECEMBER 31	**5,580**	**5,110**

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 (refer to note 13).

EUR 19 million of the reinsurance assets are current (2009: EUR 46 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, 2010	4,061	157	4,218
Portfolio transfers and acquisitions	(6)	(88)	(94)
Gross premium and deposits – existing and new business	1,010	66	1,076
Unwind of discount / interest credited	223	10	233
Insurance liabilities released	(1,058)	(56)	(1,114)
Changes to valuation of expected future benefits	(34)	–	(34)
Net exchange differences	342	2	344
Other movements	(8)	–	(8)
AT DECEMBER 31, 2010	**4,530**	**91**	**4,621**
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**

Movements during the year in reinsurance assets relating to non-life insurance:	2010	2009
At January 1	881	858
Gross premium and deposits - existing and new business	224	211
Unwind of discount / interest credited	46	40
Insurance liabilities released	(156)	(137)
Changes to valuation of expected future benefits	12	10
Changes in unearned premiums	(117)	(99)
Changes in unexpired risks	(2)	(3)
Incurred related to current year	77	68
Incurred related to prior years	15	48
Release for claims settled current year	(23)	(22)
Release for claims settled prior years	(81)	(76)
Change in IBNR	2	9
Net exchange differences	69	(27)
Other movements	–	1
AT DECEMBER 31	**947**	**881**

NOTE 12 DEFERRED EXPENSES AND REBATES

	2010	2009
DPAC for insurance contracts and investment contracts with discretionary participation features	11,340	10,900
Deferred transaction costs for investment management services	380	328
Unamortized interest rate rebates	228	253
AT DECEMBER 31	**11,948**	**11,481**
Current	1,197	1,180
Non-current	10,751	10,301

	DPAC	Deferred transaction costs	Unamortized interest rate rebates
At January 1, 2010	10,900	328	253
Costs deferred / rebates granted during the year	1,540	72	24
Disposal of group assets	(69)	–	(2)
Amortization through income statement	(1,269)	(37)	(47)
Shadow accounting adjustments	(489)	–	–
Net exchange differences	734	20	–
Other	(7)	(3)	–
AT DECEMBER 31, 2010	**11,340**	**380**	**228**

	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**

NOTE 13 OTHER ASSETS AND RECEIVABLES

	Note	2010	2009
Real estate held for own use and equipment	13.1	574	548
Receivables	13.2	5,399	4,105
Accrued income	13.3	1,939	2,170
AT DECEMBER 31		**7,912**	**6,823**

NOTE 13.1 REAL ESTATE HELD FOR OWN USE AND EQUIPMENT

Net book value	General account real estate held for own use	Policyholder account real estate held for own use	Equipment	Total
At January 1, 2009	343	6	191	540
At December 31, 2009	332	–	216	548
AT DECEMBER 31, 2010	**333**	**–**	**241**	**574**
Cost				
At January 1, 2010	386	–	519	905
Additions	1		114	115
Capitalized subsequent expenditure	1	–	–	1
Disposals	(8)	–	(98)	(106)
Unrealized gains / (losses) through equity	2	–	–	2
Net exchange differences	15	–	23	38
Other	–	–	(6)	(6)
AT DECEMBER 31, 2010	**397**	**–**	**552**	**949**
Accumulated depreciation and impairment losses				
At January 1, 2010	54	–	303	357
Depreciation through income statement	9	–	67	76
Disposals	(1)	–	(72)	(73)
Net exchange differences	2	–	13	15
AT DECEMBER 31, 2010	**64**	**–**	**311**	**375**
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**

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 325 million (2009: EUR 297 million).

5% of the value of the general account real estate held for own use was last revalued in 2010 (2009: 54%), based on market value appraisals by qualified internal and external appraisers. 81% of the appraisals in 2010 were performed by independent external appraisers (2009: 98%).

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 48 for a summary of contractual commitments for the acquisition of general account real estate held for own use.

None of the equipment is held for lease (2009: 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.

NOTE 13.2 RECEIVABLES

	2010	2009
Loans to associates	39	38
Finance lease assets	21	31
Receivables from policyholders	1,647	1,551
Receivables from brokers and agents	131	147
Receivables from reinsurers	286	316
Cash outstanding from assets sold	39	48
Trade receivables	418	313
Cash collateral	940	420
Reverse repurchase agreements	923	9
Income tax receivable	120	431
Other	980	963
Provision for doubtful debts	(145)	(162)
AT DECEMBER 31	**5,399**	**4,105**
Current	5,121	3,830
Non-current	278	275

Carrying amounts disclosed reasonably approximate the fair values at year end.

The movements in the provision for doubtful debts during the year were as follows:

	2010	2009
At January 1	(162)	(142)
Additions charged to earnings	(8)	(21)
Unused amounts reversed through the income statement	6	–
Used during the year	24	–
Net exchange differences	(5)	2
Other	–	(1)
AT DECEMBER 31	**(145)**	**(162)**

NOTE 13.3 ACCRUED INCOME

	2010	2009
Accrued interest	1,928	2,161
Other	11	9
AT DECEMBER 31	**1,939**	**2,170**

EUR 1,932 million of the accrued income is current (2009: EUR 2,166 million).

NOTE 14 CASH AND CASH EQUIVALENTS

	2010	2009
Cash at bank and in hand	1,833	1,361
Short-term deposits	1,285	1,614
Money market investments	1,222	347
Short-term collateral	891	992
AT DECEMBER 31	**5,231**	**4,314**

The carrying amounts disclosed reasonably approximate the fair values as at the year end.

EUR 12.7 billion (2009: EUR 8.9 billion) cash collateral is received of which EUR 891 million (2009: EUR 992 million) 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 28). Refer to note 49 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 10 million (2009: EUR 16 million; 2008: EUR 47 million).

The weighted effective interest rate on short-term deposits was 0.44% (2009: 0.49%) and these deposits have an average maturity of 4.75 days (2009: 4.27 days).

For the purposes of the cash flow statement, cash and cash equivalents comprise the following:

	Note	2010	2009
Cash and cash equivalents		5,231	4,314
Bank overdrafts	23	(57)	(301)
NET CASH AND CASH EQUIVALENTS		**5,174**	**4,013**

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% (2009: 1.0%). The balance at the end of the year was EUR 111 million (2009: EUR 98 million).

NOTE 15 SHAREHOLDERS' EQUITY

Issued share capital and reserves attributable to shareholders of AEGON N.V.

	Note	2010	2009	2008
Share capital - par value	15.1	278	278	251
Share premium	15.2	7,906	7,906	7,096
Total share capital		**8,184**	**8,184**	**7,347**
Retained earnings		9,673	8,246	8,818
Treasury shares	15.3	(252)	(251)	(725)
Total retained earnings		**9,421**	**7,995**	**8,093**
Revaluation reserves	15.4	958	(1,709)	(7,167)
Other reserves	15.5	(1,353)	(2,306)	(2,218)
TOTAL SHAREHOLDERS' EQUITY		**17,210**	**12,164**	**6,055**

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

	2010	2009	2008
Common shares	208	208	189
Preferred shares A	53	53	53
Preferred shares B	17	17	9
AT DECEMBER 31	**278**	**278**	**251**

Common shares	2010	2009	2008
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, 2008	**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**
Share issuance	–	–
AT DECEMBER 31, 2010	**1,736,049**	**208**

Preferred shares	2010	2009	2008
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, 2008	**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**
Shares issued	–	–	–	–
AT DECEMBER 31, 2010	**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 46 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 38.

NOTE 15.2 SHARE PREMIUM

	2010	2009	2008
At January 1	7,906	7,096	7,101
Additions	–	810	–
Share dividend	–	–	(5)
AT DECEMBER 31	**7,906**	**7,906**	**7,096**
Share premium relating to:			
- Common shares	5,854	5,854	5,044
- Preferred shares	2,052	2,052	2,052
TOTAL SHARE PREMIUM	**7,906**	**7,906**	**7,096**

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 29,245,571 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:

	2010	2009	2008
	Number of shares (thousands)	Number of shares (thousands)	Number of shares (thousands)
At January 1	27,572	60,265	133,828
Transactions in 2010:			
Sale: 1 transaction, price EUR 4.75	(52)	–	–
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)
AT DECEMBER 31	**27,520**	**27,572**	**60,265**

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.

	2010		2009		2008	
	Number of shares (thousands)	Total amount	Number of shares (thousands)	Total amount	Number of shares (thousands)	Total amount
Held by AEGON N.V.	27,520	235	27,572	236	60,265	679
Held by subsidiaries	1,726	17	1,699	15	2,513	46
AT DECEMBER 31	**29,246**	**252**	**29,271**	**251**	**62,778**	**725**

NOTE 15.4 REVALUATION RESERVES

	Available-for-sale investments	Real estate held for own use	Cash flow hedging reserve	Total
At January 1, 2010	(1,928)	39	180	(1,709)
Disposal of a business	(22)	–	–	(22)
Gross revaluation	4,044	2	367	4,413
Net (gains)/losses transferred to income statement	(203)	–	(8)	(211)
Foreign currency translation differences	(171)	2	14	(155)
Tax effect	(1,227)	(2)	(129)	(1,358)
AT DECEMBER 31, 2010	**493**	**41**	**424**	**958**
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)**

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:

	2010	2009	2008
Shares	246	119	54
Debt securities	242	(2,050)	(7,910)
Other	5	3	(8)
REVALUATION RESERVE FOR AVAILABLE-FOR-SALE INVESTMENTS	**493**	**(1,928)**	**(7,864)**

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, 2010	(2,213)	(82)	(11)	(2,306)
Movement in foreign currency translation and net foreign investment hedging reserves	1,308	(262)	–	1,046
Tax effect	(118)	67	–	(51)
Transfer from other heading within equity	(17)	–	–	(17)
Equity movements of associates	–	–	(25)	(25)
AT DECEMBER 31, 2010	**(1,040)**	**(277)**	**(36)**	**(1,353)**
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)**

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 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

	2010	2009	2008
At January 1	2,000	3,000	–
Additions	–	–	3,000
Repayments	(500)	(1,000)	–
AT DECEMBER 31	**1,500**	**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 billion. Under the terms of AEGON's agreement with the Dutch government, the premium for repurchase 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 repurchased includes accrued interest from May 22, 2009 of EUR 44 million.

On August 30, 2010, AEGON repurchased 125 million of convertible core capital securities. The total payment to the Dutch government amounted to EUR 563 million and included a premium for repurchase amounting to EUR 52 million and accrued interest from May 25, 2010 of EUR 11 million.

Refer to note 53 for disclosure about a repurchase of convertible core capital securities after December 31, 2010.

NOTE 17 OTHER EQUITY INSTRUMENTS

	Junior perpetual capital securities	Perpetual cumulative subordinated bonds	Share options not yet exercised	Total
At January 1, 2010	4,192	453	64	4,709
Share options cost incurred	–	–	7	7
Share options forfeited	–	–	(12)	(12)
AT DECEMBER 31, 2010	**4,192**	**453**	**59**	**4,704**
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**

Junior perpetual capital securities	Coupon rate	Coupon date, as of	Year of first call	2010	2009	2008
USD 500 million	6.5%	Quarterly, December 15	2011	424	424	424
USD 250 million	floating LIBOR rate[1]	Quarterly, December 15	2011	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 next call	2010	2009	2008
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**	**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.

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 next call	2010	2009
USD 18 million [1]	Floating	Quarterly, July 23	2004	2034	2011	14	13
USD 225 million [2]	7.65%	Semi–annually, December 1	1996	2026	n.a.	91	82
USD 190 million [2]	7.625%	Semi–annually, November 15	1997	2037	n.a.	38	35
AT DECEMBER 31						**143**	**130**

[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 117 million (2009: EUR 88 million).

NOTE 19 INSURANCE CONTRACTS

	2010	2009
Life insurance	91,457	85,520
Non-life insurance		
- Unearned premiums and unexpired risks	3,209	2,890
- Outstanding claims	1,763	1,604
- Incurred but not reported claims	702	721
Incoming reinsurance	3,375	3,055
AT DECEMBER 31	**100,506**	**93,790**

	2010	2009
Non-life insurance:		
- Accident and health insurance	4,967	4,478
- General insurance	707	737
TOTAL NON-LIFE INSURANCE	**5,674**	**5,215**

Movements during the year in life insurance:	2010	2009
At January 1	85,520	89,163
Disposal of a business	(984)	(3,619)
Portfolio transfers and acquisitions	66	228
Gross premium and deposits – existing and new business	6,850	10,298
Unwind of discount / interest credited	4,020	3,898
Insurance liabilities released	(10,020)	(10,507)
Changes in valuation of expected future benefits	468	(1,334)
Losses recognized as a result of liability adequacy testing	7	6
Shadow accounting adjustments	133	(165)
Net exchange differences	4,829	(905)
Transfer to insurance contracts for account of policyholders	6	(1,156)
Other	562	(387)
AT DECEMBER 31	**91,457**	**85,520**

Movements during the year in non-life insurance:	2010	2009
At January 1	5,215	5,200
Gross premiums - existing and new business	2,245	2,108
Unwind of discount / interest credited	226	203
Insurance liabilities released	(1,185)	(1,072)
Changes in valuation of expected future claims	13	4
Change in unearned premiums	(1,127)	(1,064)
Change in unexpired risks	(4)	(4)
Incurred related to current year	717	665
Incurred related to prior years	272	302
Release for claims settled current year	(350)	(307)
Release for claims settled prior years	(609)	(630)
Change in IBNR	(48)	(46)
Net exchange differences	309	(145)
Other	–	1
AT DECEMBER 31	**5,674**	**5,215**

Movements during the year in incoming reinsurance:	2010	2009
At January 1	3,055	3,014
Gross premium and deposits - existing and new business	1,767	1,625
Unwind of discount / interest credited	230	158
Insurance liabilities released	(1,861)	(1,593)
Changes in valuation of expected future benefits	(42)	(39)
Net exchange differences	238	(106)
Other	(12)	(4)
AT DECEMBER 31	**3,375**	**3,055**

