



# AEGON

people deliver

Annual Report 1999

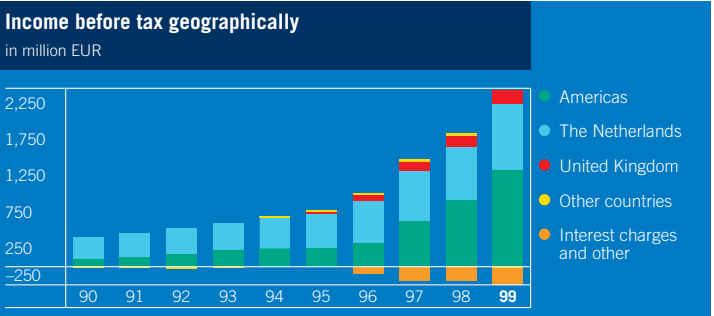
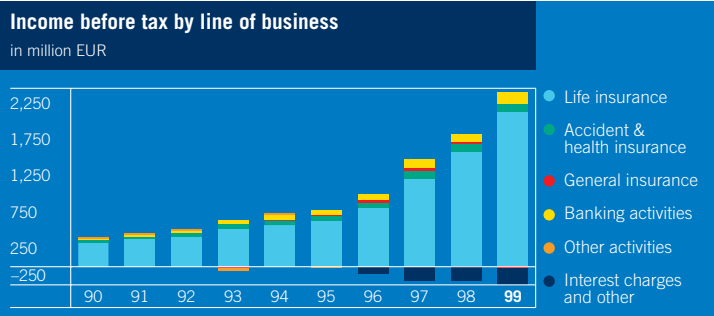


## Financial highlights

amounts in millions

1999 USD	1998 USD		1999 NLG	1999 EUR	1998 EUR
		<b>Net income</b>			
2,255	1,757	Life insurance	4,685	2,126	1,581
153	124	Accident & health insurance	317	144	112
-2	37	General insurance	-4	-2	33
164	118	Banking activities	341	155	106
-257	-221	Interest charges & other <sup>1</sup>	-533	-242	-198
<b>2,313</b>	<b>1,815</b>	<b>Income before tax</b>	<b>4,806</b>	<b>2,181</b>	<b>1,634</b>
-648	-430	Corporation tax	-1,346	-611	-387
<b>1,665</b>	<b>1,385</b>	<b>Net income</b>	<b>3,460</b>	<b>1,570</b>	<b>1,247</b>
		<b>Revenues</b>			
20,266	15,624	Life insurance	42,113	19,110	14,066
1,748	1,718	Accident & health insurance	3,633	1,648	1,547
871	934	General insurance	1,811	822	841
747	696	Banking activities	1,551	704	626
96	109	Other activities	198	90	99
<b>23,728</b>	<b>19,081</b>	<b>Total revenues</b>	<b>49,306</b>	<b>22,374</b>	<b>17,179</b>
<b>14,352</b>	<b>9,403</b>	<b>Investment income for the account of policyholders</b>	<b>29,823</b>	<b>13,533</b>	<b>8,466</b>
		Gross deposits in:			
18,501	7,468	- Annuities and GICs	38,444	17,445	6,723
3,882	4,225	- Savings accounts	8,068	3,661	3,804
		Net deposits <sup>2</sup> in:			
2,001	-41	- Annuities and GICs	4,158	1,887	-37
66	583	- Savings accounts	137	62	525
		<b>Amounts per common share of NLG 0.50</b>			
2.71	2.39	Net income <sup>3</sup>	5.64	2.56	2.16
2.67	2.35	Net income fully diluted <sup>3</sup>	5.55	2.52	2.11
		Dividend <sup>4</sup>	2.64	1.20	1.01
95.50	122.09	Year-end stock quotation	211.34	95.90	104.64
As at Dec. 31 1999	As at Dec. 31 1998		As at Dec. 31 1999	As at Dec. 31 1999	As at Dec. 31 1998
20.57	15.95	Shareholders' equity <sup>5</sup>	45.13	20.48	13.67
21.42	16.88	Shareholders' equity after full conversion <sup>5</sup>	46.98	21.32	14.47
<b>13,605</b>	<b>9,257</b>	<b>Capital and reserves</b>	<b>29,845</b>	<b>13,543</b>	<b>7,934</b>
		<b>Number of employees</b>		<b>24,316</b>	<b>20,723</b>
		Outstanding common shares:			
		- Number of common shares, '000		668,426	583,180
		- Weighted average number, '000		612,681	577,277

<sup>1</sup> Including group overhead expenses. These expenses are no longer allocated to the lines of business and country units.  
Although not significant, prior year figures have been restated accordingly.  
<sup>2</sup> Balance of deposits and withdrawals.  
<sup>3</sup> Based on the weighted average number of common shares.  
<sup>4</sup> For 1999 proposed.  
<sup>5</sup> Based on the number of common shares outstanding at the end of the period.



Group Profile

www.aegon.com

AEGON N.V. is the holding company of one of the world’s ten largest listed life insurance groups ranked by market capitalization and assets.

Close to 90% of the existing business is in life insurance, pensions and related savings and investment products. The Group is also active in accident and health insurance, general insurance and limited banking activities.

The AEGON Group is a decentralized multi-domestic corporation. Worldwide over 24,000 employees find their careers at AEGON.

AEGON has major operations in the United States, the Netherlands, the United Kingdom, Hungary and Spain. The Group is also present in a number of other countries, Belgium, Canada, Germany, Hong Kong, Italy, Luxembourg, Mexico, the Philippines and Taiwan, and has representative offices in China and India. Its corporate headquarters are located in The Hague, the Netherlands.

AEGON values its reputation as a shareholder friendly company. The AEGON shares are listed on stock exchanges in six important financial centers of the world: Amsterdam, Frankfurt, London, New York (NYSE), Tokyo and Zurich. Additionally, AEGON options are traded on the AEX Options Exchange (Amsterdam), the Chicago Board Options Exchange and the Philadelphia Stock Exchange.



The Americas

www.aegonins.com

Number of employees

14,938

Main offices

Baltimore, Cedar Rapids and San Francisco

Main product areas

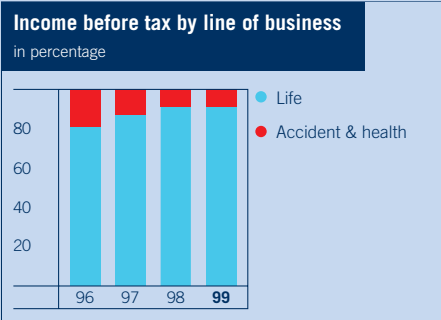
Traditional universal, variable universal and term life, long-term care, traditional and synthetic GICs, life reinsurance, bank-owned and supplemental life, mutual funds, health and annuities

Major customer segments

Companies and middle and upper income individuals

Distribution channels

Independent and employee agents, brokers, partnerships, financial institutions, affinity groups, direct response, worksites



Key competitive strengths

- Market leader in nearly every segment of its business
- Significant presence and strong relationships/partnerships in most product types and distribution channels
- Efficient, targeted product development, coupled with advanced actuarial and administrative systems
- Strong financial position
- Decentralized operating strategy

Key priorities for 2000

- Integration of Transamerica and NN Life
- Build on established market leadership positions
- Focus on expense control and aggressive pursuit of operating efficiencies
- Explore cross-selling opportunities across distribution channels
- Drive competitive advantage through technology initiatives

The Netherlands

www.aegon.nl

Number of employees

3,048

Main offices

The Hague and Leeuwarden

Main product areas

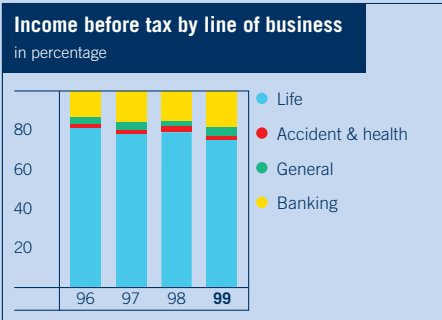
Individual and group life, savings and investment products, accident & health insurance, general insurance

Major customer segments

Companies and middle and upper income individuals

Distribution channels

Independent intermediaries, tied agents, direct marketing, franchise sales force, worksite marketing



Key competitive strengths

- Full line insurer profitably serving virtually every market segment
- Business units with their own products, brand names and distribution channels
- Strong relationships with leading professional intermediaries, our key distribution channel
- Energetic, youthful, entrepreneurial culture
- Excellent cost and margin control

Key priorities for 2000

- MoneyMaxx roll-out
- Further develop distribution through traditional and alternative channels
- Technology initiatives: internet, customer service and account information, direct sales
- Develop central production platforms

United Kingdom

www.scoteg.co.uk

Number of employees

4,240

Main office

Edinburgh

Main product areas

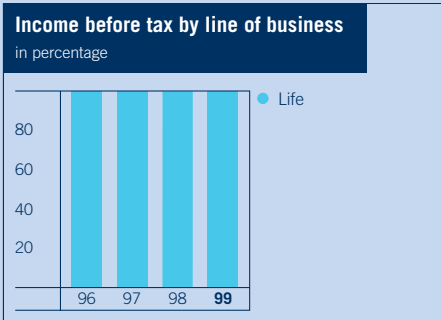
Pre- and post-retirement planning, investment, protection and asset management

Major customer segments

Companies and high net-worth individuals

Distribution channels

Independent Financial Advisors (IFAs)



Key competitive strengths

- Financial strength to compete at the forefront of the financial services industry
- Breadth and depth of experience of management team
- Long-term investment performance
- Quality image as a strong pensions product provider
- Experienced IFA provider

Key priorities for 2000

- Integration of Guardian businesses
- Deliver components of the Business Change Programme for Scottish Equitable
- Response to opportunities presented by the Stakeholder environment
- Develop technology to make business more efficient and accessible
- Focus on institutional markets