NOTE 20 INSURANCE CONTRACTS FOR ACCOUNT OF POLICYHOLDERS

	2010	2009
Insurance contracts for account of policyholders	**77,650**	**69,760**

	2010	2009
At January 1	69,760	60,808
Disposal of a business	–	(226)
Portfolio transfers and acquisitions	(142)	(348)
Gross premium and deposits - existing and new business	6,475	5,760
Unwind of discount / interest credited	7,166	9,697
Insurance liabilities released	(7,780)	(5,697)
Fund charges released	(1,074)	(975)
Changes in valuation of expected future benefits	(63)	(98)
Transfer to / from insurance contracts	(6)	1,156
Net exchange differences	3,283	(318)
Other	31	1
AT DECEMBER 31	**77,650**	**69,760**

NOTE 21 INVESTMENT CONTRACTS

	2010	2009
Investment contracts [1]	**23,237**	**27,932**

[1] Refer to note 47 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, 2010	27,318	614	27,932
Portfolio transfers and acquisitions	(185)	–	(185)
Deposits	3,261	–	3,261
Withdrawals	(9,803)	–	(9,803)
Investment contracts liabilities released	–	46	46
Interest credited	666	–	666
Fund charges released	(11)	–	(11)
Movements related to fair value hedges	(25)	–	(25)
Net exchange differences	1,717	19	1,736
Other	(380)	–	(380)
AT DECEMBER 31, 2010	**22,558**	**679**	**23,237**

	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**

	2010	2009
Fair value of investment contracts without discretionary participation features	**22,989**	**27,297**

Investment contracts consist of the following:	2010	2009
Institutional guaranteed products	10,385	14,822
Fixed annuities	5,698	5,805
Savings accounts	5,503	5,660
Investment contracts with discretionary participation features	679	614
Other	972	1,031
AT DECEMBER 31	**23,237**	**27,932**

NOTE 22 INVESTMENT CONTRACTS FOR ACCOUNT OF POLICYHOLDERS

	2010	2009
Investment contracts for account of policyholders [1]	**69,527**	**57,421**

[1] Refer to note 47 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, 2010	20,477	36,944	57,421
Gross premium and deposits - existing and new business	5,436	6,464	11,900
Withdrawals	(4,614)	–	(4,614)
Interest credited	3,238	4,226	7,464
Investment contracts liabilities released	–	(4,838)	(4,838)
Fund charges released	(129)	–	(129)
Net exchange differences	1,201	1,128	2,329
Other	(6)	–	(6)
AT DECEMBER 31, 2010	**25,603**	**43,924**	**69,527**
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**

NOTE 23 BORROWINGS

	2010	2009
Debentures and other loans	7,743	6,512
Commercial paper	701	520
Bank overdrafts	57	301
Short term deposits	17	152
AT DECEMBER 31	**8,518**	**7,485**
Current	1,031	2,038
Non-current	7,487	5,447
Total fair value of borrowings	8,631	7,587

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.

EUR 308 million of the debentures and other loans are pledged as collateral (2009: nil).

Debentures and other loans	Coupon rate	Coupon date	Issue / Maturity	2010	2009
USD 133 million Zero Coupon Bonds [1]	–	–	1982 / 10	–	90
EUR 900 million ECB Facility [2, 4]	1.00%	July 1	2009 / 10	–	900
USD 200 million Zero Coupon Bonds [1]	–	–	1982 / 12	122	98
EUR 1.0 billion Senior Notes	7.00%	April 29	2009 / 12	998	996
EUR 135 million Mortgage loan [3]	Floating	Quarterly	2010 / 12	135	–
EUR 80 million Mortgage loan [3]	Floating	Quarterly	2010/ 12	80	–
USD 750 million Senior Notes	4.75%	Semi–annually	2003 / 13	561	521
EUR 500 million Medium-Term Notes	4.125%	December 8	2004 / 14	521	507
USD 500 million Senior Unsecured Notes	4.625%	Semi–annually	2009 / 15	372	345
EUR 1,018 million 'SAECURE 7' RMBS Note [2, 5]	Floating	Quarterly	2010 / 15	996	–
GBP 35 million Note issue agreement [2, 6, 7]	Floating	Quarterly	2010 / 15	39	–
EUR 842 million 'SAECURE 9' RMBS Note [2, 8]	Floating	Quarterly	2010 / 16	826	–
EUR 75 million Medium-Term Notes	4.625%	December 9	2004 / 19	72	73
USD 500 million Senior Notes [1]	5.75%	Semi–annually	2005 / 20	375	357
GBP 92 million Note issue agreement [2, 6, 7]	Floating	April 21	2007 / 21	19	22
USD 305 million Note issue agreement [2]	5.54%/8.88%	Quarterly	2002 / 22	106	111
GBP 250 million Note issue agreement [2, 6, 7]	Floating	April 21	2008 / 23	208	242
GBP 250 million Medium-Term Notes	6.125%	December 15	1999 / 31	286	277
USD 1.54 billion Variable Funding Surplus Note [1,6]	Floating	Quarterly	2006 / 36	957	816
USD 1.5 billion Variable Funding Surplus Note [1,6]	Floating	Quarterly	2007 / 37	190	241
USD 550 million Floating Rate Guaranteed Note [2,6]	Floating	Quarterly	2007 / 37	355	382
GBP 400 million Senior Unsecured Notes	6.625%	Semi–annually	2009 / 39	457	443
Other				68	91
AT DECEMBER 31				**7,743**	**6,512**

1 Issued by subsidiaries of, and guaranteed by AEGON N.V.
2 Issued by a subsidiary of AEGON N.V.
3 Issued by a joint venture of AEGON Nederland N.V.
4 Part of the Long Term Refinancing Operation (LTRO) program and fully collateralized.
5 The first optional redemption date is August 2015; the legal maturity date is August 2093. Notes are fully collateralized by mortgage loans which are part of AEGON's general account investment.
6 Outstanding amounts can vary up to the maximum stated nominal amount.
7 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.
8 The first optional redemption date is March 2016; the legal maturity date is September 2092. Notes are fully collateralized by mortgage loans which are part of AEGON's general account investment.

Included in debentures and other loans is EUR 987 million (2009: EUR 959 million) relating to borrowings measured at fair value. Proceeds have been swapped to US dollar floating-rate. For the year 2010, AEGON's credit spread had a negative impact of EUR 6 million on income before tax (2009: negative impact of EUR 189 million) and a negative impact of EUR 4 million on shareholders' equity (2009: negative impact of EUR 132 million).

The cumulative negative impact of AEGON's credit spread, based on observable market data, on income before tax amounted to EUR 42 million (2009: EUR 36 million).

The difference between the contractually required payment at maturity date and the carrying amount of the borrowing amount to EUR 59 million (2009: EUR 43 million).

Undrawn committed borrowing facilities:	2010	2009
Floating-rate		
- Expiring within one year	318	330
- Expiring beyond one year	2,245	2,082
AT DECEMBER 31	**2,563**	**2,412**

There were no defaults or breaches of conditions during the period.

NOTE 24 PROVISIONS

	2010	2009
Provisions	**357**	**421**
Current	215	196
Non-current	142	225
At January 1	421	495
Additional provisions	192	133
Unused amounts reversed through the income statement	(60)	(4)
Unwinding of discount and change in discount rate	7	9
Used during the year	(214)	(207)
Net exchange differences	11	(5)
AT DECEMBER 31	**357**	**421**

The provisions include litigation provisions and provisions for contingent consideration relating to business combinations.

NOTE 25 DEFINED BENEFIT PLANS

	2010	2009
Retirement benefit plans	1,566	1,533
Other post-employment benefit plans	234	215
TOTAL DEFINED BENEFIT PLANS	**1,800**	**1,748**
Retirement benefit plans in deficit	352	356
Retirement benefit plans in surplus	–	–
TOTAL DEFINED BENEFIT ASSETS	**352**	**356**
Retirement benefit plans in deficit	1,918	1,889
Other post-employment benefit plans in deficit	234	215
TOTAL DEFINED BENEFIT LIABILITIES	**2,152**	**2,104**

Movements during the year in defined benefit plans:	2010 Retirement benefit plans	2010 Other post-employment benefit plans	2010 Total	2009 Retirement benefit plans	2009 Other post-employment benefit plans	2009 Total
At January 1	1,533	215	1,748	1,416	216	1,632
Disposal of a business	–	–	–	(8)	–	(8)
Defined benefit expenses	210	21	231	237	18	255
Contributions paid	(42)	–	(42)	(41)	–	(41)
Benefits paid	(131)	(16)	(147)	(90)	(15)	(105)
Net exchange differences	(12)	13	1	17	(5)	12
Other	8	1	9	2	1	3
AT DECEMBER 31	**1,566**	**234**	**1,800**	**1,533**	**215**	**1,748**

The amounts recognized in the balance sheet are determined as follows:

Retirement benefit plans:	2010	2009	2008	2007	2006
Present value of wholly or partly funded obligations	2,925	2,545	2,144	2,357	2,487
Fair value of plan assets	(2,507)	(2,092)	(1,786)	(2,541)	(2,620)
	418	**453**	**358**	**(184)**	**(133)**
Present value of wholly unfunded obligations	1,952	1,831	1,644	1,622	1,768
Unrecognized actuarial gains/(losses)	(804)	(751)	(586)	110	(201)
Unrecognized past service cost	–	–	–	2	(1)
AT DECEMBER 31	**1,566**	**1,533**	**1,416**	**1,550**	**1,433**

Other post-employment benefit plans:	2010	2009	2008	2007	2006
Present value of wholly or partly funded obligations	3	3	4	4	4
Fair value of plan assets	–	–	–	–	–
	3	**3**	**4**	**4**	**4**
Present value of wholly unfunded obligations	256	224	231	224	247
Unrecognized actuarial gains/(losses)	(25)	(12)	(19)	(29)	(42)
Unrecognized past service cost	–	–	–	–	–
AT DECEMBER 31	**234**	**215**	**216**	**199**	**209**

Defined benefit plans:	2010	2009	2008	2007	2006
Present value of wholly or partly funded obligations	2,928	2,548	2,148	2,361	2,491
Fair value of plan assets	(2,507)	(2,092)	(1,786)	(2,541)	(2,620)
	421	**456**	**362**	**(180)**	**(129)**
Present value of wholly unfunded obligations [1]	2,208	2,055	1,875	1,846	2,015
Unrecognized actuarial gains/(losses)	(829)	(763)	(605)	81	(243)
Unrecognized past service cost	–	–	–	2	(1)
AT DECEMBER 31	**1,800**	**1,748**	**1,632**	**1,749**	**1,642**

[1] Assets held by AEGON The Netherlands backing 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 2010 and 2009.

			2010			2009
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	93	6	99	79	6	85
Interest cost	259	13	272	231	14	245
Expected return on plan assets	(162)	–	(162)	(133)	–	(133)
Actuarial (gains) / losses recognized	51	–	51	59	–	59
(Gains) / losses on curtailment	(29)	–	(29)	–	–	–
Past service cost	1	2	3	1	(2)	(1)
Other	(3)	–	(3)	–	–	–
TOTAL DEFINED BENEFIT EXPENSES	**210**	**21**	**231**	**237**	**18**	**255**

			2008
Defined benefit expenses:	Retirement benefit plans	Other post-employment benefit plans	Total
Current year service costs	89	6	95
Interest cost	229	14	243
Expected return on plan assets	(193)	–	(193)
Actuarial (gains) / losses recognized	2	–	2
Past service cost	(2)	2	–
TOTAL DEFINED BENEFIT EXPENSES	**125**	**22**	**147**

Defined benefit expenses are included in 'Commissions and expenses' in the income statement.

			2010			2009
	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	337	–	**337**	374	–	**374**

Movements during the year of the present value of the defined benefit obligations:	2010	2009
At January 1	4,603	4,023
Disposal of a business	–	(14)
Current year service costs	99	85
Interest cost	272	245
Contributions by plan participants	11	11
Actuarial (gains)/losses	258	475
Benefits paid	(256)	(207)
Settlements and curtailments	(40)	–
Past service cost	3	(1)
Net exchange differences	183	(17)
Other	3	3
AT DECEMBER 31	**5,136**	**4,603**

Movements during the year in plan assets for retirement benefit plans:	2010	2009
At January 1	2,092	1,786
Disposal of a business	–	(3)
Expected return on plan assets	162	133
Actuarial gains/(losses)	175	241
Contributions by employer	53	51
Contributions by plan participants	–	1
Benefits paid	(109)	(102)
Net exchange differences	134	(14)
Other	–	(1)
AT DECEMBER 31	**2,507**	**2,092**

All other post-employment benefits plans are unfunded.

Breakdown of plan assets for retirement benefit plans:	2010	2009
Equity instruments	1,418	1,198
Debt instruments	933	774
Other	156	120
AT DECEMBER 31	**2,507**	**2,092**

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:

	2010		2009	
	+ 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	18	(16)	14	(13)

Experience adjustments arising on:	2010	2009	2008	2007	2006
Plan liabilities	59	(11)	(3)	(37)	(76)
Plan assets	175	241	(882)	64	112

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	**104**

Estimated future benefits:	Pension benefits	Other benefits	Total
2011	237	18	255
2012	248	17	265
2013	244	20	264
2014	250	21	271
2015	254	22	276
2016-2020	1,346	120	1,466

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 eligible annual compensation. The defined benefit plans were unfunded by EUR 171 million at December 31, 2010 (2009: EUR 113 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 184 million (2009: EUR 192 million).

	2010	2009
Assumptions used to determine benefit obligations at year-end:		
Discount rate	5.25%	6.00%
Rate of increase in compensation levels	4.59%	4.59%
Assumptions used to determine net periodic benefit cost for the year ended December 31:		
Discount rate	6.00%	6.50%
Rates of increase in compensation levels	4.59%	4.56%
Expected long-term rate of return on assets	7.65%	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 185 million (2009: EUR 165 million).

The principal actuarial assumptions that apply for the year ended December 31, 2010 are as follows:

	2010	2009
Assumed health care trend rates:		
Health care cost trend rate assumed for next year	7.50%	8.00%
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	2020	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 2010 or 2009.

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 45,296 per year (as at January 1, 2010) 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 1,756 million at December 31, 2010 (2009: EUR 1,631 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 46 million at December 31, 2010 (2009: EUR 45 million).

Assumptions used to determine benefit obligations at year-end:

	2010	2009
Discount rate	5.25%	5.30%
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, 2010:

	2010	2009
Discount rate	5.30%	5.75%
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	0.00–2.00%	1.50–2.00%
Rate that the cost trend rate gradually declines to	0.00–2.00%	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 affected with Scottish Equitable plc. The scheme is closed to new entrants. Under IAS 19, the defined benefit plan has a deficit of EUR 247 million at December 31, 2010 (2009: EUR 339 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:

	2010	2009
Discount rate	5.40%	5.70%
Salary increase rate	4.40%	4.90%
Pension increase rate	2.60–3.30%	3.60%
Price inflation	3.40%	3.60%
Expected long-term return on assets	6.00%	6.40%

Assumptions used to determine net periodic benefit costs for the year ended December 31, 2010:

	2010	2009
Discount rate	5.70%	6.00%
Salary increase rate	4.90%	4.10%
Pension increase rate	3.60%	2.80%
Price inflation	3.60%	2.80%
Expected long-term return on assets	6.40%	6.00%
Target allocation of plan assets for retirement benefit plans for the next annual period is:		
Equity instruments	50%	50%
Debt instruments	50%	50%

NEW MARKETS

New Markets mostly operate defined contribution plans.

NOTE 26 DEFERRED REVENUE LIABILITIES

	2010	2009
At January 1	69	42
Income deferred	23	46
Release to income statement	(12)	(13)
Net exchange differences	2	3
Other	–	(9)
AT DECEMBER 31	**82**	**69**

NOTE 27 DEFERRED TAX

	2010	2009
Deferred tax assets	512	278
Deferred tax liabilities	1,824	817
TOTAL NET DEFERRED TAX LIABILITY / (ASSET)	**1,312**	**539**

	Real estate	Financial assets	Insurance contracts	Deferred expenses, VOBA and other intangible assets	Defined benefit plans	Losses	Other	Total
At January 1, 2010	472	(376)	(1,997)	3,352	12	(762)	(162)	539
Acquisitions through business combinations	–	–	–	–	–	–	4	4
Disposal of a business	–	(7)	21	(9)	–	–	–	5
Charged to income statement	(16)	(44)	146	(183)	(9)	7	(14)	(113)
Charged to equity	1	958	–	–	–	–	47	1,006
Net exchange differences	6	(32)	(133)	222	5	(50)	(3)	15
Other	15	(98)	(61)	(3)	3	152	(152)	(144)
AT DECEMBER 31, 2010	**478**	**401**	**(2,024)**	**3,379**	**11**	**(653)**	**(280)**	**1,312**
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**

Deferred tax assets comprise temporary differences on:	2010	2009
Real estate	(204)	(197)
Financial assets	(104)	(2)
Insurance and investment contracts	689	780
Deferred expenses, VOBA and other intangible assets	5	(376)
Defined benefit plans	25	23
Losses	17	5
Other	84	45
AT DECEMBER 31	**512**	**278**

Deferred tax liabilities comprise temporary differences on:	2010	2009
Real estate	274	275
Financial assets	297	(378)
Insurance and investment contracts	(1,335)	(1,217)
Deferred expenses, VOBA and other intangible assets	3,384	2,976
Defined benefit plans	36	35
Losses	(636)	(757)
Other	(196)	(117)
AT DECEMBER 31	**1,824**	**817**

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 gross EUR 124 million; tax EUR 39 million (2009: gross EUR 178 million; tax EUR 60 million) the realization of the deferred tax asset is dependent on the projection of future taxable profits from existing business in excess of the profits arising from the reversal of existing taxable temporary differences.

For the following amounts, arranged by loss carry forward periods, the deferred corporate income tax asset is not recognized:

	Gross amounts		Not recognized deferred tax assets	
	2010	**2009**	**2010**	**2009**
< 5 years	340	786	69	243
≥ 5 – 10 year	45	10	15	2
≥ 10 – 15 years	–	–	–	–
≥ 15 – 20 years	45	28	11	7
Indefinitely	555	769	132	196
AT DECEMBER 31	**985**	**1,593**	**227**	**448**

Deferred corporate income tax assets in respect of deductible temporary differences are recognized to the extent that the realization of the related tax benefit through future taxable profits is probable. For the following amounts relating to available for sale financial assets and other items the recognition of the deferred corporate income tax asset is dependent on future taxable profits in excess of the profits arising from the reversal of existing taxable temporary differences:

	Gross amounts		Deferred tax assets	
	2010	**2009**	**2010**	**2009**
Deferred corporate income tax asset dependent on retaining bonds and similar investments until the earlier of market recovery or maturity	2,407	4,621	811	1,571
Deferred corporate income tax asset dependent on the realization of capital profits	914	811	320	284
AT DECEMBER 31	**3,321**	**5,432**	**1,131**	**1,855**

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 gross EUR 31 million; tax EUR 8 million (2009: gross EUR 32 million; tax EUR 8 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 gross EUR 1,757 million; tax EUR 438 million (2009: gross EUR 1,803 million; tax EUR 460 million).

All deferred taxes are non-current by nature.

NOTE 28 OTHER LIABILITIES

	2010	2009
Payables due to policyholders	980	577
Payables due to brokers and agents	1,015	1,090
Payables out of reinsurance	914	815
Social security and taxes payable	74	55
Income tax payable	385	174
Investment creditors	542	512
Cash collateral	7,664	4,020
Repurchase agreements	5,077	4,867
Share appreciation rights	1	1
Other creditors	1,843	1,603
AT DECEMBER 31	**18,495**	**13,714**
Current	15,725	11,718
Non-current	2,770	1,996

The carrying amounts disclosed reasonably approximate the fair values at year end.

Refer to note 38 for a description of share appreciation rights and related expenses.

NOTE 29 ACCRUALS

	2010	2009
Accrued interest	271	292
Accrued expenses	145	100
AT DECEMBER 31	**416**	**392**

The carrying amounts disclosed reasonably approximate the fair values as at the year end.

NOTE 30 PREMIUM INCOME AND PREMIUMS TO REINSURERS

	Total	
	Gross	Reinsurance
2010		
Life	18,366	1,509
Non-Life	2,731	350
TOTAL	**21,097**	**1,859**
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**

NOTE 31 INVESTMENT INCOME

	2010	2009	2008
Interest income	7,957	7,798	8,886
Dividend income	632	721	868
Rental income	173	162	211
TOTAL INVESTMENT INCOME	**8,762**	**8,681**	**9,965**
Investment income related to general account	6,258	6,109	7,041
Investment income for account of policyholders	2,504	2,572	2,924
TOTAL	**8,762**	**8,681**	**9,965**

Investment income from financial assets held for general account:	2010	2009	2008
Available-for-sale	4,509	4,492	5,217
Loans	1,363	1,228	1,303
Held-to-maturity	5	15	49
Financial assets designated at fair value through profit or loss	155	143	223
Real estate	100	86	96
Derivatives	113	91	67
Other	13	54	86
TOTAL	**6,258**	**6,109**	**7,041**

Investment income from:	2010	2009	2008
Shares	632	721	868
Debt securities and money market instruments	6,405	6,445	7,419
Loans	1,363	1,228	1,303
Real estate	173	162	211
Other	189	125	164
TOTAL	**8,762**	**8,681**	**9,965**

Included in interest income is EUR 122 million (2009: EUR 42 million; 2008: EUR 10 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 5,854 million (2009: EUR: 5,750 million; 2008: EUR 6,603 million).

NOTE 32 FEE AND COMMISSION INCOME

	2010	2009	2008
Fee income from asset management	875	756	763
Sales commissions	409	371	438
Commissions from intermediary activities	232	263	284
Other	228	203	218
TOTAL FEE AND COMMISSION INCOME	**1,744**	**1,593**	**1,703**

Included in fee and commission income is EUR 109 million of fees on trust and fiduciary activities (2009: EUR 103 million; 2008: EUR 85 million). EUR 3 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 (2009: EUR 4 million; 2008: EUR 25 million).

NOTE 33 INCOME FROM REINSURANCE CEDED

	2010	2009	2008
Recovered claims and benefits	2,248	2,304	1,907
Change in technical provisions	(530)	(755)	(430)
Commissions	151	172	156
TOTAL	**1,869**	**1,721**	**1,633**

Income from reinsurance ceded represents mainly claims made under reinsured insurance policies.

NOTE 34 RESULTS FROM FINANCIAL TRANSACTIONS

Results from financial transactions comprise:	2010	2009	2008
Net fair value change of general account financial investments at fair value through profit or loss, other than derivatives	257	193	(1,261)
Realized gains and losses on financial investments	564	475	99
Gains and (losses) on investments in real estate	135	(179)	(48)
Net fair value change of derivatives	1,340	(582)	996
Net fair value change on for account of policyholder financial assets at fair value through profit or loss	13,217	15,219	(27,490)
Net fair value change on investments in real estate for account of policyholders	73	(37)	(557)
Net foreign currency gains and (losses)	60	(25)	(39)
Net fair value change on borrowings and other financial liabilities	(2)	(138)	105
Realized gains and (losses) on repurchased debt	18	11	–
TOTAL	**15,662**	**14,937**	**(28,195)**

Net fair value change of general account financial investments at fair value through profit or loss, other than derivatives comprise:	2010	2009	2008
Shares	95	113	(639)
Debt securities and money market investments	49	188	(317)
Other	113	(108)	(305)
TOTAL	**257**	**193**	**(1,261)**

Realized gains and losses on financial investments comprise:	2010	2009	2008
Shares	64	79	37
Debt securities and money market investments	553	473	140
Loans	13	(2)	9
Other	(66)	(75)	(87)
TOTAL	**564**	**475**	**99**

Realized gains and losses on financial investments relate to:	2010	2009	2008
Available-for-sale investments	551	477	90
Loans	13	(2)	9
TOTAL	**564**	**475**	**99**

Net fair value change of derivatives comprise:	2010	2009	2008
Net fair value change on free standing derivatives	747	(1,795)	2,713
Net fair value change on embedded derivatives	713	1,102	(1,721)
Ineffective portion of hedge transactions to which hedge accounting is applied	(1)	(41)	50
Fair value changes on economic hedges for which no hedge accounting is applied	(119)	152	(46)
TOTAL	**1,340**	**(582)**	**996**

The ineffective portion of hedge transactions to which hedge accounting is applied comprises:	2010	2009	2008
Fair value change on hedging instruments in a fair value hedge	146	127	(164)
Fair value change on hedged items in a fair valued hedge	(152)	(158)	202
Ineffectiveness fair value hedges	(6)	(31)	38
Ineffectiveness cash flow hedges	5	(10)	12
TOTAL	**(1)**	**(41)**	**50**

Net fair value change on for account of policyholder financial assets at fair value through profit or loss comprise:	2010	2009	2008
Shares	5,018	5,090	(11,238)
Debt securities and money market investments	905	1,246	(827)
Deposits with financial institutions	16	5	5
Separate accounts and unconsolidated investment funds	7,278	9,132	(15,481)
Other	–	(254)	51
TOTAL	**13,217**	**15,219**	**(27,490)**

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 31 for further information.

NOTE 35 OTHER INCOME

	2010	2009	2008
Other income	**40**	**–**	**6**

Other income primarily includes a gain of EUR 33 million relating to the sale of the funeral insurance business in the Netherlands. Refer note 50 for more details about this disposal.

NOTE 36 POLICYHOLDER CLAIMS AND BENEFITS

	2010	2009	2008
Claims and benefits paid to policyholders	18,909	16,308	17,248
Gains / losses on separate accounts and investment funds	6,013	8,043	(14,020)
Change in valuation of liabilities for insurance and investment contracts	13,159	12,548	(4,036)
TOTAL	**38,081**	**36,899**	**(808)**

The change in valuation of liabilities for insurance and investment contracts include gains of EUR 283 million regarding fair value movements of guarantees and EUR 60 million of gains (2009: gains of EUR 60 million; 2008: losses of EUR 17 million) related to policyholder tax and other charges that are classified for segment reporting purposes as non underlying earnings.

NOTE 37 PROFIT SHARING AND REBATES

	2010	2009	2008
Amortization of interest rate rebates	47	46	50
Surplus interest bonuses	9	10	10
Profit appropriated to policyholders	27	61	38
TOTAL	**83**	**117**	**98**

NOTE 38 COMMISSIONS AND EXPENSES

	2010	2009	2008
Commissions	2,802	2,764	3,072
Employee expenses	2,151	2,035	1,899
Administration expenses	1,182	1,227	1,373
Deferred expenses	(1,611)	(1,613)	(1,792)
Amortization of deferred expenses	1,306	1,212	1,332
Amortization of VOBA and future servicing rights	204	358	225
TOTAL	**6,034**	**5,983**	**6,109**

Included in administration expenses above is depreciation amounting to EUR 88 million (2009: EUR 90 million; 2008: EUR 84 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 83 million (2009: EUR 72 million; 2008: EUR 59 million). Minimum lease payments recognized as expense amounted to EUR 7 million (2009: EUR 6 million; 2008: EUR 6 million). Included in employee expenses is EUR 29 million (2009: EUR 27 million; 2008: EUR 26 million) regarding defined contribution expenses.