Hungary

www.aegon.hu

Number of employees

845

Main office

Budapest

Main product areas

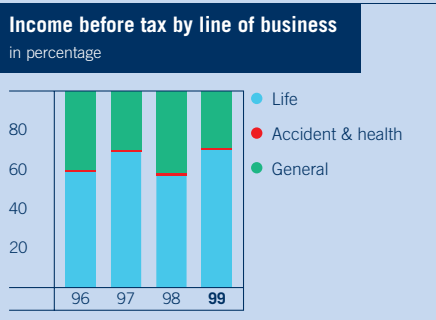
Life, pension and general insurance

Major customer segments

Middle and upper income individuals

Distribution channels

Tied Agents, pension advisors, brokers, direct marketing



Key competitive strengths

- Range of distribution channels
- Innovative, new product introductions
- Emphasis on training and development
- Extensive customer base

Key priorities for 2000

- Expansion of the life business
- Development of the quality of client service
- Growth of clients’ satisfaction
- Introduction of the ‘balanced scorecard’ to measure the units’ efforts

Spain

www.aegon.es

Number of employees

750

Main office

Madrid

Main product areas

Life, health and general insurance

Major customer segments

Medium class professionals in urban locations

Distribution channels

Career agents, brokers, internet, financial institutions, affinity groups, telemarketing



Key competitive strengths

- Innovative use of distribution channels
- Portfolio of sophisticated financial planning products
- Emphasis on agent training and development
- Decentralized management structure

Key priorities for 2000

- Integration of Covadonga
- Motor insurance claim cost control
- Expansion of life activities
- Strengthening health network





**In a world of uncertainty, in the face of revolutions in business technology and communications, AEGON stands for consistency and positive change.**

**All across our business, in markets around the world, our success in anticipating and driving change stems from one enduring constant – AEGON people deliver.**

**Through individual effort or as part of a team; through ideas of great originality or startling simplicity, AEGON people deliver time and again, for customers, shareholders and each other.**

#### Review section

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## 2 Supervisory Board



The AEGON Supervisory Board consists of 11 independent business and social leaders of three nationalities.

- 1 **G van Schaik (Dutch)** retired Chairman of the Executive Board of Heineken N.V.
- 2 **H de Ruiter (Dutch)** retired Managing Director of Royal Dutch Petroleum Company
- 3 **M Tabaksblat (Dutch)** Chairman of Reed Elsevier Plc and retired Chairman and CEO of Unilever N.V.
- 4 **D G Eustace (British)** retired Vice-Chairman of Royal Philips Electronics N.V.
- 5 **Sir Michael Jenkins KCMG (British)** Vice-Chairman of Dresdner Kleinwort-Benson (London, UK)
- 6 **O J Olcay (American)** Vice-Chairman of Fischer, Francis, Trees & Watts Inc. (New York, USA)
- 7 **Ms K M H Peijs (Dutch)** member of the European Parliament
- 8 **J F M Peters (Dutch)** retired Chairman of the Executive Board of AEGON N.V.
- 9 **G A Posthumus (Dutch)** member of the Council of State in the Netherlands
- 10 **W F C Stevens (Dutch)** senior partner of Caron & Stevens/Baker and McKenzie
- 11 **F J de Wit (Dutch)** former Chairman of the Executive Board of N.V. Koninklijke KNP BT

Further details are available on page 95

### Role Supervisory Board

The main duties of the Supervisory Board are the supervision of the Executive Board's management and advising the Executive Board. According to Dutch corporate law the Supervisory Board is the body authorized to appoint or discharge members of the Executive Board and to adopt the annual accounts.

### Committees

The Supervisory Board operates three separate committees from among its members. These are the *Nominating*, *Audit* and *Compensation* committees. Further details of these committees are available on page 91.

## **Review of 1999**

During another successful year for AEGON, the Supervisory Board carried out its responsibilities in close consultation with the Executive Board. AEGON's continued strong growth reflects the commitment and dedication of the Executive Board and the members of the AEGON community worldwide. It also highlights the benefits of a strong and well-defined relationship between the Executive and Supervisory Board. In 1999 the Supervisory Board held five regular and three additional meetings. These meetings discussed the results for 1998 and the quarterly results of 1999. The Board also focused on specific issues such as the Y2K compliance, business strategy and budget for 2000.

The year has also seen a number of actual and proposed changes to the Executive Board. Some years ago Mr. Henk B. van Wijk indicated his intention to retire from the Executive Board, which will be made effective at the conclusion of the Annual General Meeting of Shareholders (AGM) on 4 May 2000. The Supervisory Board members wish to thank him for his outstanding contribution over his more than 19 year tenure. We are very grateful for his unwavering dedication to AEGON and, in particular, for his outstanding financial expertise, from which the company has benefited greatly. We were pleased to announce our intention to appoint Mr. Joseph B.M. Streppel as his

### **Farewell to Gerard van Schaik**

Gerard van Schaik will retire from the Supervisory Board at the conclusion of the AGM on 4 May 2000. He has served on the Board since 1987, and has been Chairman since 1993. His commercial expertise, international experience and entrepreneurial spirit have made him a valuable advisor. As Chairman, he has presided over the Board's meetings with good humor and vigor, adhering to agreed principles and always seeking a consensus of opinion. It is with profound regret that we bid him farewell.

On behalf of the Supervisory Board,  
Morris Tabaksblat

successor, who has been with AEGON and its predecessors for 26 years. In July Mr. Frank C. Herringer, former CEO of Transamerica, was appointed to the Executive Board of AEGON. With the decision now taken to dispose of the Transamerica's Finance activities, Mr. Herringer will step down from the Executive Board upon the conclusion of the AGM on 4 May 2000. We respect his decision and express our appreciation for his contributions to AEGON during the past year.

As per the conclusion of the AGM in May 2000, the Supervisory Board has appointed Mr. Morris Tabaksblat as its chairman. He will succeed Mr. Gerard van Schaik, who will step down as chairman on reaching retirement age.

## **Corporate Governance**

Management by the Executive Board and supervision by the Supervisory Board are distinct and separate responsibilities. The Executive Board, as a body, is charged with the management of the company, and each member of the Executive Board has specific areas of responsibility as approved by the Supervisory Board. The main duties of the Supervisory Board are supervision of the Executive Board's management and the advising of the Executive Board. The members of the Supervisory Board, currently 11, must be independent of the company and must fulfil their duties independently. Under Dutch corporate law the Supervisory Board is authorized to appoint or discharge members of the Executive Board and to adopt the annual accounts. Moreover, certain important Executive Board resolutions, among which those concerning issuance of securities, are subject to Supervisory Board approval. Members of the Supervisory Board are (re)appointed by the Board itself on a rolling four-year basis; they reach retirement age at 70.

Further information on the Supervisory Board and Corporate Governance is presented on pages 91–95.

The Hague, 9 March 2000

On behalf of the Supervisory Board,  
Gerard van Schaik, Chairman

## Strategy

### Commitment to Core Business

Insurance, with a strong emphasis on life insurance and pensions and related savings and investment products. AEGON focuses on the financial protection and asset accumulation needs of its clients.

### Decentralized Organization

Multi-domestic and multi-branded approach, giving a high degree of autonomy to the management of the individual country and business units, encouraging entrepreneurial spirit and action. AEGON requires local management to run local businesses.

### Emphasis on Profitability

Earnings per share growth of at least 10% per annum; the minimum return on investment is set at 12% or more after tax on the pricing of new business and at a long-term average of 11% or more after tax for acquisitions. Divestment of non-core activities and underperformers, and disciplined expense management are key to the achievement of these objectives.

### International Expansion

AEGON supplements its autonomous growth with selective acquisitions. Acquisitions are preferred in countries where AEGON already has a presence in order to build scale and enhance distribution. AEGON limits its annual investment in greenfield and start-up operations to 3% of net income.



The AEGON Executive Board from left to right: Paul van de Geijn, 53 (Dutch), Henk B van Wijk, 55 (Dutch), Kees J Storm, chairman, 57 (Dutch), Donald J Shepard, 53 (American), Frank C Herringer, 57 (American)

## Main developments and announcements

### Acquisitions

- Transamerica in the US
- Guardian life insurance activities in the UK
- Covadonga in Spain
- NN Life Insurance Company in Canada
- Broker Kamerbeek Group in the Netherlands

### Divestitures

- Worldwide Insurance in the US
- NOWM in the Netherlands

### Strategic alliances

- Expansion of Banamex alliance in Mexico
- Albert Heijn and AEGON The Netherlands
- Transamerica Canada and ING Canada
- Merger real estate investment fund Amvest in the Netherlands with Rodamco

### Other

- Participation in efforts to resolve Holocaust-era insurance claims culminating in the establishment of the Shoah Foundation
- Pursuit of internet strategy

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### ***Entering the new millennium stronger than ever***

AEGON ended 1999 with another strong performance, benefiting from double-digit organic growth and the positive contribution of acquisitions, particularly the USD 10.8 billion purchase of Transamerica Corp., completed in July, and the Guardian acquisition, completed in October. Net income grew by 26%, matching 1998's gains and bringing our ten year compound annual growth rate to 18%. Earnings and dividends per share both rose by 19% in 1999, also ahead of our ten-year compound annual growth rates (13% and 17% respectively). After 17 consecutive years of uninterrupted growth since our founding, we rank high among the world's leading life insurers in terms of earnings, assets and market capitalization. Thus, following our consistent strategy (shown opposite), AEGON reliably continues to deliver results – the theme of this year's annual report.

Throughout the Group, our people are successfully adapting to the revolutionary changes in consumer behavior, finance and technology that are transforming the global economic landscape. In a world in which government programs provide less security for the future, the liberalization of markets opens up new opportunities to offer social security alternatives. AEGON is excellently positioned to meet clients' needs by offering tailor-made products and services to different market segments. In addition to this, AEGON further delivers service to customers by its strong relationships with the intermediaries, through cost-efficiency, enhanced cross-selling activities, strategic alliances and by the creation of new distribution channels.

We consider it essential to retain an unwavering focus on our healthy, growing core businesses – life insurance, pensions and related savings and investment products, representing close to 90% of 1999 earnings and assets – and our solid, decentralized operations in the pacesetter economies of Europe and North America, which account for over 99% of our business. In addition, we are working hard to fulfill the growing appeal to our

corporate responsibilities, which we address in our daily operations. All in all, we are well positioned to realize further profitable growth and expansion and so remain at the top of the world's insurance industry as we pass over the threshold into the 21st century.