Included in the amortization of deferred expenses and VOBA is EUR (27) million (2009: EUR 78 million; 2008: EUR 14 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. Included in employee expenses is EUR 74 million that is classified for segment reporting purposes as non underlying earnings (2009 and 2008: nil).

Employee expenses	2010	2009	2008
Salaries	1,368	1,311	1,285
Post-employment benefit costs	258	281	180
Social security charges	134	150	146
Other personnel costs	390	287	303
Share appreciation rights and share options	1	6	(15)
TOTAL	**2,151**	**2,035**	**1,899**

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 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.

LONG TERM INCENTIVE PLAN

In 2010, AEGON implemented a new Long Term Incentive Plan which replaces the option plan, share appreciation plans, share plans or similar plans relating to AEGON shares. Members of the Executive Board and the Management Board, as well as other senior managers within AEGON, have been granted the right to receive AEGON shares if certain performance indicators are met and depending on continued employment of the individual employee to whom the rights have been granted. The shares were granted in May at the average share price on the NYSE Euronext stock exchange in Amsterdam during the period between December 15 preceding a plan year and January 15 of a plan year. The performance indicators apply over a vesting period of three years and consist of financial and non-financial targets set by the Supervisory Board or the local remuneration committees. After the vesting period, the shares are transferred to the individual employees. Members of the Executive Board and the Management Board are not entitled to execute any transactions regarding the shares for a period of two years following vesting.

In compliance with regulations under Dutch law, no transactions regarding the shares can be exercised in blackout periods.
In 2010, 4,266,107 shares were granted to participants in the Long Term Incentive Plan of which 52,314 shares were subsequently forfeited.

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, 2009	18,144,141	15.30	1.71	0
Forfeited	(1,168,508)	13.68		
Expired	(5,643,604)	26.70		
OUTSTANDING AT JANUARY 1, 2010	**11,332,029**	**9.78**	**1.44**	**0**
Forfeited	(992,380)	10.47		
Expired	(2,443,509)	6.30		
OUTSTANDING AT DECEMBER 31, 2010	**7,896,140**	**10.77**	**0.79**	**0**
EXERCISABLE AT DECEMBER 31, 2010	**7,649,840**	**10.83**	**0.68**	**0**

During 2009 and 2010, no share appreciation rights were exercised.

SARs	Original number granted	Outstanding January 1, 2010	Outstanding December 1, 2010	Exercise price in EUR	Exercise period
2003	11,447,300	2,562,809	–	6.30	until March 11, 2010
2004	11,574,850	4,934,254	4,546,426	10.56	until March 17, 2011
2005	4,575,600	3,183,566	2,778,114	10.86	until March 8, 2012
2006	244,300	183,700	177,100	14.00	until March 14, 2013
2007	309,500	213,600	148,200	14.98	until March 13, 2014
2008	300,300	254,100	246,300	8.93	until March 11, 2015
TOTAL	**28,451,850**	**11,332,029**	**7,896,140**		

In 2009 and 2010 no share appreciation rights were granted.

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 28 for details.

The costs related to the share appreciation rights amount to EUR 4 million (2009: EUR (5) million; 2008: EUR (34) 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, 2009	29,178,516	12.17	5.01	0
Forfeited	(2,087,649)	12.10		
OUTSTANDING AT JANUARY 1, 2010	**27,090,867**	**12.17**	**4.00**	**0**
Forfeited / Cancelled	(5,246,174)	13.27		
OUTSTANDING AT DECEMBER 31, 2010	**21,844,693**	**11.91**	**2.97**	**0**
EXERCISABLE AT DECEMBER 31, 2010	**14,071,813**	**13.55**	**2.29**	**0**

In 2010 and 2009 no share options were exercised.

Share options	Original number granted	Outstanding January 1, 2010	Outstanding December 31, 2010	Exercise price in EUR	Exercise period
2005	5,586,160	3,791,760	3,420,160	10.86	until March 8, 2012
2006	9,149,500	6,860,401	6,113,283	14.00	until March 14, 2013
2007	9,522,200	7,554,798	4,538,370	14.98	until March 13, 2014
2008	10,269,900	8,883,908	7,772,880	8.93	until March 11, 2015
TOTAL	**34,527,760**	**27,090,867**	**21,844,693**		

In 2009 and 2010 no share options were granted.

The costs related to the share options amount to EUR (7) million (2009: EUR 10 million and 2008: EUR 19 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 and 2010. The fair value of a share appreciation right or share option at the grant date in 2008 amounted to EUR 1.57. This amount is equal to the weighted average fair value for 2008.

No share options were exercised and no SARs were paid during 2009 and 2010. The total intrinsic value of share options exercised and SARs paid during 2008 amounted to EUR 1 million.

At December 31, 2010, the total compensation cost related to non-vested awards not yet recognized is estimated at EUR 1 million (2009: EUR 5 million). The weighted average period over which it is expected to be recognized is 0.25 years (2009: 0.8 years).

No cash is received from exercise of share options during 2010, 2009 and 2008. Cash used to settle share appreciation rights amounts to EUR 0 million in 2010 (2009: EUR 0 million; 2008: EUR 0.4 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 and 2010. The breakdown of the share appreciation rights and share options granted in 2008 is as follows: senior executives 4,747,500, other employees 5,822,700.

Refer to note 52 for detailed information about the SARs / share options and the shares and options conditionally granted to the Executive Board.

NOTE 39 IMPAIRMENT CHARGES / (REVERSALS)

Impairment charges / (reversals) comprise:	2010	2009	2008
Impairment charges on financial assets, excluding receivables [1]	615	1,463	1,115
Impairment reversals on financial assets, excluding receivables [1]	(90)	(136)	(36)
Impact of the above impairments on the valuation of insurance assets and liabilities	–	4	(7)
Impairment charges on non-financial assets and receivables [2]	176	38	41
TOTAL	**701**	**1,369**	**1,113**

[1] Impairment charges / (reversals) on financial assets, excluding receivables, are excluded from underlying earnings before tax for segment reporting (refer to note 5).
[2] Of Impairment charges on non-financial assets and receivables EUR 169 million is excluded from underlying earnings before tax for segment reporting (refer to note 5) (2008 and 2009: nil)

Impairment charges on financial assets, excluding receivables, from:	2010	2009	2008
Shares	7	96	203
Debt securities and money market instruments	475	1,227	862
Loans	114	131	49
Other	19	3	1
Investments in associates	–	6	–
TOTAL	**615**	**1,463**	**1,115**

Impairment reversals on financial assets, excluding receivables, from:	2010	2009	2008
Debt securities and money market instruments	(73)	(116)	(36)
Loans	(17)	(20)	–
TOTAL	**(90)**	**(136)**	**(36)**

NOTE 40 INTEREST CHARGES AND RELATED FEES

	2010	2009	2008
Trust pass-through securities	8	7	8
Subordinated loans	–	–	2
Borrowings	324	320	410
Other	94	85	106
TOTAL	**426**	**412**	**526**

The interest charges accrued on financial assets and liabilities that are not carried at fair value through profit or loss amounted to EUR 303 million (2009: EUR 288 million charge; 2008: EUR 375 million gain).

Included in interest charges and related fees is EUR 27 million that is classified for segment reporting purposes as non underlying earnings (2009 and 2008: nil).

NOTE 41 OTHER CHARGES

	2010	2009	2008
Other charges	**122**	**389**	**2**

In 2010, other charges included a one-time provision of EUR 95 million for the settlement of a dispute related to a Bank-Owned Life Insurance (BOLI) policy in the United States. Subsequent to the disruption in the credit market, which affected the investment value of the policy's underlying assets, a suit was filed alleging that the policy terms were not sufficiently fulfilled by AEGON. Additionally, other charges include a bank tax charged by the Hungarian government of EUR 19 million.

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.

Other charges is fully excluded from underlying earnings for segment reporting purposes (refer to note 2.5).

NOTE 42 INCOME TAX

	Note	2010	2009	2008
Current tax				
Current year		227	20	(103)
Adjustments to prior year		40	23	36
		267	**43**	**(67)**
Deferred tax	27			
Origination / (reversal) of temporary differences		108	(652)	16
Changes in tax rates / bases		(11)	4	7
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		(218)	(47)	(3)
Non-recognition of deferred tax assets		49	51	134
Adjustment to prior year		(41)	(67)	(66)
		(113)	**(711)**	**88**
INCOME TAX FOR THE PERIOD (INCOME) / CHARGE		**154**	**(668)**	**21**

Reconciliation between standard and effective income tax:	2010	2009	2008
Income before tax	1,914	(464)	(1,061)
Income tax calculated using weighted average applicable statutory rates	566	(200)	(423)
Difference due to the effects of:			
Non-taxable income	(71)	21	2
Non-tax deductible expenses	57	37	42
Changes in tax rate / base	(11)	4	7
Different tax rates on overseas earnings	(180)	(423)	467
Tax credits	(70)	(69)	(82)
Other taxes	15	(2)	(85)
Adjustments to prior years	(1)	(44)	(23)
Origination and change in contingencies	22	3	(7)
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	(218)	(47)	(3)
Non-recognition of deferred tax assets	49	51	134
Tax effect of (profit) / losses from associates	1	–	(2)
Other	(5)	1	(6)
	(412)	**(468)**	**444**
INCOME TAX FOR THE PERIOD (INCOME) / CHARGE	**154**	**(668)**	**21**

The weighted average applicable tax rate is 29.6% (2009: 43.1% 2008: 39.9%). The change from 2009 to 2010 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 decrease of the weighted average applicable tax rate compared to 2009 and 2008 is mainly caused by a positive result by the higher taxed countries compared to a negative result in 2009 and 2008 in combination with an increased share in the overall profit of the lower taxed countries.

In Canada, the federal corporate income tax rate decreased from 19% in 2009 to 18% in 2010. The rate will further decrease to 15% in 2012. In the United Kingdom, the corporate income tax rate will decrease from 28% to 27% as per April 1, 2011. In the Netherlands, the corporate income tax rate will decrease from 25.5% to 25% as per January 1, 2011. In the Czech Republic, the corporate income tax rate decreased from 20% in 2009 to 19% in 2010. The Hungarian corporate income tax rate increased from 16% in 2009 to 19% in 2010. The solidarity tax (4%) ceased to exist in 2010.

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 deductible at 35% and gains in Ireland are taxed at 12.5%.

NOTE 43 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, coupons and premium on convertible core capital securities and potential coupon 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 15.3).

	2010	2009	2008
Net income / (loss) attributable to equity holders	1,759	204	(1,082)
Dividends on preferred shares	(90)	(122)	(112)
Coupons on perpetual securities	(187)	(182)	(189)
Coupons and premium on convertible core capital securities	(63)	(148)	–
Potential coupon on convertible core capital securities	(127)	–	–
Net income / (loss) attributable to common shareholders for basic earnings per share calculation	**1,292**	**(248)**	**(1,383)**
Weighted average number of common shares (millions)	**1,707**	**1,587**	**1,507**
Basic earnings per share (EUR per share)	**0.76**	**(0.16)**	**(0.92)**

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 amounted to 21,844,693 (2009: 27,090,867; 2008: 29,178,516). In 2010 and 2009, the average share price did not exceed the exercise price and in 2008, the share options would have had an anti-dilutive effect. At December 31, 2010, the exercise prices of these share options range from EUR 8.93 to EUR 14.98.

The potential conversion of the convertible core capital securities is not taken into account in the calculation of the diluted earnings per share for the years 2009 and 2008 as this would have an anti-dilutive effect.

	2010	2009	2008
Net income / (loss) attributable to equity holders	1,759	204	(1,082)
Dividends on preferred shares	(90)	(122)	(112)
Coupons on perpetual securities	(187)	(182)	(189)
Coupons and premium on convertible core capital securities	–	(148)	–
Net income / (loss) attributable to common shareholders for diluted earnings per share calculation	**1,482**	**(248)**	**(1,383)**
Weighted average number of common shares (millions)	1,707	1,587	1,507
Adjustments for:			
Convertible core capital securities (millions)	458	–	–
Weighted average number of common shares for diluted earnings per share calculation (millions)	**2,165**	**1,587**	**1,507**
Diluted earnings per share (EUR per share)	**0.68**	**(0.16)**	**(0.92)**

NOTE 44 DIVIDEND PER COMMON SHARE

The dividend per common share paid in 2010 (final 2009 and interim 2010) and 2009 (final 2008 and interim 2009) was nil in both years. It was decided not to declare dividend for 2009 and an interim dividend for 2010. As part of the European Commission's approval granted in August 2010, AEGON committed itself not to pay any dividend to common shareholders until the convertible core capital securities have been fully repurchased.

NOTE 45 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 to 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 the United Kingdom, a guaranteed minimum withdrawal benefit (GMWB) is offered directly on some variable annuity products AEGON issues and is also assumed from a ceding company. Variable annuities allow a customer to provide for the future on a tax-deferred basis and to participate in equity or bond market performance. Variable annuities allow a customer to select payout options designed to help meet the customer's need for income upon maturity, including lump sum payment or income for life or for a period of time. This benefit guarantees that a policyholder can withdraw a certain percentage of the account value, starting at a certain age or duration, for either a fixed period or during the life of the policyholder.

In Canada, variable products sold are known as 'Segregated funds'. Segregated funds are similar to variable annuities, except that they include a capital protection guarantee for mortality and maturity benefits (guaranteed minimum accumulation benefits). The initial guarantee period is ten years. The ten-year period may be reset at the contractholder's option for certain products to lock-in market gains. The reset feature cannot be exercised in the final decade of the contract and for many products can only be exercised a limited number of times per year. The management expense ratio charged to the funds is not guaranteed and can be increased by management decision. In addition, AEGON Canada recently introduced a contract with a minimum guaranteed withdrawal benefit. The contract provides capital protection for longevity risk in the form of a guaranteed minimum annuity payment.

In The Netherlands, individual variable unit-linked products have a minimum benefit guarantee if premiums are invested in certain funds. 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 management expense ratio charged to the funds is not guaranteed and can be increased at management's discretion.