With another powerful year at AEGON USA, boosted by the initial contribution from Transamerica, the US clearly reinforced its position as one of the main drivers of AEGON's results, accounting for over half of the Group's consolidated earnings for the first time. The 34% increase in net income in the Americas (in USD) attests to its skill at acquiring and digesting new businesses, while keeping its existing operations on track. The strength of its decentralized organization was equally apparent in successful initiatives to realize synergies and economies of scale while respecting the autonomy and entrepreneurial cultures of the business units. AEGON USA plays an important role in the exchange of expertise in the context of the Group's international development, supporting sister organizations in Canada and Mexico and assisting in implementing specific products and services in Spain and Asia.

US growth opportunities are accelerating, as baby boomers move into their peak earning and retirement planning years and the country enjoys record prosperity. The pace and scale of consolidation is also on the rise, fueled in part by the repeal of the Glass-Steagall Act, which is increasing competition in financial services. Thus, AEGON USA has unprecedented opportunity to harness the power of a nationally known brand to its growing range of retail-oriented insurance, savings and investment products. Its core business focus led to the disposal last year of the property & casualty activities acquired with the insurance operations of Provident Corporation in 1997, for USD 162 million.

On 1 March 2000 we announced our decision to sell the majority of Transamerica's Finance business. In the context of this decision, Mr. Frank C. Herringer will resign from the Executive Board. He will also step down as Chairman of AEGON USA, but will remain a non-

executive member of this Board. Mr. Donald J. Shepard, President and CEO of the Board of Directors of AEGON USA, will also become Chairman. Mr. Herringer will remain chairman of Transamerica Corporation in a non-executive capacity.

AEGON The Netherlands also had a successful year, increasing its net income by 13%, representing 39% of the consolidated total. The Dutch Government's proposed tax reforms are prompting a widespread review of existing pensions and insurance coverage. AEGON The Netherlands' reorganized corporate pension activities were able to capitalize on this, as were the various other units serving individual consumers. AEGON The Netherlands' energetic multi-channel market approach is typified by the innovative venture begun last year to offer easy to use in-store financial service to customers of Albert Heijn, the country's leading supermarket chain. Nevertheless, professional intermediaries remain its distribution channel of choice, particularly for pensions and more complex investment and savings products. To reinforce its relationships with its intermediaries and to support the improvement of returns, AEGON The Netherlands has acquired Kamerbeek, one of the country's leading brokers. The MoneyMaxx operations in Germany and Belgium,

which offer unit-linked insurance using phone, mail and internet direct marketing, were both profitable in 1999. The German operation is now selling over 40,000 insurance contracts a year, making it one of the country's top providers of unit-linked insurance. Encouraged by successes in the Netherlands, Belgium, Germany and the promising start of these activities in Spain, this concept is being launched in other European countries.

AEGON UK had a good year, boosting net income by 66% in GBP. Scottish Equitable developed its services to the IFA market. The Guardian acquisition broadened AEGON UK's product range and distribution, generated economies of scale and added a leading provider of protection products. AEGON UK is therefore well positioned to participate in the Government's Stakeholder Pensions initiative to extend private pension coverage more broadly throughout the UK.

Elsewhere in Europe, ÁB-AEGON in Hungary reported record earnings as it further modernized and restructured its organization and management; AEGON Spain had a difficult year mainly due to losses in motor insurance but continued to develop its life activities and strengthened its organization by the acquisition of the life insurer Covadonga at the end of 1999.

## Delivering on-line

What does the internet mean to AEGON? The question is receiving the closest, most active consideration on both the operating and Group level – and the answers that are emerging are as varied as its decentralized multinational business mix. Supported by the Group Technology Inner Circle and by its national internet strategy teams, each business unit is as a top priority implementing its own specific internet strategy – ranging from internet-enabling information and logistics support for existing sales and service channels to developing facilitator alliances and launching new cutting-edge internet-centric sales initiatives. Though financial services e-commerce is still in its infancy, the early results of AEGON's enthusiastic multilevel response can be seen in a few dozen functioning AEGON websites and we participate in a great number of third-party internet initiatives.

These include [www.covernadirect.com](http://www.covernadirect.com), a new US direct writer, [www.spaarbeleg.nl](http://www.spaarbeleg.nl), a convenient home-banking service, [www.divinvest.com](http://www.divinvest.com), which provides participants in group pension plans with secure, up-to-the-minute information on their investments, and [www.aegon.com](http://www.aegon.com) the Group's website aimed at the financial community and the press.



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As the legislative tax and regulatory changes in all countries where we are active last year underscore, insurance continues to be country-specific. But the investment portfolio is becoming far more global, and more equity-oriented. Asset accumulation is an increasingly important driver of AEGON's success. Its decentralized investment activities, emphasizing asset liability management for assets held in the company's general account, continue to meet the needs of policyholders and, to an increasing extent, of third-party clients.

Though differing in specific features from country to country, unit-linked products continued to be highly popular with consumers last year. Serving both insurance and investment objectives, these products lend themselves to flexible design and distribution through a variety of channels. AEGON is well positioned to capitalize on the growing interest in these products, where volume and efficiency are the key to success. All main country units are active in unit-linked products and share their experiences in areas such as branding, e-commerce, investment management and product design. In 1999 our major units again succeeded in improving overall margins and returns.

In 1999 EUR 60 million was invested in ICT projects related to remedying the 'millennium bug' and preparing our administrative systems for the introduction of the euro. These costs were provisioned for in previous years. The total expenses related to these projects since their start in 1996 amounted to EUR 190 million, including the expenses for the acquired operations. We believe that an increased level of technology expenditures will continue in the coming years, which will be offset by higher revenues and lower relative general and administrative costs.

Investment in human resources remains a major AEGON priority, on both the operating unit and Group levels. This includes a broad range of recruiting, training and career development programs, but also involves systematically bringing people from around the AEGON organization face-to-face. Our 'lean-and-mean' staffing and ambitious goals encourage our people to work hard and work smart. AEGON rewards these efforts through

our company-wide stock option program and other benefits, and by providing interesting professional opportunities and a corporate culture of 'Respect People, Make Money, Have Fun.' In the current 'full-employment' economy, our continued success in attracting and retaining people is highly encouraging.

AEGON's financial strength also continues to gain, as reflected in our financial accounts (as from p. 48) and our international ratings (p. 36), but also in less visible measures: added value, which once again was (excluding Transamerica) higher than reported net income in 1999; our revaluation account, in which at year-end 1999 were added investment gains of EUR 1,371 million; a range of natural and financial hedges providing resistance to interest, currency and stock market fluctuations (p. 36). In addition, we continue to draw on the support of Vereniging AEGON, the Association which is AEGON's largest shareholder (see p. 89), for acquisitions and share-related funding activities.

Heading into this new millennium, AEGON is stronger than ever and actively working to deliver sound results and added value. Our clear, consistent strategy, disciplined and innovative culture and 'win-win' approach to business continue to produce terrific results, and we are highly confident and optimistic about the future.

## **Outlook**

Barring unforeseen exceptional circumstances, such as adverse currency and financial market movements and including the additional impact of the Transamerica and Guardian Royal Exchange acquisitions as well as the deconsolidation of Labouchere, we expect an increase in 2000 earnings between 18% and 23% and in earnings per share between 10% and 15% in euro.

On behalf of the Executive Board,  
Kees J. Storm, Chairman

The management team of AEGON USA from left to right:  
 Brenda K Clancy, Douglas C Kolsrud,  
 Donald J Shepard, Chairman, President and CEO,  
 Bart Herbert jr, Patrick S Baird, Tom A Schlossberg



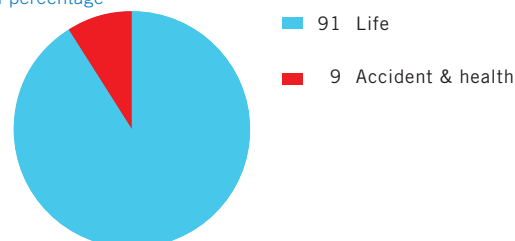
<b>EQUITY GROUP</b>	Individual Division	Monumental Division	<b>TRANSAMERICA CANADA</b>	<b>TRANSAMERICA LIFE</b>	Financial Market Division	Diversified Financial Products
Long-Term Care Division	Seguros Banamex AEGON	Special Markets Division	<b>TRANSAMERICA REINSURANCE</b>	Worksite Marketing Division	Afore Banamex AEGON	Diversified Investment Advisors

## Key Business Highlights

AEGON USA achieved another year of record performance in 1999, marked by solid earnings growth in each division and the acquisition of Transamerica Corporation in July.

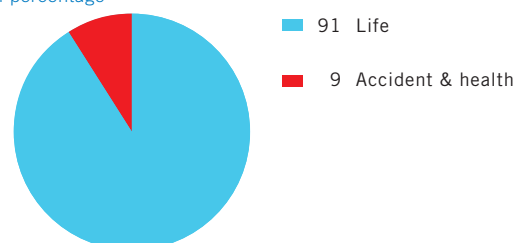
### Income before tax 1999

in percentage



### Income before tax 1998

in percentage





### ***Benefiting from product and distribution enhancements***

AEGON USA achieved another year of record performance in 1999 marked by solid earnings growth in each division and the acquisition of Transamerica Corporation in July. Valued at USD 10.8 billion, the Transamerica acquisition was the second largest insurance transaction to date in US history. In addition

to obtaining one of the most widely recognized brands in the US insurance industry, AEGON USA will benefit from various product and distribution enhancements, cost savings and operating efficiencies.

The Transamerica acquisition made AEGON one of the largest life insurers in the US and boosted the Americas 1999 earnings before tax to USD 1.4 billion. Earnings growth before tax for 1999 was 39%

## Forging ahead with new initiatives



Delivering consistent performance over time requires the continual reinvention of products and services to fulfil ever-changing and emerging market needs. AEGON USA has a long history of innovation with products like variable universal life insurance and the People's Prescription Plan; services including Worksite Marketing's common remitter billing system and Monumental Life's Quality Life Check-Ups; and partner programs like the Producer Stock Purchase Plan for general agents. New initiatives launched in 1999 promise to continue this tradition.

Coverna Direct, a new brand of AEGON USA's direct marketing operation, launched a website that marks AEGON USA's entry to internet sales of products including life and supplementary health insurance products, annuities and a prescription discount card. Information technology based initiatives will continue to be a focus going forward. Lynn McKenna, from the Special Markets Group, explains: "Our team simplifies the insurance purchase for consumers by removing the mystery of insurance products and providing simple, straightforward information, giving maximum convenience for customers."

The Coverna Direct initiative is the latest example of product innovation from AEGON USA, and just one of many new initiatives launched during 1999. Other businesses, including Transamerica Capital, where several business units co-operate in fielding a co-ordinated, branded approach to the broker-dealer segment and Vida Norte, an initiative with our Mexican partner Banamex, meet the needs of the under-served US Hispanic markets, demonstrating AEGON's success in delivering new products and services that customers want and need.



# Transamerica acquisition boosts earnings growth

## Life insurance Americas

in USD million

	Individual	Group	Total 1999	Total 1998
Face value in force				
New insurance written	165,096	18,665	183,761	42,575
Net increase <sup>1</sup>	562,602	11,936	574,538	4,722
<b>Total sums insured at year-end</b>	<b>702,588</b>	<b>64,242</b>	<b>766,830</b>	<b>192,292</b>
	Single	Recurring annualized	Weighted <sup>2</sup> total 1999	Weighted <sup>2</sup> total 1998
New premium production	1,050	600	705	469
			1999	1998
Gross deposits in annuities and GICs			18,501	7,468

<sup>1</sup> Including the effect of acquisitions

<sup>2</sup> Weighted means measured according to the definition of recurring annualized plus 1/10 single premiums

## Key figures

amounts in millions

	1999 USD	1998 USD	Increase %		1999 NLG	1999 EUR	1998 EUR	Increase %
	4,521	2,787	62	Gross premiums life	9,395	4,263	2,509	70
	1,345	1,359	-1	Gross premiums non-life	2,794	1,268	1,223	4
	5,866	4,146	41	Gross premiums	12,189	5,531	3,732	48
	5,217	3,672	42	Investment income	10,842	4,920	3,306	49
	11,083	7,818	42	Total revenues	23,031	10,451	7,038	48
	2,162	1,644	32	Commissions and expenses	4,493	2,039	1,480	38
	1,418	1,019	39	Income before tax	2,946	1,337	917	46
	-491	-329	49	Corporation tax	-1,020	-463	-296	56
	927	690	34	Net income	1,926	874	621	41
				Average rate		1.061	1.111	-4.5
				Number of employees (including agents)		14,938	11,631	28

## General account AEGON USA (excluding Transamerica)

Year-to-date 31 December 1998					Year-to-date 31 December 1999			
Allocation (%) <sup>1</sup>		Performance (%) <sup>2</sup>			Allocation (%) <sup>1</sup>		Performance (%) <sup>2</sup>	
Portfolio	Benchmark	Portfolio	Benchmark	Assets	Portfolio	Benchmark	Portfolio	Benchmark
38.0	35.0	8.32	7.19	MBS/Treasuries/Agency	31.5	37.0	2.96	2.57
32.0	40.0	9.43	8.31	Public corporates	30.7	32.0	−0.25	−1.16
9.0	8.0	4.46	7.78	Private corporates	10.9	8.0	2.30	−0.17
5.0	5.0	7.83	2.23	High yield	5.5	6.0	3.64	2.60
		8.31	7.47	Total bonds			1.59	0.70
16.0	12.0	6.22	5.56	Mortgages	21.4	17.0	2.73	−0.27
100.0	100.0	7.97	7.24	Total fixed income	100.0	100.0	1.83	0.50

<sup>1</sup> Allocation based on bookvalue

<sup>2</sup> Performance based on market value

(34% after tax), reflecting the Transamerica acquisition, growth in the variable life and annuity markets and further expense savings in the consolidation of the retained Provident activities. Sustained growth in the equity markets throughout the year continued to drive consumer demand for equity-linked products.

With growing responsibility for retirement planning, institutions and consumers continue to benefit from financial accumulation and protection products provided by quality insurance companies. The highly rated operating companies of AEGON USA will continue to offer high quality products that meet institutional and retail consumer needs in changing market conditions.

### ***Transamerica acquisition***

The merger of AEGON USA and Transamerica is a combination of strengths. The addition of Transamerica's successful US life reinsurance and Canadian insurance operations represents an immediate leadership position in exciting new markets for AEGON USA. The acquisition has also significantly strengthened US agent penetration of higher income customer segments and has enhanced scale in the fixed annuity, long-term care, worksite marketing, 401(k) pension and structured settlements businesses. Transamerica's insurance and investment, reinsurance and Canadian operations have become new divisions of AEGON USA, while Transamerica's other life insurance, retirement and savings businesses are being integrated into existing AEGON USA divisions. Assets under management attributable to Transamerica's insurance activities were USD 52.9 billion in total.

On 1 March 2000 the decision was announced to sell the majority of Transamerica's finance business.

Integration of the Transamerica insurance businesses, as well as the strategy to leverage the Transamerica brand where it adds value, will be a priority during 2000. The Transamerica acquisition

not only brings breadth and depth to distribution, enhances product offerings and offers cost reduction opportunities to AEGON USA, but also contributes valuable expertise, extensive market knowledge and successful business practices. Integration efforts will focus on combining the strengths of both companies and to create an industry leader that will set the industry standards for years to come.

### ***Delivering value in the US***

AEGON USA continues to coordinate management activities in the United States and Canada through the Agency, Alternative Markets and Pension Groups. Growth in earnings during 1999 for the three Groups was 8%, 7% and 24%, respectively.

Representing 41% of earnings in 1999, the Agency Group is AEGON USA's single largest distribution channel. Customers of the Agency Group seek customized financial planning advice from knowledgeable experts, and the professional general and employee agents of AEGON USA excel at meeting these demands.

The divisions of the Alternative Markets Group, which produced 38% of 1999 AEGON USA's earnings, encompass several distribution channels, including financial institutions, brokers, direct sales, third-party marketers and partners. The distribution diversity of this group, combined with a strong agent force, continues to drive AEGON USA's sales by ensuring that customers can purchase products and services through their preferred venues.

The divisions of the Pension Group remain committed to helping individual and institutional clients save and invest wisely to achieve their retirement goals. Producing 12% of AEGON USA's earnings in 1999, the Pension Group is solidly positioned to take advantage of consumers increasing responsibility for personal retirement planning.

# Building success through acquisitions

Expanding its product portfolio and distribution penetration through targeted acquisitions continues to be an integral part of AEGON USA's long-term growth strategy. Building on competitive products, strong distribution and talented people, the operations that have joined AEGON USA through acquisitions remain very successful additions that continue to deliver strong performance and foster new growth opportunities.

The acquisition of Transamerica in 1999 expanded AEGON USA's product portfolio by adding life reinsurance business and a Canadian life insurance company. The acquisition immediately made AEGON USA a prominent market competitor in both branches. As Emily Urbano, from Transamerica Insurance and Investments, notes: "We are very results driven and find that combining our resources with other areas of AEGON USA gives us much greater presence and opportunity in targeted growth markets, such as Professional Employer Organizations."

The 1997 acquisition of Provident added the country's leading traditional and synthetic GIC provider, Diversified Financial Products, to the AEGON USA family. It also propelled AEGON USA to top market positions in home service life insurance sales and direct-marketed life and supplemental health insurance product sales.

AEGON USA entered the pension market in 1993 with the purchase of Mutual of New York's group pension operation. Now Diversified Investment Advisors, this business continues to distinguish itself among competitors with its unique 'manager of managers' approach which places pension funds with leading institutional money managers that are typically unavailable to individual investors.

Currently the number four provider of variable universal life insurance in the United States, Western Reserve Life, the primary operating company of AEGON USA Equity Group, was acquired in 1991. The Equity Group remains one of AEGON USA's fastest growing divisions.



## Moving forward through innovation



AEGON USA continues to innovate to meet changing consumer demands. The flexibility fostered by our decentralized operating strategy enables individual divisions to continually monitor their industries, identify new growth opportunities and position themselves to take advantage of them.

During 1999, the Special Markets Group identified and targeted a new market, created by the growing trend for employers to outsource all or part of their human resource functions. A cross-divisional initiative provided Professional Employer Organizations (PEOs) with an innovative 'one-stop shop' for all their supplemental insurance and retirement products. A further cross-divisional initiative between the Special Markets Group and Financial Markets Division created the AEGON Financial Services Group in 1996. This team provides a co-ordinated and comprehensive approach to the financial institution market. Paula Nelson from the Financial Markets division is in no doubt that this approach is producing results. "We specialize in developing insurance solutions for financial institutions. Being able to draw on resources throughout the company to deliver tailor-made packages gives us a powerful advantage."

This innovative approach is nothing new to AEGON USA. The Worksite Marketing Division, formed in 1998 to allow individuals to purchase insurance products at work, continues to achieve aggressive growth targets and build market presence, whilst the Long-Term Care Division, established as long ago as 1991, has continually modified its business strategy to stay ahead. Today it is the fifth largest long-term care insurance provider in the USA.



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## **Canada**

Transamerica Canada sells universal and term life insurance and a variety of investment products through independent agents and brokerage firms. During the 1990s, the Canadian life insurance market stagnated as the ageing population continued to shift their focus to asset accumulation. Despite this trend, Transamerica Canada maintained solid sales growth with the introduction of a variable universal life product designed to fill the emerging consumer needs.

Early in 2000, Transamerica Life Insurance Company of Canada and ING Canada established a strategic marketing alliance under which Transamerica acquired 100% of NN Life Insurance Company which together with ING Canada will distribute life insurance products manufactured by Transamerica. Additionally, a joint venture mutual fund/segregated fund broker-dealer operation was established, catering specifically to life insurance intermediaries. The alliance creates the Canadian market leader in new sales of individual life insurance and segregated funds.

## **Mexico**

AEGON USA continues to serve Mexican consumers through its partnership with Banamex, Mexico's largest bank. In 1999, Seguros Banamex AEGON successfully introduced term life insurance through Banamex's 1,200 bank branches. Several additional products followed, including variable universal life, accidental death, group life, an immediate annuity, major medical and managed health insurance.