The following table provides information on the liabilities for financial guarantees for minimum benefits:

					2010					2009
	United States [1]	Canada [1]	The Nether-lands [2]	New Markets	Total [3]	United States [1]	Canada [1]	The Nether-lands [2]	New Markets	Total [3]
At January 1	92	685	757	1	1,535	350	1,028	1,156	23	2,557
Incurred guarantee benefits	(39)	(95)	74	4	(56)	(250)	(216)	(399)	(22)	(887)
Paid guarantee benefits	–	(623)	–	–	(623)	–	(235)	–	–	(235)
Net exchange differences	7	78	–	–	85	(8)	108	–	–	100
AT DECEMBER 31	**60**	**45**	**831**	**5**	**941**	**92**	**685**	**757**	**1**	**1,535**
Account value	8,803	2,161	7,751	245	18,960	5,974	2,448	6,934	741	16,097
Net amount at risk [4]	282	93	967	8	1,350	457	684	1,016	1	2,158

[1] Guaranteed minimum accumulation and withdrawal benefits.
[2] Fund plan and unit-linked guarantees.
[3] Balances are included in the derivatives liabilities on the face of the balance sheet; refer to note 9.
[4] The net amount at risk represents the difference between the maximum amount payable under the guarantees and the account value.

In addition, AEGON reinsures the elective guaranteed minimum withdrawal benefit rider issued with a ceding company's variable annuity contracts. The rider is essentially a return of premium guarantee, which is payable over a period of at least fourteen years from the date that the policyholder elects to start withdrawals. At contract inception, the guaranteed remaining balance is equal to the premium payment. The periodic withdrawal is paid by the ceding company until the account value is insufficient to cover additional withdrawals. Once the account value is exhausted, AEGON pays the periodic withdrawals until the guaranteed remaining balance is exhausted. At December 31, 2010, the reinsured account value was EUR 4.2 billion (2009: EUR 4.5 billion) and the guaranteed remaining balance was EUR 3.5 billion (2009: EUR 4.0 billion).

The reinsurance contract is accounted for as a derivative and is carried in AEGON's balance sheet at fair value. At December 31, 2010, the contract had a value of EUR 71 million (2009: EUR 90 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, 2010 were EUR 572 million in fixed annuities (2009: EUR 657 million) and EUR 137 million in life reinsurance (2009: EUR 149 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 contractholder.

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

			2010			2009
	GMDB [1]	GMIB [2]	Total [4]	GMDB [1]	GMIB [2]	Total [4]
At January 1	334	543	877	409	434	843
Incurred guarantee benefits	34	(6)	28	266	160	426
Paid guarantee benefits	(103)	(37)	(140)	(329)	(33)	(362)
Net exchange differences	27	43	70	(12)	(18)	(30)
AT DECEMBER 31	**292**	**543**	**835**	**334**	**543**	**877**
	GMDB [1]	GMIB [2]	Total [3]	GMDB [1]	GMIB [2]	Total [3]
Account value	28,846	6,926		24,289	6,369	
Net amount at risk [5]	3,054	561		4,055	577	
Average attained age of contractholders	66	66		66	66	

[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 19.
[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 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 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 19.

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

	2010	2009
	GMB [1,2]	GMB [1,2]
At January 1	1,145	2,410
Incurred guarantee benefits	511	(1,265)
AT DECEMBER 31	**1,656**	**1,145**
Account value	13,448	12,929
Net amount at risk [3]	1,853	1,658

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 19.
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 adds 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 those 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, 2010 income before tax would have been EUR 158 million and EUR 173 million higher or lower respectively (2009: EUR 136 million and EUR 145 million higher or lower).

For equity volatility, AEGON uses a term structure assumption with market-based implied volatility inputs for the first five years and a long-term forward rate assumption of 25% thereafter. The volume of observable option trading from which volatilities are derived generally declines as the contracts' term increases, therefore, the volatility curve grades from implied volatilities for five years to the ultimate rate. The resulting volatility assumption in year 20 for the S&P 500 index (expressed as a spot rate) was 24.8% at December 31, 2010 and 25.3% at December 31, 2009. Correlations of market returns across underlying indices are based on historical market returns and their inter-relationships over a number of years preceding the valuation date. Assumptions regarding policyholder 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 144 million or an increase of EUR 127 million, respectively, in 2010 IFRS income before tax (2009: EUR 155 million decrease and EUR 136 million 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 gain before tax of EUR 356 million (2009: loss of EUR 76 million) to earnings. This net gain is attributable to a decrease in the total guarantee reserves of EUR 109 million (2009: decrease of EUR 2,505 million). The main drivers of this decrease are EUR 360 million related to an increase in equity markets (2009: EUR 911 million), EUR 80 million related to decreases in equity volatilities (2009: EUR 344 million) and EUR 227 million related to movements in the spread of credit risk (2009: EUR 187 million loss) offset by EUR 1,328 million related to decreases in risk free rates (2009: EUR 1,434 million gain). Hedges related to these guarantee reserves contributed fair value gains of EUR 894 million to income before tax (2009: losses of EUR 2,581 million).

NOTE 46 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 reserves), 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 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, excluding revaluation reserve, and the convertible core capital securities that were issued in 2008 (see below), was EUR 18,710 million at December 31, 2010 compared to EUR 14,164 million at December 31, 2009.
Shareholders' equity increased by EUR 5,046 million due to the change in the revaluation reserve of EUR 2,667 million, net income attributable to equity holders of AEGON N.V. of EUR 1,759 million and a number of other effects, including preferred dividend paid (EUR 90 million).

Group equity consists of core capital plus Other equity instruments (see note 17) such as the junior perpetual capital securities and the perpetual cumulative subordinated bonds as well as other equity reserves. Group equity was EUR 23,425 million at December 31, 2010, compared to EUR 18,883 million at December 31, 2009.

The table that follows reconciles total shareholders' equity to the total capital base:

	2010	2009
Total shareholders' equity	17,210	12,164
Convertible core capital securities	1,500	2,000
Junior perpetual capital securities	4,192	4,192
Perpetual cumulative subordinated bonds	453	453
Share options not yet exercised	59	64
Minority interest	11	10
Trust pass-through securities	143	130
Borrowings	8,518	7,485
Borrowings not related to capital funding of insurance activities	(7,331)	(6,527)
TOTAL CAPITAL BASE	**24,755**	**19,971**
Currency revaluation perpetual capital securities[1]	(160)	(369)
Reverse revaluation reserve	(958)	1,709
TOTAL CAPITAL BASE EXCLUDING REVALUATION RESERVE	**23,637**	**21,311**

[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 European Union (EU) and the United States are of main importance. AEGON's Insurance Group Directive ratio (IGD ratio) was 198%. The calculation of the IGD ratio is based on Solvency I capital requirements for entities within the EU (Pillar 1 for AEGON UK), and local regulatory solvency measurements for non-EU entities. Specifically, required capital for the life insurance companies in the US 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 US. 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-profit funds included in overall local available capital to be equal to the amount of With-profit funds' required capital.

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 2010, the combined risk based capital ratio of AEGON's life insurance subsidiaries in the United States was approximately 412% of the CAL 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. 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 2010, AEGON The Netherlands consolidated solvency capital ratio based on IFRS was approximately 200%.

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 2010, AEGON UK's aggregate Pillar 1 capital ratio was approximately 152% (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 7,271 million at December 31, 2010 (2009: EUR 7,623 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 895 million (2009: EUR 861 million) which are restricted. Included in AEGON N.V.'s legal reserves is an amount of EUR 355 million (2009: EUR 321 million) related to OPTAS N.V. which represents the increase in statutory reserves since the acquisition of OPTAS N.V. by AEGON.

NOTE 47 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.

	2010		2009	
	Trading	Designated	Trading	Designated
Investments for general account	302	5,010	624	4,452
Investments for account of policyholders	–	145,103	–	124,797
Derivatives with positive values not designated as hedges	5,231	–	4,103	–
Total financial assets at fair value through profit or loss	**5,533**	**150,113**	**4,727**	**129,249**
Investment contracts for account of policyholders	–	25,603	–	20,477
Derivatives with negative values not designated as hedges	4,789	–	4,618	–
Borrowings	–	987	–	959
Total financial liabilities at fair value through profit or loss	**4,789**	**26,590**	**4,618**	**21,436**

INVESTMENTS FOR GENERAL ACCOUNT

The Group manages certain portfolios on a total return basis which have been designated at fair value through profit or loss. This includes portfolios of investments in limited partnerships and limited liability companies (primarily hedge funds) for which the performance is assessed internally on a total return basis. In addition, some investments that include an embedded derivative that would otherwise have required bifurcation, such as convertible instruments, preferred shares and credit linked notes, have been designated at fair value through profit or loss.

Investments for general account backing insurance and investment liabilities that are carried at fair value with changes in the fair value recognized in the income statement are designated at fair value through profit or loss. The Group elected to designate these investments for account of policyholders at fair value through profit or loss, a classification of financial assets as available-for sale would result in accumulation of unrealized gains and losses in a revaluation reserve within equity whilst changes to the liability would be reflected in net income (accounting mismatch).

INVESTMENTS FOR ACCOUNT OF POLICYHOLDERS

Investments held for account of policyholders comprise assets that are linked to various insurance and investment contracts for which the financial risks are borne by the customer. Under the Group's accounting policies, these insurance and investment liabilities are measured at the fair value of the linked assets with changes in the fair value recognized in the income statement. To avoid an accounting mismatch, the linked assets have been designated as at fair value through profit or loss.

In addition, the investment for account of policyholders include with profit assets, where an insurer manages these assets together with related liabilities on a fair value basis in accordance with a documented policy of asset and liability management. In accordance with Group's accounting policies, these assets have been designated as at fair value through profit or loss.

INVESTMENT CONTRACTS FOR ACCOUNT OF POLICYHOLDERS

With the exception of the financial liabilities with discretionary participating features that are not subject to the classification and measurement requirements for financial instruments, all investment contracts for account of policyholders that are carried at fair value or at the fair value of the linked assets are included in the table above.

DERIVATIVES

With the exception of derivatives designated as a hedging instrument, all derivatives held for general account and held for account of policyholders are included in the table above.

BORROWINGS

Borrowings designated as at fair value through profit or loss includes financial instruments that are managed on a fair value basis together with related financial assets and financial derivatives.

Gains and losses recognized in the income statement on financial assets and financial liabilities classified as at fair value through profit or loss can be summarized as follows:

	2010		2009	
	Trading	Designated	Trading	Designated
Net gains and losses	**691**	**14,119**	**(89)**	**14,807**

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 48 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 2011. 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.

	2010		2009	
	Purchase	Sale	Purchase	Sale
Real estate	–	(6)	–	(3)
Mortgage loans	244	–	327	–
Private loans	19	–	36	–
Other	559	–	807	–

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

	2010	2009
Guarantees	547	443
Standby letters of credit	122	109
Share of contingent liabilities incurred in relation to interests in joint ventures	75	717
Other guarantees	4	3
Other commitments and contingent liabilities	26	27

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's 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, 2010, the letter of credit arrangements amounted to EUR 3,489 million (2009: EUR 3,492 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 620 million; 2009: EUR 668 million), as well as payables with respect to certain derivative transactions of Transamerica Corporation (nominal amount EUR 2,094 million; 2009: EUR 1,870 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, 2010.

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. In 2010, AEGON UK received a fine of

EUR 3.3 million from the FSA due to systems and controls failings, some of which have led to customer detriment. 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.

	2010			2009		
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	2	8	1	1	1	–
Operating lease obligations	80	208	350	86	239	351
Operating lease rights	55	130	77	43	98	57

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 11 million.

The operating lease rights relate to non-cancelable commercial property leases.

NOTE 49 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	2010	2009
Available-for-sale	10,465	6,600
Financial assets at fair value through profit or loss	89	51
TOTAL	**10,554**	**6,651**
Financial assets for account of policyholders	**5,679**	**3,592**

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 172 million (2009: EUR 57 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. 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 assets received in relation to securities lending and (reverse) repurchase activities:

	2010	2009
Cash collateral on securities lending	4,993	1,170
Cash received on repurchase agreements	5,076	4,867
Non-cash collateral	5,862	2,817
TOTAL	**15,931**	**8,854**
Non-cash collateral that can be sold or repledged in the absence of default	4,154	1,797
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 7,092 million (2009: EUR 9,532 million) financial assets as collateral for general account liabilities and contingent liabilities. None (2009: none) of the financial assets pledged can be sold or repledged by the counterparty.

EUR 459 million of the financial assets and other assets were pledged as collateral for liabilities and contingent liabilities for account of policyholders in 2010 (2009: EUR 235 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 940 million (2009: EUR 420 million) cash collateral on securities borrowed and derivative transactions and EUR 923 million (2009: EUR 9 million) on reverse repurchase agreements, refer to note 13.2.

As part of AEGON's mortgage funding program EUR 1.8 billion have been given as security for notes issued (refer to note 23).

NOTE 50 BUSINESS COMBINATIONS

ACQUISITIONS

2010

There have been no acquisitions during 2010.

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 a 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.

DISPOSALS

2010

On April 1, 2010, AEGON completed the sale of its funeral insurance business in the Netherlands to Dutch investment firm Egeria for EUR 212 million. The actual proceeds from the sale amounted to EUR 162 million, the remainder was upstreamed as a dividend prior to the sale. The value of the assets and liabilities sold amounted to EUR 1,084 million and EUR 933 million respectively. The assets included an amount of EUR 320 million of cash. Included in the gain are unrealized gains in an amount of EUR 22 million, reflecting revaluation reserves which were recycled through the income statement. In 2009, AEGON's funeral insurance business generated EUR 70 million in gross written premiums.

2009

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 41) was a loss of EUR 385 million.