Established in 1998, Afore Banamex AEGON provides pensions, savings and investment products to Mexican employees who participated in Mexico's social security system prior to its privatization. This business is achieving very strong results with a 12% market share after just one year.

Producing 3% of the 1999 earnings of the Americas, the Mexican operations are the fastest growing segment of the Americas.

## **Investments**

Total assets under management at 31 December 1999 were USD 160 billion (USD 42 billion for the account of policyholders), an increase of 77% over year-end 1998. The Americas continue to maintain a high quality investment portfolio with investment grade bonds representing 93% of the fixed rate portfolio.



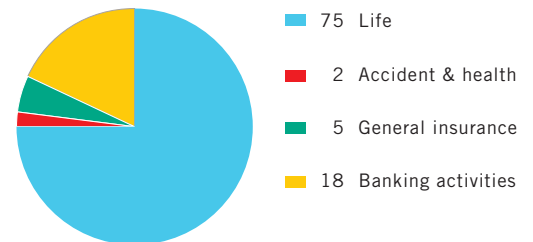
The management team of AEGON The Netherlands from left to right:  
Johan G van der Werf, Paul van de Geijn, chairman,  
Edgar W Koning, Jan M Overmeer, Theo E M J Bouts

<b>AEGON</b> Personal Lines	<b>AXENT/AEGON</b>	<b>AEGON</b> Pensions and Advisory	<b>VAN NIEROP ASSURADEUREN</b>	<b>AEGON</b> Lebensversicherungs-AG (MoneyMaxx)	<b>AEGON</b> Non-Life Commercial Lines	<b>AEGON BELGIUM</b> (Kapitaalplan)
<b>BANK LABOUCHERE</b>	<b>AEGON</b> Asset Management The Netherlands	<b>AEGON</b> Corporate Pensions	<b>SPAARBELEG</b>	Nederlandse Verzekeringsgroep	<b>AEGON</b> Asset Management Products	

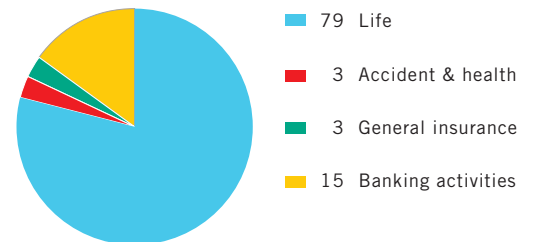
## Key Business Highlights

AEGON The Netherlands boosted its volume and profits strongly in 1999 as changes in its organizational and management structure fueled innovation, sharper focus on customer segments and improved service delivery.

**Income before tax 1999**  
in percentage



**Income before tax 1998**  
in percentage



### ***Personal lines power ahead***

Continuing the trend in recent years, Dutch consumers are increasingly taking responsibility for financial planning into their own hands. AEGON The Netherlands' ability to stay on top of this key trend, fielding the right products through the right marketing channels,

resulted in another year of increased growth. The business units serving individuals – principally AEGON Personal Lines, Spaarbeleg, Van Nierop, AXENT/AEGON and NVG – all enjoyed buoyant demand throughout 1999 and were all able to achieve further increases in profitability. In addition, AEGON The Netherlands' units worked hard to capitalize on

## Delivering higher profits from lower margin products

The outstanding five year autonomous growth rate is a remarkable achievement in an environment marked by low inflation and an increasing consumer preference for lower margin unit-linked and savings products. This is the result of a clear focus on improved productivity, volume growth and accurate measures and control.

Stijn Réz, marketing manager AXENT/AEGON, says: "In order to achieve higher profits from lower margin products, we have to make use of the knowledge, experience and systems available within the Group. Combining with the big volumes of other units within AEGON The Netherlands is a good way of delivering this." The Personal Lines Competence Center in Leeuwarden shows how the approach works. The center now provides a support platform for a whole range of different brands, sold through various distribution channels – delivering tangible economies of scale, without limiting customer choice. Frank Franse from AEGON Personal Lines adds: "Insight into and use of the strengths of two business units makes us even stronger. AXENT/AEGON concentrates on its core competence: the sale of insurance policies. Our efficient back-office supports this through rapid and correct data processing."

Volume growth has been achieved by encouraging entrepreneurial action and innovation, by renewing the product range, adopting a multibrand strategy and always listening to the needs of the market. 1999 has seen increases in our share of life, pensions and savings markets. The final ingredient – accurate internal measurement and controls, to make sure profitability is never sacrificed in favor of volume; that cutting costs in no way impairs efficiency. Heleen Pet, AXENT/AEGON's manager non-life insurance says: "By spotting problems early on, we can deal with them before they get out of hand. The most important thing is to have very satisfied customers. That's what all our efforts are aimed at."



# Extending successful products across borders

A decentralized approach to business does not mean that great product ideas cannot travel. MoneyMaxx is one such example. This successful direct marketing product is based on the Spaarbeleg concept, which offers a high degree of profitability and flexibility, combined with life insurance protection. This concept was first introduced to Germany and Belgium in 1995 and its rapid success in a fiercely competitive market highlighted its pan-European potential. In 1998 MoneyMaxx was extended to the Spanish market. Hungary starts up a MoneyMaxx operation in April 2000, with further plans to launch in Italy in the near future.

“We are actively seeking other countries to extend this proven concept”, says Martin Aalders of MoneyMaxx Support, “adopting a flexible approach to operational management – either locally or via the Netherlands – but using the same marketing formula.” “The emphasis is on finding the right approach in each market”, adds his colleague René Sweijen. “The combination of a decentralized approach and a set marketing strategy certainly clicks with customers.”



important new developments in the market. For example, a strong housing market created renewed opportunities for mortgage-linked insurance products, and AEGON The Netherlands' success in this area accounted for a substantial part of the new life business generated in 1999. Conversely, though overall savings and demand for unit-linked products grew strongly, there was a slowing down in demand for certain more mature products such as Spaarbeleg's Koersplan installment savings.

The significant tax reforms embodied in the Dutch Government's 2001 fiscal program are causing investors to review their portfolios and consumers to review their pension needs. This is creating opportunities for the professional intermediaries, traditionally the main distribution channel for the AEGON labeled units, to

provide value-adding advice on new financial products and services. Through training, financial and technical support and product innovation, AEGON The Netherlands is assisting its units and its partners in exploiting these opportunities.

The AEGON Personal Lines Competence Center, a production platform formed to provide product and service support and expertise for AEGON Personal Lines, AXENT/AEGON and NVG, successfully rolled out a range of general insurance and savings products distributed also through the tied agent networks of AXENT/AEGON and NVG. Spaarbeleg has already developed a powerful range of new products that are 'tax proof'. With these products Spaarbeleg will continue its sales successes in the years to come. Finally, in the fourth year of their



## Earnings growth continues thanks to succesful margin management

### Life insurance the Netherlands

in NLG million

	Individual	Group	Total 1999	Total 1998
Face value in force				
New insurance written	15,028	13,195	28,223	29,311
Net increase	9,377	3,892	13,269	24,578
<b>Total sums insured at year-end</b>	<b>103,944</b>	<b>130,347</b>	<b>234,291</b>	<b>221,022</b>

	Single	Recurring annualized	Weighted <sup>1</sup> total 1999	Weighted <sup>1</sup> total 1998
New premium production	2,089	581	790	750
Gross deposits in savings accounts			1999	1998
			8,068	8,382

<sup>1</sup> Weighted means measured according to the definition of recurring annualized plus 1/10 single premiums

### Key figures

amounts in millions

	1999 NLG	1998 NLG		1999 EUR	1998 EUR	Increase %
	6,638	5,787	Gross premiums life	3,012	2,626	15
	1,146	1,187	Gross premiums non-life	520	539	-4
	7,784	6,974	Gross premiums	3,532	3,165	12
	3,189	3,016	Investment income	1,447	1,369	6
	1,551	1,380	Income banking activities	704	626	12
	12,524	11,370	Total revenues	5,683	5,160	10
	1,463	1,346	Commissions and expenses	664	611	9
	1,897	1,635	Income before tax	861	742	16
	-416	-319	Corporation tax	-189	-145	30
	1,481	1,316	Net income	672	597	13
			Increase on 1998, excluding Labouchere			10
			Number of employees (including agents)	3,048	3,633	-16

### General account AEGON The Netherlands (excluding banking activities)

Year-to-date 31 December 1998				Year-to-date 31 December 1999				
Allocation (%) <sup>1</sup>		Performance (%) <sup>2</sup>		Allocation (%) <sup>1</sup>		Performance (%) <sup>2</sup>		
Portfolio	Benchmark	Portfolio	Benchmark	Assets	Portfolio	Benchmark	Portfolio	Benchmark
68.6	68.9	12.9	11.8	Fixed income	66.4	67.8	-2.4	-2.6
21.8	18.0	16.2	13.9	Equities	24.0	20.7	42.0	35.2
9.6	13.1	12.1	8.0	Real estate	9.6	11.5	13.4	8.0
<b>100.0</b>	<b>100.0</b>	<b>13.5</b>	<b>11.7</b>	<b>Total</b>	<b>100.0</b>	<b>100.0</b>	<b>9.8</b>	<b>6.4</b>

<sup>1</sup> Allocation based on bookvalue

<sup>2</sup> Performance based on market value

# Volume growth through innovative distribution

The AEGON approach is all about innovation, and nowhere is this more evident than in our approach to distribution. The partnership forged between AEGON The Netherlands and Albert Heijn, Holland's leading food retailer, is a prime example of the way our business unit structure encourages an entrepreneurial approach. This new initiative, launched in 2000, makes selected AEGON financial products and services directly available to customers using the Albert Heijn supermarket network. Eric Rutten, from the AEGON The Netherlands project team is upbeat about the prospects for success: "Albert Heijn serves over 6.6 million customers every week through its 700 retail outlets. This makes it one of the biggest and most trusted branch networks in the country."

Internet technology presents a whole new world of possibilities, and AEGON The Netherlands is actively exploring that potential – using the internet as both a service outlet and a lead generator. Spaarbeleg and AEGON Personal Lines already provide on-line banking services for customers, while agents are supported with extranet applications and internet-based software to make it easier for them to offer customers up-to-date product information and swift data entry processes.

Jeroen Hoevers from Spaarbeleg explains: "We implement a multi-channel marketing strategy. We give our customers the choice of doing business with us on-line, on the telephone or in person. Since the introduction of our on-line facilities the numbers of customers has increased by 10%. Based on our success to date, we introduced a new on-line product in March 2000, the @-savings account."



existence, the direct insurance units serving neighboring markets, MoneyMaxx Belgium and MoneyMaxx Germany, continued to gain ground, while the start-up in Spain looks very promising. Belgium and Germany are

now profitable and the German company ranks among the leaders in unit-linked products, the fastest growing segment of the German market.

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### ***Rebound in group life***

Since May 1999, three business units, organized along market segment lines, have divided responsibility for the group pension, insurance and investment products formerly amalgamated within AEGON Commercial Lines Life: Pensions and Advisory, which works directly with major employers; the Corporate Pensions business unit, working through agents to serve smaller and mid-sized companies; and the Asset Management Products business unit specializing in products and services for owner-managers, top executives and other higher income individuals affiliated with AEGON group pension programs. Increased focus, flexibility and responsiveness is paying off, as intensified marketing and improved service delivery are powering a renewed increase in market share and profitable growth despite heated competition.

Non-life Commercial Lines continued to emphasize profitability, focusing on value-adding non-traditional approaches that differentiate AEGON The Netherlands in this market. The innovative Prevention-Insurance-Restart (PIR) programs, aimed at helping clients to avoid losses and to contain their impact when they do occur, have given AEGON Non-Life Commercial Lines a distinctive market profile and pricing consistent with the Group's return objectives. As a result, PIR programs have been extended to cover a growing proportion of the general insurance offering.

The NOWM unit was sold in 1999, because this specialized industrial risk insurer does not fit into our core business.

### ***Increased investment transparency***

Funds under management increased by EUR 3.9 billion to EUR 41.4 billion, including EUR 1 billion managed on behalf of third parties. Performance once again generally matched or exceeded the relevant benchmarks. Both the increase in assets and the satisfactory performance reflect the Investment division's success in institutionalizing its

investment approach. Drawing on traditional insurance expertise in risk management and asset liability management, AEGON Asset Management offers third-party clients disciplined, transparent and structured investment programs based on investment criteria and objectives determined individually with each client. The Investment division continued to develop its expertise in European equities, fixed income securities and balanced mandates, with a group of 100 investment professionals.

### ***Banking***

Labouchere had an excellent year, increasing its earnings by 37%. This securities and investment-oriented bank serves both retail and institutional clients, offering a growing range of innovative investment products, backed up by high quality research, settlement and customer services. After attempts to merge Labouchere and AOT in the year under review failed, we have reconsidered the position of Labouchere within the Group. It has been decided to divest this bank, a non-core holding, and therefore not consolidate Labouchere in AEGON's accounts any longer.

AEGON Bank, a specialized branchless banking subsidiary devoted to supporting the Dutch, German, Spanish and Belgian insurance and savings units, also achieved solid profitability.

The management team of AEGON UK from left to right:  
Bill Stewart, Russell Hogan, Otto Thoresen,  
David Henderson, chairman, Graham Dumble, Roy Patrick



SCOTTISH  
EQUITABLE

Guardian

SCOTTISH  
EQUITABLE  
Asset Management

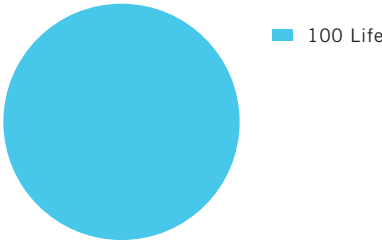
SCOTTISH  
EQUITABLE  
International Holdings

AEGON UK

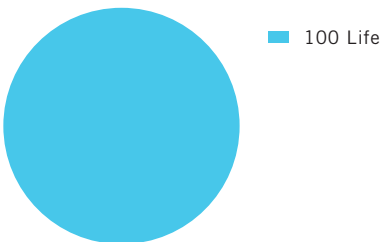
Key Business Highlights

1999 was a year of challenge and opportunity for the life insurance industry in the United Kingdom, with the arrival of the Government’s proposals for the new ‘Stakeholder’ pensions and changes in the shape and demands of the Independent Financial Advisor sales channel.

Income before tax 1999  
in percentage



Income before tax 1998  
in percentage





### ***Focused growth***

AEGON UK continued the strong growth patterns set in previous years, as each of the operating companies focused on specific major market segments. The operations were also supplemented by the October purchase of the UK life and pensions activities of Guardian Royal Exchange. AEGON UK is now the holding company for Scottish Equitable, Scottish Equitable Asset Management, Scottish Equitable International Holdings and Guardian. On the back of this activity AEGON UK's

1999 results showed excellent increases in both net income and new business volumes – plus 66% and 19% respectively.

With the acquisition of the UK life and pensions activities of Guardian Royal Exchange, AEGON UK has expanded the range of products available to Independent Financial Advisors (IFAs) to include group and individual protection business. Both of these had previously been identified by the AEGON UK management team as desired product areas to enhance the Group's offering to the IFA sector.

## Building asset strength and breadth of service



The acquisition of Guardian Royal Exchange's life and pensions activities reflects our drive for strategically balanced growth by increasing overall assets under management and adding a leading provider of group and individual protection products, creating a stronger capability to serve all major IFA segments.

Colin Black, Executive Director of Scottish Equitable Asset Management (SEAM) comments: "The ten billion pounds of acquired assets increased our funds under management by 50% overnight."

The task of integrating assets to a growing base is something that SEAM has been gearing up for since its formation as a separate company on 1 January 1999. Liz Broadfoot, member of SEAM Sales adds a more general comment: "Our team is driven by a real positive attitude and with AEGON's support we can confidently deal with these challenges."

# Increasing choice and improving service capability

Organizational scale and breadth is emerging as a critical factor in securing quality business from UK IFAs. These customers, which remain a key audience, want to meet the diverse needs of their investors by placing business with a few strong providers.

Mark Bickerstaff, a member of Sales Development says: "In this fast changing environment only providers with the necessary capital, flexibility and scope will continue to meet the challenges."

The Guardian deal has added business lines with good profit potential and a range of products for the group and individual protection markets which takes AEGON UK into a market segment with considerable growth opportunities. Stephen James, of Scottish Equitable IFA Sales, echoes this view: "We continue to enhance conventional IFA support as illustrated by the Guardian deal which extends our offering into areas where we were not previously present."

We have also established a teleservicing center in Manchester to support our existing branch network and ensure the highest levels of service and specialist support. Paul Langford, Scottish Equitable Sales, comments: "In today's market it's all about anticipating customer needs. Our teleservicing center, IFA Access, was developed to complement our existing branch network and ensure that we can fulfil the total range of IFA requirements."



## ***Scottish Equitable***

Over the course of 1999 the Government's consultation process for the introduction of Stakeholder Pensions was completed. The Government's aim is to increase individual pension provision, particularly to include lower earners. Scottish Equitable, as one of the largest providers of group pension products in the United

Kingdom, was amongst the key respondents throughout the process which covered proposed charging structures and payment mechanisms, regulation, advice, governance and the tax regime behind the proposals.

Scottish Equitable considers that the future of the group pension market holds considerable potential in the new 'Stakeholder' world. The key for success lies as much with the flow of quality information and

## Continued strong profit growth

### Life insurance United Kingdom

in GBP million

	Individual	Group	Total 1999	Total 1998
Face value in force				
New insurance written	4,930	1,072	6,002	3,371
Net increase <sup>1</sup>	26,396	11,774	38,170	1,973
<b>Total sums insured at year-end</b>	<b>49,287</b>	<b>11,774</b>	<b>61,061</b>	<b>22,891</b>

	Single	Recurring annualized	Weighted <sup>2</sup> total 1999	Weighted <sup>2</sup> total 1999
New premium production	2,400	203	443	373

<sup>1</sup> Including the effect of acquisitions

<sup>2</sup> Weighted means measured according to the definition of recurring annualized plus 1/10 single premiums

### Key figures

amounts in millions

	1999 GBP	1998 GBP	Increase %	Amounts in millions	1999 NLG	1999 EUR	1998 EUR	Increase %
	3,386	2,698	26	Gross premiums life	11,331	5,142	4,026	28
	–	–		Gross premiums non-life	0	–	–	
	3,386	2,698	26	Gross premiums	11,331	5,142	4,026	28
	65	67	–3	Investment income	219	99	101	–2
	3,451	2,765	25	Total revenues	11,550	5,241	4,127	27
	187	117	60	Commissions and expenses	626	284	174	63
	156	97	61	Income before tax	522	237	145	63
	–40	–27	48	Corporation tax	–132	–60	–40	50
	116	70	66	Net income	390	177	105	69
				Average rate		0.659	0.670	–1.7
				Number of employees		4,240	2,756	54

advice and the role of the advisor as with the pricing structure of the products themselves. Scottish Equitable has been at the forefront of delivering quality pension solutions and believes that the advisor channel has the major role to play in delivering top level solutions to the employer market in line with the Government's objectives of extending the private pension provision of all individuals within the UK. The success of this lies with the promotion, quality and accessibility of the product supported by an appropriate level of advice. The move towards more transparency and flexibility in pension product design has been in motion in the UK for some time now, driven and shaped by the bigger companies.

At the same time the methods used in the delivery of group pension business are moving firmly into the technological age. Scottish Equitable is currently supporting a number of industry-wide technology initiatives and is playing a leading role in their development. Additionally Scottish Equitable delivered a major group pension technology initiative – SmartScheme – in the course of the year. SmartScheme sets an electronic standard for group pension business in terms of a fast, accurate, accessible and confidential information exchange among advisor, employer, employee and provider. The vast majority of Scottish Equitable's group pension business is now dealt with electronically.

Scottish Equitable also made strides forward in other market segments in particular with its investment bond product which saw an increase in new business volume of 130% resulting in a significant increase in market share.