NOTE 51 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)
- Transamerica Advisors Life Insurance Company, Little Rock, Arkansas (United States)
- Transamerica Advisors 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 Financial Life Insurance Company, Inc., Purchase, New York (United States)
- Transamerica Life Insurance Company, Cedar Rapids, Iowa (United States)
- Western Reserve Life Assurance Co. of Ohio, Columbus, Ohio (United States)
- Transamerica Life Canada, Toronto, Ontario (Canada)

The Netherlands

- AEGON Bank N.V., Utrecht
- AEGON Levensverzekering N.V., The Hague
- AEGON Schadeverzekering N.V., The Hague
- OPTAS Pensioenen N.V., Rotterdam

United Kingdom

- Guardian Assurance plc, Lytham St Annes
- Scottish Equitable plc, Edinburgh
- Origen Financial Services Ltd., London
- Positive Solutions (Financial Services) Ltd., Newcastle

New Markets

- AEGON España S.A., Madrid (Spain) (99.98%)
- AEGON Magyarország Általános Biztosító Zrt., Budapest (Hungary)
- AEGON Towarzystwo Ubezpieczeń na Życie Spółka Akcyjna., Warsaw (Poland)
- 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

New Markets

- AEGON-CNOOC Life Insurance Company Ltd, Shanghai (China), life insurance company (50%)
- CAN Vida y Pensiones, Sociedad Anónima de Seguros, Pamplona (Spain), life insurance and pension company (50%)
- Caixa Terrassa Vida y Pensiones, Sociedad Anónima de Seguros, Terrassa (Spain) life and accident insurance and pension company (50%)
- AEGON Sony Life Insurance Cy, Tokyo (Japan), life insurance company (50%)

SUMMARIZED FINANCIAL INFORMATION OF JOINT VENTURES FOR 2010 ACCOUNTED FOR USING PROPORTIONATE CONSOLIDATION:

	Current assets	Long-term assets	Current liabilities	Long-term liabilities	Income	Expenses
AMVEST	80	1,126	12	815	39	60
AEGON-CNOOC	56	248	13	262	109	120
AEGON Sony Life Insurance	4	104	3	53	3	17
Caja Badajoz Vida y Pensiones	5	160	27	138	61	58
CAN Vida y Pensiones	20	625	59	586	213	201
Caja Cantabria Vida y Pensiones	5	108	1	112	27	25
Caixa Terrassa Vida y Pensiones	19	669	17	671	147	140
AEGON Industrial Fund Management	21	34	10	1	39	20
TOTAL	**210**	**3,074**	**142**	**2,638**	**638**	**641**

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**

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 (22%)

New Markets

- 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, and Prisma is paid management fees for these services. 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 52 RELATED PARTY TRANSACTIONS

Related party transactions include, among others, transactions between AEGON N.V. and Vereniging AEGON.

As of December 1, 2010, and on a date no later than June 30, 2011, AEGON has the right to repurchase part or all of the securities at a purchase price equal to EUR 6.00 per security and no interest will be payable. After June 30, 2011 AEGON may at any time repurchase the remaining securities at EUR 6.00 per security, plus interest. Alternatively, and as from December 1, 2011, 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 repurchase in cash (at the original issue price of EUR 4.00).

On August 30, 2010, AEGON repurchased 125 million of the convertible core capital securities. The total payment to the Dutch government on August 30, 2010 amounted to EUR 563 million and included a premium for repurchase amounting to EUR 52 million and accrued interest from May 25, 2010 of EUR 11 million. This repurchase was in line with AEGON's agreement with Vereniging AEGON and Vereniging AEGON's agreement with the Dutch government as amended in August 2010.

In August 2010, the European Commission approved the capital support provided to AEGON by the Dutch State through Vereniging AEGON . The Commission gave its approval for the state support, but imposed a number of behavioral constraints on the Company, which will remain in place until the support is fully repaid. To secure the European Commission's approval, AEGON committed itself not to pay any dividend to common shareholders until the convertible core capital securities have been fully repurchased. Dividend payment on preference shares will remain possible. Vereniging AEGON will use income from the non-voting securities to service the loan from the Dutch government.

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 repurchase 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 repurchased includes accrued interest from May 22, 2009 of EUR 44 million. Refer to note 16 for for disclosure about the convertible core capital securities.

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 & Eastern Europe. The total remuneration for the members of the Management Board over 2010 was EUR 9.9 million (2009: EUR 9.3 million), consisting of EUR 5.7 million (2009: EUR 4.3 million) salary and other short term benefits, EUR 1.7 million

(2009: EUR 0.6 million) cash performance payments, EUR 1.2 million (2009: EUR 4.0 million) pension premiums, EUR 1.3 million (2009: EUR 0.3 million) other long-term benefits. No share-based incentives were paid in 2010 (2009: EUR 0.1 million).

Additional information on the remuneration and share-based compensation of members of the Executive Board and the Supervisory Board is disclosed in the sections below.

Remuneration of active and retired members of the Executive Board

Amounts in EUR thousands

	Short-term periodic benefits		Performance related			
	Salary	Other [1]	Cash [2]	Shares [3]	Pension premiums [4]	**Total**
2010						
Alexander R. Wynaendts	956 [5]	80	–	–	547	1,583
Jan J. Nooitgedagt	704 [5]	56	–	–	182	942
TOTAL	**1,660**	**136**	**–**	**–**	**729**	**2,525**
2009						
Alexander R. Wynaendts	950	57	–	27	565	1,599
Jan J. Nooitgedagt	525 [6]	36	–	–	134	695
Joseph B.M. Streppel	254 [7]	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 [8]	1,157	3,161	396	115	5,073
TOTAL	**1,872**	**1,259**	**3,700**	**778**	**730**	**8,399**

1 Other periodic benefits are additional remuneration elements, including non-monetary benefits, social security contributions and tax expenses related to the company car, 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 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 addition to the STI plan, Mr. Shepard was entitled to individual short-term incentive compensation 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.
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 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 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.
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. 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 Base salary was adjusted in 2010 in line with the general increase for all Dutch employees based on the collective labor agreement.
6 Mr. Nooitgedagt was appointed as CFO and Member of AEGON's Executive Board in April 2009.
7 Mr. Streppel retired as CFO and Member of AEGON's Executive Board in April 2009.
8 Mr. Shepard retired as CEO and Chairman of AEGON's Executive Board in April 2008.

The table below show the number of conditional shares and options based on LTI plans.

Total overview of conditional shares	Reference period	Number of shares per January 1, 2010	Number of shares in 2010[3]	Number of shares vested in 2010	Number of shares expired/ forfeited in 2010	Number of shares per December 31, 2010	Vesting
Alexander R. Wynaendts	2007	18,506	–	–	–	18,506[1]	2012/2016
	2009–2011	147,296[2]	–	–	–	147,296	2012
	2010–2012	–	104,515	–	–	104,515	2013
Jan J. Nooitgedagt	2009–2011	96,663[2]	–	–	–	96,663	2012
	2010–2012	–	76,891	–	–	76,891	2013
Joseph B.M. Streppel	2007	16,278	–	–	–	16,278[1]	2012/2013
Donald J. Shepard	2007	50,092	–	50,092	–	–	–

1 During the vesting period, dividend payments on these shares are deposited in blocked savings accounts on behalf of the executive members. For active members of the Executive Board 50% of the shares will vest in 2012 and 50% will vest in 2016. For retired members the shares will vest two years after retirement.
2 The conditions of the long term 2009-2011 plan were finalised in 2010. The conditional shares will vest in 2012 subject to targets over 2009-2011 being met.
3 Number of shares reflect a target performance. These shares will vest in 2013 subject to targets over 2010-2012 being met. The maximum performance would result in 130,644 shares for Mr. Wynaendts and 96,114 shares for Mr. Nooitgedagt.

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

	Year	Number of rights / options per January 1, 2010	Number of rights / options vested in 2010	Number of rights / options exercised in 2010	Number of rights / options expired / forfeited in 2010	Number of rights / options per Dec. 31, 2010	Number of exer-cisable rights / options	Exercise price EUR	Shares held in AEGON at Dec. 31, 2010
Alexander R. Wynaendts	2003	50,000 [1]	–	–	50,000	–	–	6.30	
	2004	50,000	–	–	–	50,000	50,000	10.56	
	2005	34,132	–	–	–	34,132	34,132	9.91	
	2006	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 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 mortgage loans, no principal repayments were received on the loans in 2010.

Remuneration of active and retired members of the Supervisory Board In EUR	2010	2009	2008
Robert J. Routs (as of April 23, 2008)	98,435	70,942	40,673
Irving W. Bailey, II	95,750	82,185	85,203
Antony Burgmans	78,000	69,000	63,000
Arthur W.H. Docters van Leeuwen (as of April 22, 2009)	84,000	72,000	7,000
Shemaya Levy	100,250	76,750	72,000
Karla M.H. Peijs	75,000	60,000	50,417
Kornelis J. Storm	79,250	54,692	45,942
Ben van der Veer (as of October 1, 2008)	91,096	63,000	18,000
Dirk P.M. Verbeek (as of April 23, 2008)	88,000	66,258	33,481
Leo M. van Wijk	71,096	54,500	51,185
TOTAL FOR ACTIVE MEMBERS	**860,877**	**669,327**	**466,901**
René Dahan (up to April 23, 2008)	–	–	18,900
O. John Olcay (up to April 23, 2008)	–	–	22,054
Toni Rembe (up to April 23, 2008)	–	–	18,137
Willem F.C. Stevens (up to April 22, 2009)	–	20,762	73,000
Dudley G. Eustace (up to April 29, 2010)	37,815	80,750	77,000
Cecelia Kempler (up to February 15, 2011)	93,500	75,315	45,673
TOTAL	**992,192**	**846,154**	**721,665**

AEGON's Supervisory Board members are entitled to the following: (1) A base fee for membership of the Supervisory Board itself. No attendance fees are paid to members for the attendance of the seven regular Supervisory Board meetings; (2) An attendance fee of EUR 3,000 for each Supervisory Board meeting, attended in person or by video- or telephone conference, other than one of the seven regular Supervisory Board meetings; (3) A committee fee for members on each of the Supervisory Board's Committees.; (4) An attendance fee for each Committee meeting attended in person or through video- and telephone conferencing facilities

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, as compensation for attending Board meetings.

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	2010	2009	2008
Irving W. Bailey, II	29,759	29,759	29,759
Cecelia Kempler (up to February 15, 2011)	11,559	11,559	15,968
Karla M.H. Peijs	1,400	1,400	1,400
Kornelis J. Storm	226,479	226,479	226,479
Ben van der Veer (as of October 1, 2008)	1,407	1,407	1,407
Dirk P.M. Verbeek (as of April 23, 2008)	982	982	n.a.
TOTAL	**271,586**	**271,586**	**275,013**

Shares held by Supervisory Board members are only disclosed for the period they have been part of the Supervisory Board.

NOTE 53 EVENTS AFTER THE BALANCE SHEET DATE

On March 1, 2011 AEGON completed the sale of 173,604,912 new common shares of AEGON N.V. with a nominal value of EUR 0.12. The shares were sold at a price of EUR 5.20 per share. The proceeds of EUR 903 million were used to fund part of the repurchase the convertible core capital securities described below.

The new shares have been listed on Euronext Amsterdam, the principal market for AEGON's common shares.

On March 15, 2011, Vereniging AEGON exercised its option rights to purchase 41,042,000 class B preferred shares at par value in order to avoid dilution of its voting rights following the issuance of 10% new common shares completed on March 1, 2011.

On March 15, 2011, AEGON repurchased EUR 750 million in principal amount of convertible core capital securities from the Dutch state. The total payment to the Dutch state amounted to EUR 1.125 billion of which EUR 750 million related to the repurchase of 187.5 million convertible core capital securities and EUR 375 million related to the premium attached to this repurchase.

The Hague, March 23, 2011

SUPERVISORY BOARD
Robert J. Routs
Irving W. Bailey, II
Antony Burgmans
Arthur W.H. Docters van Leeuwen
Shemaya Levy
Karla M.H. Peijs
Kornelis J. Storm
Ben van der Veer
Dirk P.M. Verbeek
Leo M. van Wijk

EXECUTIVE BOARD
Alexander R. Wynaendts
Jan J. Nooitgedagt

OTHER INFORMATION

INDEPENDENT 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 2010 of AEGON N.V., The Hague (as set out on pages 80 to 224, and comprise the consolidated balance sheet as at December 31, 2010, the consolidated income statement, statement of comprehensive income, statement of changes in equity and cash flow statement for the year then ended and notes, comprising a summary of the significant accounting policies and other explanatory information.

MANAGEMENT'S RESPONSIBILITY

Management is responsible for the preparation and fair presentation of these 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 Dutch Civil Code, and for the preparation of the Report of the Executive Board in accordance with Part 9 of Book 2 of the Dutch Civil Code. Furthermore management is responsible for such internal control as it determines is necessary to enable the preparation of the consolidated Financial statements that are free from material misstatement, whether due to fraud or error.

AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with Dutch law, including the Dutch Standards on Auditing. This requires that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about 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 WITH RESPECT TO THE CONSOLIDATED FINANCIAL STATEMENTS

In our opinion, the consolidated financial statements give a true and fair view of the balance sheet of AEGON N.V. as at December 31, 2010 its result and its cash flows for the year then ended in accordance with International Financial Reporting Standards as issued by the IASB , as adopted by the European Union and with Part 9 of Book 2 of the Dutch Civil Code.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

Pursuant to the legal requirement under Section 2:393 sub 5 at e and f of the Dutch Civil Code, we have no deficiencies to report as a result of our examination whether the Report of the Executive Board, to the extent we can assess, has been prepared in accordance with Part 9 of Book 2 of this Code, and whether the information as required under Section 2:392 sub 1 at b-h has been annexed. Further we report that the Report of the Executive Board, to the extent we can assess, is consistent with the consolidated financial statements as required by Section 2:391 sub 4 of the Dutch Civil Code.