### ***Scottish Equitable Asset Management***

Formed as a separate company on 1 January 1999, Scottish Equitable Asset Management continued its focus on providing asset management services and institutional and retail asset management products.

It recorded a significant increase in assets under management in 1999, reflecting impressive increases in new business volume flowing through the Scottish Equitable sales channel, bolstered by the GBP 10 billion of new funds gained as part of the Guardian transaction. The new funds were added at a modest incremental cost as the Guardian Asset Management infrastructure was not acquired as part of the transaction. The larger book of assets is delivering an increased revenue stream, a stronger profile and more bargaining power in the market – particularly for investment only services, a key growth target for the team over the coming year.

### ***Scottish Equitable International Holdings***

1999 saw further growth in both the UK market (+23%) and our Italian business activity (+25%). Our Italian business was slow in the first half of 1999 as market uncertainties reduced investor confidence, but recovered strongly in the last quarter as new products came on stream. The business, with assets approaching GBP 1 billion, is now generating good profits for AEGON UK.

## Hungary

The ÁB-AEGON management team from left to right:  
János Bartok, Gábor Kepecs, chairman, György Óvári,  
Péter Kisbenedek, Attila Kéri



AEGON  
Life Division

ÁB COMPOSITE DIVISION

AEGON  
Corporate Division

Powered by strengthening economic recovery in Continental Europe, and particularly Germany, the Hungarian economy performed well in 1999. Inflation continued to fall while increased modernization and integration into the world economy accelerated as the country prepared to join the European Union. Foreign investment remained at high levels, and the local financial services and security markets continued to develop.

### *Revival continues*

The ÁB Composite division, Hungary's leading household insurer with a market share of about 50%, saw its 1999 results burdened by extraordinary storm and flood damage. Despite increased claims, however, the quality of customer service increased and complaints fell. During the year, ÁB Composite enjoyed considerable

success in emphasizing its individual life and pension activities to its mass-market clientele and today it is Hungary's second largest provider of individual pensions. New product introductions, particularly the Euro 2000 unit-linked product line, have driven volume growth in the life segment and have enabled ÁB Composite to improve portfolio quality and accelerate conversion of unprofitable policies dating back to its days as a state-owned insurer. Following last year's shift in sales agents from employment status to entrepreneurs, the network distribution infrastructure was further strengthened. In addition, renewed agent recruitment, continued investment in repositioning and revitalizing the ÁB Composite brand and new modes of distribution, including internet and new cooperative ventures with several foreign banks operating in Hungary, should all contribute to further progress by ÁB Composite in the years to come.



# Shifting gears

With the installation of a new management team and a significant reduction in headquarters staff, the latest steps in ÁB-AEGON's transformation from state-owned monopoly to competitive, profit-oriented market leader were achieved in 1999. The new team will spearhead a renewed drive for profitable growth based on a more productive and market-responsive organization. This will be supported by the utilization of new low cost distribution channels, such as the internet and bancassurance, to supplement the more personalized services of the growing agent network. In 1999 ÁB-AEGON developed a secure internet site for the sale of a specially designed unit-linked product, in response to the demands of a younger customer segment.

Project manager Balázs Nagy explains: "We have pushed open the internet door and will throw it wide open in the years to come. We know the customers' demands and we have the technology to meet them. The AEGON Online project will be launched during April 2000." The unit-linked product adapted for the internet is simple and user friendly. Eszter Horpácsy, member of the project team, adds: "Clients only have to provide personal data and answer three questions. They can choose from five different investment funds, can check the status of their investment and we service them direct via internet."



AEGON Corporate, serving the corporate pension market, continued to build its clientele among larger local and international companies. The AEGON Pension Fund Management unit works closely with AEGON Life and ÁB Composite in providing comprehensive coverage in Hungary's partially privatized pension market.

AEGON Life further expanded its sales force from 180 to about 300 and was able to meet its ambitious growth targets. Competition from international insurers is hottest in its segment, modern life insurance and

savings products aimed at Hungary's emerging upper middle class, and success depends on the quality of marketing as well as on the design of the product itself. Product enhancement in 1999 included a variety of new health insurance riders available as options on high value life policies.

With its infrastructure modernized and under an aggressive new management team ÁB-AEGON expects to accelerate its growth in 2000.

## ÁB-AEGON: excellent investments

### Life insurance Hungary

in HUF million

	Individual	Group	Total 1999	Total 1998
Face value in force				
New insurance written	88,644	6,836	95,480	87,188
Net increase	26,678	5,839	32,517	31,237
<b>Total sums insured at year-end</b>	<b>361,233</b>	<b>53,022</b>	<b>414,255</b>	<b>381,738</b>
	Single	Recurring annualized	Weighted <sup>1</sup> total 1999	Weighted <sup>1</sup> total 1998
New premium production	2,715	3,170	3,442	4,296

<sup>1</sup> Weighted means measured according to the definition of recurring annualized plus 1/10 single premiums

### Key figures

amounts in millions

1999 HUF	1998 HUF	Increase %		1999 NLG	1999 EUR	1998 EUR	Increase %
25,769	21,957	17	Gross premiums life	225	102	93	10
22,551	21,710	4	Gross premiums non-life	196	89	91	-2
48,320	43,667	11	Gross premiums	421	191	184	4
23,130	20,096	15	Investment income	200	91	84	8
71,450	63,763	12	Total revenues	621	282	268	5
19,140	18,908	1	Commissions and expenses	167	76	80	-5
11,136	9,518	17	Income before tax	97	44	40	10
-1,065	-541	97	Corporation tax	-9	-4	-2	100
10,071	8,977	12	Net income	88	40	38	5
Average rate					253.020	237.725	6.4
Number of employees (including agents)					845	1,591	-47

### General account ÁB-AEGON

Year-to-date 31 December 1998					Year-to-date 31 December 1999			
Allocation (%) <sup>1</sup>		Performance (%) <sup>2</sup>			Allocation (%) <sup>1</sup>		Performance (%) <sup>2</sup>	
Portfolio	Benchmark	Portfolio	Benchmark	Assets	Portfolio	Benchmark	Portfolio	Benchmark
88.9	88.6	22.0	17.9	Fixed income	86.0	86.0	17.9	17.1
5.7	6.0	−16.6	−21.0	Equities	7.6	7.6	−6.7	19.4
5.4	5.4	12.0	12.0	Real estate	6.4	6.4	12.6	16.1
100.0	100.0	19.2	15.2	Total	100.0	100.0	16.1	17.0

<sup>1</sup> Allocation based on bookvalue

<sup>2</sup> Performance based on market value

### Spain



The management team of AEGON Spain from left to right:  
José Luis Ezquerro, Simón Escudero, Mercedes Vázquez,  
Ramón Escobar, Jesús Quintanal, chairman, Luis Tejero, Enrique Marazuela



AEGON  
Salud

AEGON  
Seguros Generales

AEGON  
Inversion

AEGON  
Portugal

MONEYMAXX

For the industry and consequently also for AEGON Spain, continued rapid deterioration of the motor insurance business more than offset progress in other areas during the past few years and resulted in a loss.

The Spanish motor segment has suffered extreme price competition, predatory pricing and mounting claims losses. To cope with this AEGON Spain has pursued a strategy of greater selectivity and further internal cost reduction, particularly through information management and automation. With the latest downward lurch of the market in 1999, the scope of both these efforts has expanded into an all-out campaign to eliminate unprofitable business. This has required a real culture shift among AEGON Spain's branch managers who are focusing now more than ever on the bottom line results.

Principally reflecting the entry of direct insurers other general insurance lines besides motor have also suffered price erosion, but to a more manageable degree.

Having strengthened its central data processing systems to provide improved measurement and control, AEGON Spain's general insurance division is devolving more responsibilities to profitable agents, branches and regional headquarters. The objective of these decentralization moves is to lower costs and to sustain service levels in a difficult, volatile market climate.

Health insurance activities continued to achieve profitable growth in a highly fragmented market. Anticipating the reform of Spain's troubled National Health System, the health division is concentrating on developing a solid product, a professional sales network and a good administrative base to support future growth. In 1999 the unit reorganized its commercial management and administrative systems to increase responsiveness. It has also begun to prepare the way for a centralized health division back office separate from the general insurance activities and based on a new administrative system.

# Wonderful life

AEGON Spain has grown its life insurance premium business by over 60% in each of the past three years. By marketing unit-linked variable life products to younger professionals through multiple distribution channels, it has made significant inroads into a market traditionally dominated by the banks.

AEGON Spain identified an opportunity to enter this market by offering attractive, branded fee-based products through purpose built channels such as financial institutions, dedicated life agents and the internet. Director Life Agents Pilar Lopez comments: "Agents in Spain have traditionally concentrated on general insurance and had little knowledge of the life market. By initiating professional training courses and introducing modern products and innovative marketing we have quickly built a real brand profile in the market."

With an energetic and committed growth strategy, drawing on the advice and assistance of other AEGON units, the organization has come from nowhere to being one of the country's top independent life insurance specialists.



In contrast to general insurance, life insurance activities continued to record exceptional growth and solid profitability. Premium income in 1999 rose by 79% and accounted for 41% for AEGON Spain's total premiums, versus 29% in 1998.

Drawing on the experience of its sister units in the US, the UK and the Netherlands, AEGON Spain has led the industry in introducing new universal life products backed by a wide and growing range of investment options.

This leadership position should continue, as the division rolls out new life and investment products specially designed for particular distribution channels:

career and general agents, financial institutions, affinity groups, e-commerce and MoneyMaxx.

At the end of 1999, AEGON Spain announced the acquisition of Covadonga, a life insurer based in Madrid. It is expected that the integration will be completed in the first half of 2000.