The Hague, March 23, 2011
ERNST & YOUNG ACCOUNTANTS LLP

signed by A.F.J. van Overmeire

CONTENTS

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

Before profit appropriation, amounts in EUR million	Note	2010	2009
ASSETS			
Investments			
Shares in group companies	3	16,776	12,023
Loans to group companies	4	6,851	6,034
Other investments	5	100	1,650
		23,727	**19,707**
Receivables	6		
Receivables from group companies		4,306	4,803
Other receivables		2	2
		4,308	**4,805**
Other assets			
Cash and cash equivalents		1,305	1,141
Deferred tax asset		18	–
Other	7	173	259
		1,496	**1,400**
Prepayments and accrued income			
Accrued interest and rent		69	85
TOTAL ASSETS		**29,600**	**25,997**
EQUITY AND LIABILITIES			
Shareholders' equity			
Share capital	8	278	278
Paid-in surplus	9	7,906	7,906
Revaluation account	9	1,168	(1,374)
Legal reserves – foreign currency translation reserve	9	(1,317)	(2,295)
Legal reserves in respect of group companies	9	3,690	1,476
Retained earnings, including treasury shares	9	3,726	5,969
Net income / (loss)	9	1,759	204
		17,210	**12,164**
Convertible core capital securities	10	1,500	2,000
Other equity instruments	11	4,704	4,709
TOTAL EQUITY		**23,414**	**18,873**
Long-term borrowings	12	3,268	3,161
Short-term borrowings	13	736	920
Other liabilities	14		
Loans from group companies		330	281
Payables to group companies		1,223	1,231
Repurchase agreements		–	1,047
Deferred tax liability		–	56
Other		503	306
		2,056	**2,921**
Accruals and deferred income		126	122
TOTAL EQUITY AND LIABILITIES		**29,600**	**25,997**

INCOME STATEMENT OF AEGON N.V.
FOR THE YEAR ENDED DECEMBER 31

Amounts in EUR million	2010	2009
Net income / (loss) group companies	1,843	253
Other income / (loss)	(84)	(49)
NET INCOME / (LOSS)	**1,759**	**204**

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 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 27,500 people worldwide.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

NOTE 2.1 BASIS OF PREPARATION

The financial statements have been prepared in accordance with accounting principles in the Netherlands as embodied in Part 9 of Book 2 of the Netherlands Civil Code. Based on article 2:362.8 of the Netherlands Civil Code, the valuation principles applied are based on International Financial Reporting Standards (IFRS), as used for the preparation of the consolidated financial statements of the Group.

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

NOTE 2.2 FOREIGN EXCHANGE TRANSLATION

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 2.3 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 2.4 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 2.5 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 2.6 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 2.7 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 2.8 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 2.9 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 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.

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 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 2.10 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.

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 2.11 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.

NOTE 2.12 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 2.13 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

	2010	2009
At January 1	12,023	6,303
Capital contributions and acquisitions	24	45
Divestments and capital repayments	(191)	(107)
Dividend received	(450)	–
Net income / (loss) for the financial year	1,843	253
Revaluations	3,527	5,529
AT DECEMBER 31	**16,776**	**12,023**

For a list of names and locations of the most important group companies, refer to note 51 of 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

	2010	2009
Loans to group companies - long-term		
At January 1	4,074	941
Additions / repayments	750	3,222
Other changes	335	(89)
AT DECEMBER 31	**5,159**	**4,074**
Loans to group companies - short-term		
At January 1	1,960	5,263
Additions / repayments	(413)	(3,227)
Other changes	145	(76)
AT DECEMBER 31	**1,692**	**1,960**
TOTAL	**6,851**	**6,034**

NOTE 5 OTHER INVESTMENTS

	Debt securities - available-for-sale	Money market and other short-term investments FVTPL [1]	Total
At January 1, 2010	1,028	622	1,650
Additions	–	50	50
Disposals	(1,095)	(589)	(1,684)
Revaluations	(29)	–	(29)
Realized gains and losses through income statement	96	–	96
Foreign currency translation differences	–	17	17
AT DECEMBER 31, 2010	**–**	**100**	**100**
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.

In 2009, debt securities comprised Dutch government bonds. These government bonds were transferred to another party under repurchase activities. AEGON retained substantially all risk and rewards of the transferred assets. The assets were transferred in return for cash collateral (refer to note 14). In 2010 these debt securities were sold.

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 169 million (2009: EUR 255 million).

NOTE 8 SHARE CAPITAL

Issued and outstanding	2010	2009
Common shares	208	208
Preferred shares A	53	53
Preferred shares B	17	17
TOTAL SHARE CAPITAL	**278**	**278**

Authorized	2010	2009
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	2010	2009
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 46 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 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.

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	2010	2009
At January 1	1,736,049,139	1,578,227,139
Shares issued	–	157,822,000
AT DECEMBER 31	**1,736,049,139**	**1,736,049,139**

The weighted average number of EUR 0.12 common shares for 2010 was 1,706,782,188 (2009: 1,586,699,448).

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.

LONG-TERM INCENTIVE PLAN, SHARE APPRECIATION RIGHTS AND SHARE OPTIONS

For detailed information on the long-term incentive plan, share appreciation rights and share options granted to senior executives and other AEGON employees, refer to note 38 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 52 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, 2010	278	7,906	(1,374)	(2,295)	1,476	6,220	(251)	204	12,164
Net loss 2009 retained	–	–	–	–	–	204	–	(204)	–
Net income 2010	–	–	–	–	–	–	–	1,759	1,759
Total net income / (loss)	**–**	**–**	**–**	**–**	**–**	**204**	**–**	**1,555**	**1,759**
Foreign currency translation differences and movement in foreign investment hedging reserves	–	–	–	995	–	–	–	–	995
Changes in revaluation subsidiaries	–	–	2,689	–	–	–	–	–	2,689
Transfer to legal reserve	–	–	(125)	–	2,214	(2,114)	–	–	(25)
Disposal of group assets	–	–	(22)	–	–	–	–	–	(22)
Other	–	–	–	(17)	–	7	–	–	(10)
Other comprehensive income / (loss)	**–**	**–**	**2,542**	**978**	**2,214**	**(2,107)**	**–**	**–**	**3,627**
Dividend preferred shares	–	–	–	–	–	(90)	–	–	(90)
Coupons and premium on convertible core capital securities and coupon on perpetual securities, net of tax	–	–	–	–	–	(250)	–	–	(250)
Other	–	–	–	–	–	1	(1)	–	–
Changes in equity from relation with shareholders	**–**	**–**	**–**	**–**	**–**	**(339)**	**(1)**	**–**	**(340)**
AT DECEMBER 31, 2010	**278**	**7,906**	**1,168**	**(1,317)**	**3,690**	**3,978**	**(252)**	**1,759**	**17,210**

	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)**	**–**	**–**	**5,539**
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**

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 5,970 million (2009: EUR 2,787 million) of items with positive revaluation and for EUR (2,420) million of items with negative revaluation (2009: EUR (4,161) million).

The revaluation account and legal reserves, foreign currency translation reserve and other, can not 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 895 million (2009: EUR 861 million) which are restricted. Included in AEGON N.V.'s legal reserves is an amount of EUR 355 million related to OPTAS N.V. which represents the increase in statutory reserves since the acquisition of OPTAS N.V. by AEGON (2009: EUR 321 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 29,245,571 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:

	2010	2009
At January 1	27,571,680	60,264,790
Transactions in 2010:		
Sale: 1 transaction, price EUR 4.75	(51,609)	–
Transactions in 2009:		
Sale: 1 transaction, price EUR 5.25	–	(32,654,191)
Sale: 1 transaction, price EUR 3.18	–	(38,919)
AT DECEMBER 31	**27,520,071**	**27,571,680**

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.

	2010		2009	
	Number of shares	Consideration	Number of shares	Consideration
Held by AEGON N.V.	27,520,071	235	27,571,680	236
Held by subsidiaries	1,725,500	17	1,699,629	15
TOTAL AT DECEMBER 31	**29,245,571**	**252**	**29,271,309**	**251**

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 Dutch State 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 State amounted to EUR 1.15 billon. Under the terms of AEGON's agreement with the Dutch State, 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.

On August 30, 2010, AEGON repurchased 125 million of convertible core capital securities. The total payment to the Dutch State amounted to EUR 563 million and included a premium for repayment amounting to EUR 52 million and accrued interest from May 25, 2010, of EUR 11 million.

Refer to note 17 for disclosure about a repurchase of convertible core capital securities after December 31, 2010.

NOTE 11 OTHER EQUITY INSTRUMENTS

	Junior perpetual capital securities	Perpetual cumulative subordinated bonds	Share options not yet exercised	Total
At January 1, 2010	4,192	453	64	4,709
Share options cost incurred	–	–	7	7
Share options forfeited	–	–	(12)	(12)
AT DECEMBER 31, 2010	**4,192**	**453**	**59**	**4,704**
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**

Junior perpetual capital securities	Coupon rate	Coupon date: as of	Year of next call	2010	2009	2008
USD 500 million	6.5%	Quarterly, December 15	2011	424	424	424
USD 250 million	floating LIBOR rate [1]	Quarterly, December 15	2011	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 next call	2010	2009	2008
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**	**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. 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 12 LONG-TERM BORROWINGS

	2010	2009
Remaining terms less than 1 year	–	2
Remaining terms 1 - 5 years	2,452	2,023
Remaining terms 5 - 10 years	72	418
Remaining terms over 10 years	744	718
AT DECEMBER 31	**3,268**	**3,161**

The repayment periods of borrowings vary from within one year up to a maximum of 29 years. The interest rates vary from 4.125 to 9.000% per annum. The market value of the long-term borrowings amounts to EUR 3,377 million (2009: EUR 3,256 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

	2010	2009
Amounts owed to credit institutions	17	248
Short-term deposits	719	672
AT DECEMBER 31	**736**	**920**

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 313 million (2009: EUR 255 million) and income tax payable for EUR 146 million (2009: EUR 30 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 was obligated to return this amount upon termination of the repurchase agreements (refer note 5). In 2010 AEGON terminated the repurchase agreement.

COMMITMENTS AND CONTINGENCIES

AEGON N.V. has entered into a contingent capital agreement in order to enable its subsidiary Scottish Equitable Plc. to maintain capital in excess of the minimum capital requirements. The agreement is secured by GBP 200 million in assets, which have been allocated to Scottish Equitable. In the event Scottish Equitable's solvency capital would fall below the minimum capital requirement, AEGON N.V. has agreed to replenish solvency capital up to the amount of assets remaining in the secured account. The agreement expires when certain conditions have been triggered. These conditions are: 1) (partial) disposal of Scottish Equitable or 2) the implementation of solvency II in the UK.

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, 2010, the letter of credit arrangements amounted to EUR 3,489 million (2009: EUR 3,492 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 620 million; 2009: EUR 668 million), as well as payables with respect to certain derivative transactions of Transamerica Corporation (nominal amount EUR 2,094 million; 2009: EUR 1,870 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, 2010.

NOTE 15 NUMBER OF EMPLOYEES

Other than the Executive Board members, there were no employees employed by AEGON N.V. in either 2010 or 2009.

NOTE 16 ACCOUNTANTS REMUNERATION

	Total renumeration		Of which Ernst & Young accountants LLP (NL)	
	2010	2009	**2010**	2009
Audit	23	24	6	7
Other audit	3	2	3	1
Tax	–	–	–	–
Other services	–	–	–	–
TOTAL	**26**	**26**	**9**	**8**

NOTE 17 EVENTS AFTER THE BALANCE SHEET DATE

On March 1, 2011, AEGON completed the sale of 173,604,912 new common shares of AEGON N.V. with a nominal value of EUR 0.12. The shares were sold at a price of EUR 5.20 per share. The proceeds of EUR 903 million were used to fund part of the repurchase of the convertible core capital securities described below.

The new shares have been listed on Euronext Amsterdam, the principal market for AEGON's common shares.

On March 15, 2011, Vereniging AEGON exercised its option rights to purchase 41,042,000 class B preferred shares at par value in order to avoid dilution of its voting rights following the issuance of 10% new common shares completed on March 1, 2011.

On March 15, 2011, AEGON repurchased EUR 750 million in principal amount of convertible core capital securities from the Dutch State. The total payment to the Dutch State amounted to EUR 1.125 billion of which EUR 750 million related to the repurchase of 187.5 million convertible core capital securities and EUR 375 million related to the premium attached to this repurchase.

The Hague, March 23, 2011

SUPERVISORY BOARD

Robert J. Routs
Irving W. Bailey, II
Antony Burgmans
Arthur W.H. Docters van Leeuwen
Shemaya Levy
Karla M.H. Peijs
Kornelis J. Storm
Ben van der Veer
Dirk P.M. Verbeek
Leo M. van Wijk

EXECUTIVE BOARD

Alexander R. Wynaendts
Jan J. Nooitgedagt

OTHER INFORMATION

INDEPENDENT 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 2010 of AEGON N.V., The Hague (as set out on pages 226 to 241), which comprise the balance sheet as at December 31, 2010, the income statement for the year then ended and the notes, comprising a summary of the significant accounting policies and other explanatory information.

MANAGEMENT'S RESPONSIBILITY
Management is responsible for the preparation and fair presentation of these 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 Dutch Civil Code. Furthermore management is responsible for such internal control as it determines is necessary to enable the preparation of the company financial statements that are free from material misstatement, whether due to fraud or error.

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, including the Dutch Standards on Auditing. This requires that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about 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 WITH RESPECT TO THE COMPANY FINANCIAL STATEMENTS
In our opinion, the company financial statements give a true and fair view of the balance sheet of AEGON N.V. as at December 31, 2010 and of its result and for the year then ended in accordance with Part 9 of Book 2 of the Dutch Civil Code.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS
Pursuant to the legal requirement under Section 2:393 sub 5 at e and f of the Dutch Civil Code, we have no deficiencies to report as a result of our examination whether the Report of the Executive Board, to the extent we can assess, has been prepared in accordance with Part 9 of Book 2 of this Code, and whether the information as required under Section 2:392 sub 1 at b-h has been annexed. Further we report that the Report of the Executive Board, to the extent we can assess, is consistent with the company financial statements as required by Section 2:391 sub 4 of the Dutch Civil Code.

The Hague, March 23, 2011
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 average 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. The authority to charge the payment of preferred dividends to the reserves of the Company rests with the Executive Board subject to approval by the Supervisory Board.
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 2009 and the interim 2010. As part of the approval granted by the European Commission in August 2010, AEGON committed itself not to pay any dividend to common shareholders until the Dutch State is fully repaid. A cash dividend of 2.75% on the amount paid-in on the class A and class B preferred shares shall be paid to the holder of the preferred shares.

	2010	2009
Dividend on preferred shares	59	90
Earnings to be (reduced) / retained	1,700	114
NET INCOME / (LOSS) ATTRIBUTABLE TO EQUITY HOLDERS OF AEGON N.V.	**1,759**	**204**

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 Association 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%. 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 2008, 35,170,000 class B preferred shares were issued under these option rights. 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. In 2010, no option rights were excercised.

DEVELOPMENT OF SHAREHOLDING IN AEGON N.V.

Number of shares	Common	Preferred A	Preferred B
At January 1, 2010	171,974,055	211,680,000	69,039,000
Exercise rights	-	-	-
AT DECEMBER 31, 2010	**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, 2010, amounts to approximately 22.8%. In the event of a 'special cause', Vereniging AEGON's voting rights will increase, currently to 33%, for up to six months per 'special cause'.

At December 31, 2010, the General Meeting of Members of Vereniging AEGON consisted of eighteen members. The majority of the voting rights is with the sixteen 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 Association 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 United States Securities and Exchange Commission on February 10, 2011, US-based investment management firm Dodge & Cox owns over 160 million common shares.

QUARTERLY RESULTS - UNAUDITED

2009						2010				
First quarter	Second quarter	Third quarter	Fourth quarter	Full year	Amounts in EUR millions	First quarter	Second quarter	Third quarter	Fourth quarter	Full year
					Underlying earnings before tax					
211	236	251	233	931	Life	229	276	279	264	1,048
(320)	88	105	117	(10)	Individual savings and retirement products	132	134	117	117	500
76	117	63	139	395	Pensions	122	115	124	108	469
(23)	13	15	16	21	Life reinsurance	30	26	4	19	79
11	20	17	19	67	Non-life	15	20	2	16	53
6	1	(1)	(8)	(2)	Distribution	9	4	2	(5)	10
-	-	-	-	-	Asset management	7	12	13	14	46
(63)	(72)	(69)	(48)	(252)	Other	(69)	(74)	(83)	(57)	(283)
4	12	9	10	35	Share in underlying earnings before tax of associates	13	9	15	13	50
(98)	**415**	**390**	**478**	**1,185**	**UNDERLYING EARNINGS BEFORE TAX**	**488**	**522**	**473**	**489**	**1,972**
(167)	(17)	(196)	(164)	(544)	Fair value items	(16)	3	204	30	221
144	21	38	315	518	Realized gains / (losses) on investments	126	148	129	255	658
(385)	(394)	(286)	(212)	(1,277)	Impairment charges	(150)	(77)	(92)	(133)	(452)
(24)	(352)	48	5	(323)	Other income / (charges)	23	(60)	(14)	(258)	(309)
77	(9)	(34)	(47)	(13)	Run-off businesses	(60)	(49)	(28)	(28)	(165)
(453)	**(336)**	**(40)**	**375**	**(454)**	**Income before tax**	**411**	**487**	**672**	**355**	**1,925**
280	175	185	18	658	Income tax	(39)	(74)	(15)	(37)	(165)
(173)	**(161)**	**145**	**393**	**204**	**NET INCOME / (LOSS)**	**372**	**413**	**657**	**318**	**1,760**
(64)	**331**	**348**	**390**	**1,005**	**Net underlying earnings**	**381**	**390**	**395**	**387**	**1,553**
					Underlying earnings before tax					
(146)	289	324	350	817	Americas	379	437	376	406	1,598
72	129	102	95	398	The Netherlands	104	97	97	87	385
8	20	(9)	33	52	United Kingdom	28	22	28	(6)	72
31	49	42	48	170	New Markets	46	40	55	59	200
(63)	(72)	(69)	(48)	(252)	Holding and other activities	(69)	(74)	(83)	(57)	(283)
(98)	**415**	**390**	**478**	**1,185**	**UNDERLYING EARNINGS BEFORE TAX**	**488**	**522**	**473**	**489**	**1,972**
8,206	**6,732**	**6,889**	**6,719**	**28,546**	**Gross deposits (on and off balance sheet)**	**7,775**	**7,584**	**9,408**	**7,813**	**32,580**
(1,271)	**(568)**	**(1,380)**	**(5,585)**	**(8,804)**	**Net deposits (on and off balance sheet)**	**(1,458)**	**(839)**	**2,666**	**(1,946)**	**(1,577)**
					New life sales					
1,974	1,397	1,674	2,017	7,062	Life single premiums	1,930	1,923	1,656	2,003	7,512
370	345	323	355	1,393	Life recurring premiums annualized	345	398	361	358	1,462
567	**484**	**492**	**557**	**2,100**	**TOTAL RECURRING PLUS 1/10 SINGLE**	**538**	**590**	**527**	**558**	**2,213**
164	146	126	125	561	New premium production accident & health insurance	148	148	146	180	622
12	11	12	21	56	New premium production general insurance	14	15	14	15	58

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.

Financial instrument is any contract that gives rise to both a financial asset of one entity and a financial liability or equity instrument of another entity.

Financial liability is any liability that is:

- A contractual obligation to deliver cash or another financial asset to another entity or to exchange financial assets or financial liabilities with another entity under conditions that are potentially unfavorable to the entity; or
- A contract that will or may be settled in the entity's own equity instruments; and is
  - A non-derivative for which the entity is or may be obliged to deliver a variable number of the entity's own equity instruments; or
  - A derivative that will or may be settled other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of the entity's own equity instruments.

Financial risks are risks of a possible future change in one or more of the following variables: a specified interest rate, financial instrument price, commodity price, foreign exchange rate, index or prices or rates, credit rating or credit index or other variable, provided in the case of a non-financial variable, that the variable is not specific to a party to the contract.

Firm commitment is a binding agreement for the exchange of a specified quantity of resources at a specified price on a specified future date or dates.

Foreign currency is a currency other than the functional currency of an entity within the Group.

Foreign operation is an entity that is a subsidiary, associate, joint venture or branch of a reporting entity within the Group, the activities of which are based or conducted in a country or currency other than those of the reporting entity.

Functional currency is the currency of the primary economic environment in which an entity within the Group operates.

General account investments are investments of which the financial risks are not borne by the policyholder.

Goodwill is the amount of future economic benefits arising from assets that are not capable of being individually identified and separately recognized as an asset in a business combination.

Guaranteed benefits are payments or other benefits to which a particular policyholder or investor has an unconditional right that is not subject to the contractual discretion of the issuer.

Hedge effectiveness is the degree to which changes in the fair value or cash flows of the hedged item that are attributable to a hedged risk are offset by changes in the fair value or cash flows of the hedging instrument.

Incremental cost is one that would not have been incurred if the entity had not acquired, issued or disposed of a financial instrument.

Insurance asset is an insurer's contractual right under an insurance contract.

Insurance contract is a contract under which one party (the insurer) accepts significant insurance risk from another party (the policyholder) by agreeing to compensate the policyholder if a specified uncertain future event (the insured event) adversely affects the policyholder.

Insurance liability is an insurer's contractual obligation under an insurance contract.

Insurance risk is a risk, other than financial risk, transferred from the holder of a contract to the issuer.

Joint control is the contractually agreed sharing of control over an economic activity, which exists when the strategic and operating decisions relating to the activity require the unanimous consent of the parties sharing control.

Liability adequacy testing is an assessment of whether the carrying amount of an insurance liability needs to be increased (or the carrying amount of related deferred acquisition costs or related intangible assets decreased) based on a review of future cash flows.

Liquidity risk is the risk that an entity will encounter difficulty in raising funds to meet commitments associated with financial instruments.

Master netting agreement is an agreement providing for an entity that undertakes a number of financial instrument transactions with a single counterparty to make a single net settlement of all financial instruments covered by the agreement in the event of default on, or termination of, any contract.

Minority interests are that portion of the profit or loss and net assets of a subsidiary attributable to equity interests that are not owned, directly or indirectly through subsidiaries, by the parent.

Monetary items are units of currency held and assets and liabilities to be received or paid in a fixed or determinable number of units of currency.

Onerous contracts are contracts in which the unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received under it.

Operating expenses are all expenses associated with selling and administrative activities (excluding commissions) after reallocation of claim handling expenses to benefits paid.

Past service cost is the increase in the present value of the defined benefit obligation for employee service in prior periods, resulting in the current period from the introduction of, or changes to, post-employment benefits.

Plan assets are assets held by a long-term employee benefit fund and qualifying insurance policies.

Policy acquisition costs are the expenses incurred in soliciting and placing new business as well as renewal of existing business. It includes agent's commissions, underwriting expenses, medical and credit report fees, marketing expenses and all other direct and indirect expenses of the departments involved in such activities.

Policyholder is a party that has a right to compensation under an insurance contract if an insured event occurs.

Presentation currency is the currency in which the financial statements are presented.

Price risk is a market risk, namely the risk that the value of a financial instrument will fluctuate as a result of changes in market prices.

Private loan is a non-derivative financial asset with a fixed interest rate and a maturity date, which is not bought in an active market but negotiated between the two parties involved. Private loans are not embodied in securities. When a private loan takes the form of a private placement of bonds or other investments directly to an institutional investor like an insurance company, it has more the character of a bond loan and such financial instruments are classified as available-for-sale investments rather than as loans and receivables.

Projected unit credit method is an actuarial valuation method that sees each period of service as giving rise to an additional unit of benefit entitlement and measures each unit separately to build up the final obligation.

Qualifying insurance policies are a component of plan assets. These are insurance policies issued by an insurer that is not a related party of the reporting entity, if the proceeds of the policies:

- Can be used only to pay or fund employee benefits under a defined benefit plan; and
- Are not available to the reporting entity's own creditors.

Real estate investments foreclosed are real estate investments purchased through foreclosure on the mortgage. Such purchases are not accounted for as mortgages, but as real estate investments until they can be sold at a better price than at the foreclosure. Meanwhile they yield a rental income.

Realizable value is the amount of cash or cash equivalents that could currently be obtained by selling an asset in an orderly disposal.

Recognition is the process of incorporating in the balance sheet or income statement an item that meets the definition of an element and satisfies the following criteria for recognition:

- It is probable that any future economic benefit associated with the item will flow to or from the entity; and
- The item has a cost or value that can be measured with reliability.

Reinsurance assets are a cedant's net contractual rights under a reinsurance contract.

Reinsurance contract is an insurance contract issued by one insurer to compensate another insurer for losses on one or more contracts issued by the cedant.

Renewal of a contract is when a policyholder takes whatever action is required, typically payment of a premium, in order to maintain benefits under the contract.

Repurchase agreement is a sale of securities with an agreement to buy back the securities at a specified time and price.

Return on plan assets is the investment income derived from plan assets, together with realized and unrealized gains and losses on the plan assets less any costs of administering the plan and less any tax payable by the plan itself.

Reverse repurchase agreement is a purchase of securities with the agreement to resell them at a later specified date and price.

Security lending involves a loan of a security from one party to another.

Settlement date is the date that a financial asset is delivered to the entity that purchased it.

Sovereign exposures are AAA rated government bonds, or lower rated government bonds if purchased in local currency by a reporting unit.

Spot exchange rate is the exchange rate for immediate delivery.

Spread is the difference between the current bid and the current ask or offered price of a given security.

Stochastic modeling is a statistical process that uses probability and random variables to predict a range of probable investment performances.

Temporary differences are differences between the carrying amount of an asset or liability in the balance sheet and its tax base that will reverse over time.

Trade date is the date that an entity commits itself to purchase or sell an asset.

Transaction costs are incremental costs that are directly attributable to the acquisition, issue or disposal of a financial asset or liability.

Trust pass-through securities are securities through which the holders participate in a trust. The assets of these trusts consist of debentures issued by an AEGON Group company.

Unlocking of DPAC and VOBA refers to the process of updating the DPAC or the VOBA amortization schedule to reflect changes between the past and current expectations of key assumptions used in the projection of future gross profits.

Value of business acquired (VOBA) the difference between the fair value and the carrying amount of the insurance liabilities recognized when a portfolio of insurance contracts is acquired (directly from another insurance company or as part of a business combination).

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 AEGON. 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, persistence 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 Americas, the Netherlands, the United Kingdom and new markets.
- Changes in laws and regulations, particularly those affecting our operations, the products we sell, and the attractiveness of certain products to our consumers.
- Regulatory changes relating to the insurance industry in the jurisdictions in which we operate.
- Acts of God, acts of terrorism, acts of war and pandemics.
- Changes in the policies of central banks and/or governments.
- 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.
- The effect of the European Union's Solvency II requirements and other regulations in other jurisdictions affecting the capital we are required to maintain.
- 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.
- Our inability to obtain consent from the Dutch Central Bank to repurchase our Core Capital Securities; and
- Our inability to divest Transamerica Reinsurance on terms acceptable to us or the failure of any of the conditions for completion of such divestment agreement.

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.

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Editing and production	AEGON Corporate Communications (NL)
Photography Board members	Ad Bogaard (NL)
Typesetting	Dart | Brand guidance & Design, Amsterdam (NL)
Printing	Habo DaCosta bv (NL)
Binding	Hexspoor (NL)

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