## Losses by crisis in motor insurance

### Life insurance Spain

in ESP million

	Individual	Group	Total 1999	Total 1998
Face value in force				
New insurance written	40,186	8,674	48,860	69,743
Net increase	71,559	-13,329	58,230	49,036
<b>Total sums insured at year-end</b>	<b>234,965</b>	<b>86,277</b>	<b>321,242</b>	<b>263,012</b>

	Single	Recurring annualized	Weighted <sup>1</sup> total 1999	Weighted <sup>1</sup> total 1998
New premium production	22,632	5,248	7,511	5,465

<sup>1</sup> Weighted means measured according to the definition of recurring annualized plus 1/10 single premiums

### Key figures

amounts in millions

	1999 ESP	1998 ESP	Increase %	Amounts in millions	1999 NLG	1999 EUR	1998 EUR	Increase %
	33,718	18,858	79	Gross premiums life	447	203	113	80
	49,144	46,376	6	Gross premiums non-life	650	295	280	5
	82,862	65,234	27	Gross premiums	1,097	498	393	27
	6,028	6,120	-2	Investment income	80	36	37	-3
	88,890	71,354	25	Total revenues	1,177	534	430	24
	16,244	15,272	6	Commissions and expenses	216	98	92	7
	-9,251	-1,320	-	Income before tax	-123	-56	-8	-
	774	419	-	Corporation tax	11	5	3	-
	-8,477	-901	-	Net income	-112	-51	-5	-
				Average rate		166.386	165.942	0.3
				Number of employees		750	733	2



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## Asia

AEGON's commitment to Asia continued to develop in 1999, with existing AEGON units in Taiwan and the Philippines bolstered by the addition of Transamerica units in Taiwan and Hong Kong. In addition, the Group maintains representative offices in two of the region's highly populated countries, China and India.

### *AEGON Taiwan*

AEGON Taiwan achieved strong organic growth in 1999, offering individual life insurance through an agency network. In contrast to many of its Asian neighbors, Taiwan's economy has remained strong, but consolidation pressures continue to build in the insurance sector following the large-scale entry of foreign competitors in the wake of deregulation. AEGON Taiwan is positioning itself to benefit from the consolidation process by developing a solid base and a well regarded brand name.

### *AEGON Philippines*

The cooperation with the local arm of the World Marketing Alliance, a key partner of AEGON USA, to offer variable life insurance to Filipino consumers, continued to develop, as the Philippine economy showed signs of recovery in 1999.

### *Transamerica Hong Kong*

Transamerica has operated a branch in Hong Kong for more than 50 years. The branch focuses on universal life products and sells its products through independent brokers. Transamerica Hong Kong had strong performance in 1999, as the recovering Hong Kong economy and an expanded brokerage network resulted in a significant increase in sales.

### *China*

AEGON's representative office in Beijing was joined by Transamerica offices in Beijing, Shanghai and Tianjing. The prospect of opening of China's life insurance market improved in 1999 with China's possible entry to the World Trade Organization in 2000.

### *India*

India's new government has passed the IRDA bill, allowing foreign ownership up to 26% in new companies. AEGON is in talks with potential local partners to explore the opportunities to establish a life insurance operation.

***Creating value***

We recognize that a modern company's license to operate is defined both by its ability to create value for shareholders and policyholders and its respect for wider corporate, social and environmental responsibilities. Our business units aim at fulfilling active roles as good citizens in the countries in which they are active. With the decentralized, multicultural approach, the Group actively encourages a sense of shared values to bind and direct the organization. In our daily business activities these are translated as an open, honest and respectful approach. Emphasis on respect guides our approach to our Group's social responsibility, via our concern for environmental issues, community involvement and ethical business practices.

As an example, in recent years there has been considerable discussion over the settlement of unclaimed Holocaust-era policies. In the post-war restoration of rights, the vast majority of the insurance policies were restored in the Netherlands. However, some of the insurance policies could not be paid out as no entitled parties had filed a claim. Around 1955, the surrender values of these insurance policies were transferred to the State as 'bona vacantia'. At the end of 1999, the Dutch Verbond van Verzekeraars (Association of Insurers), of which AEGON is a prominent member, reached agreement with the Central Jewish Board in the Netherlands for the foundation of the Shoah Foundation for Individual Insurance Claims to settle any possible remaining and yet unclaimed Holocaust-era insurance policies for Holocaust survivors, their heirs or beneficiaries, wherever in the world they live. We consider this settlement a top priority and are committed to honoring verified claims as quickly as possible. In addition, a humanitarian fund has been established and a donation has been made to finance a monument in commemoration of Holocaust victims. AEGON also reached agreement with the State Insurance Department in California acknowledging that claims

from Californian residents would also be settled through the Shoah Foundation in the Netherlands. We continue to support the Jewish community in our joint efforts to uphold policyholder rights.

***Respect for the environment***

We acknowledge the need for business to strive for environmentally friendly and sustainable operations. This Group philosophy translates into a number of activities at local market levels. In the Netherlands, for instance, AEGON has signed an agreement with the Dutch Government to reduce energy consumption by 23% by 2006. A number of measures are currently being implemented to deliver on the basis of this commitment. AEGON UK has established recycling and energy saving initiatives and is a co-founder of the UK Social Investment Forum. In the US, all divisions are advised by an environmental engineer, appointed in 1999, and have established recycling programs. Within each country the emphasis, as with many other aspects of our business, is on practical actions.

***Respect for society***

We firmly believe that AEGON businesses should contribute to the communities in which they operate. This emphasis on 'giving something back' takes the form of cultural sponsorship, local community initiatives and contributions.

An excellent example of targeted international cooperation in the health care area is the AEGON Scholars program, which encourages closer ties between leading scientists pursuing cancer research at Johns Hopkins University (Baltimore, USA) and Vrije Universiteit, Amsterdam. Supported by AEGON on both sides of the Atlantic, the AEGON Scholars exchange information and ideas on a regular basis, as they pursue independent but related oncological research.

AEGON also supports charity organizations, for example Habitat for Humanity, which helps people in destitute circumstances build their own homes. As part of this support AEGON employees are actively encouraged to participate in these projects.

### ***Respect for our people***

Our continuing success relies upon our ability to retain, develop and reward our employees. Development of professional skills is therefore a key part of AEGON's employability programs. In 1999 AEGON University started its sixth annual program of international management development. AEGON companies are also actively investing in a variety of training and development programs. These range from leadership programs to specific efficiency and business process initiatives.

At AEGON we appreciate that employee productivity and morale also relies on good healthcare provisions. The provision of programs such as the UK's Health at Work Scheme and Lloyd's Register Quality Assurance, granted to AEGON The Netherlands' occupational health and safety service, show our commitment to good healthcare.

## Building our capacity to deliver

Now in its sixth year, AEGON University provides managers from the operating units with the opportunity to study global developments and share best practice within a structured, academic environment.

In 1999 over 40 participants attended. Corporate Actuary, Ad Kok, one of the participants, commented: "Through both an international and intellectual focus on the exchange of knowledge, I am better equipped to interpret local elements when involved in Group acquisitions." The AEGON University is evolving into a virtual organization drawing faculty members from leading universities and organizations throughout the world, allowing us to tailor a curriculum that keeps pace with the dynamic changes in global financial markets. Recent successful partnerships with INSEAD Business School, France and Johns Hopkins University, USA and the new initiatives with Nyenrode University in the Netherlands has provided the stimulus for international development.



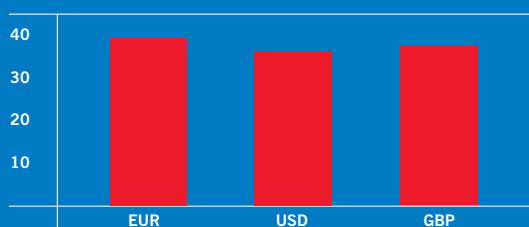
**Capital base**

in EUR million

	1999		1998	
		in %		in %
<b>Shareholders' equity</b>	13,543	71	7,934	75
<b>Capital securities</b>	1,329	7	904	9
<b>Dated subordinated debt</b>	703	3	684	6
<b>Senior debt allocated to insurance activities</b>	3,583	19	1,041	10
<b>Total capital base</b>	<b>19,158</b>	<b>100</b>	<b>10,563</b>	<b>100</b>

**10 Years total return AEGON shares**

in percentage



## Ratings

S&amp;P's

Moody's

**Credit ratings**

Commercial paper	A-1+	P-1
Senior debt	AA	Aa3
Subordinated debt	AA-	A1

**Insurance financial strength**

AEGON The Netherlands	AAA	
AEGON USA	AAA	Aa3
Scottish Equitable	AAA	Aa2

**Sensitivity analysis****Of forecasted 2000 earnings and shareholders' equity<sup>1</sup>**

Movement of markets	Effects on net income	Effects on shareholders' equity
<b>Interest rate markets<sup>2</sup></b>		
Parallel yield curve shift up of 100 basis points	between -0.5% and -1.5%	—
Parallel yield curve shift down of 100 basis points	between 1.0% and 2.0%	—
<b>Currency markets<sup>3</sup></b>		
Increase versus the euro of 15%	between 8.5% and 9.5%	between 9.5% and 10.5%
Decrease versus the euro of 15%	between -8.5% and -9.5%	between -9.5% and -10.5%
<b>Equity and real estate markets<sup>4</sup></b>		
Increase of equity and real estate markets of 15%	between 4.0% and 5.0%	between 8.5% and 9.5%
Decrease of equity and real estate markets of 15%	between -4.0% and -5.0%	between -8.5% and -9.5%

**Of technical reserves**

Effects on technical reserves

**Longevity**

Increase in average life expectancy of one year	less than -0.5%
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<sup>1</sup> Basic assumptions: no correlation between markets and risks; unchanged conditions for all other assets and liabilities; no management actions taken; all changes are relative to forecasts for 2000.

<sup>2</sup> The effect of interest rate movements is reflected as the effect of a one-time parallel shift up or down of all relevant yield curves on 1 January 2000.

<sup>3</sup> The effect of currency movements is reflected as a one-time shift in value of the US dollar and the UK pound up or down on 1 January 2000. Movements of other currencies have a negligible influence on both net income and shareholders' equity.

<sup>4</sup> The effect of movements in equity and real estate markets is reflected as a one-time increase or decrease of worldwide equity and real estate markets on 1 January 2000.

## **Financial Results**

Net income in 1999 amounted to EUR 1,570 billion, a 26% increase and 19% per share. The 11% autonomous increase in net income and earnings per share in 1999 reflects the continuing growth of AEGON's core operations. The autonomous increase before tax was 16%. The inclusion of the earnings from acquisitions during 1999 (Transamerica and the former UK life insurance operations from Guardian Royal Exchange) account for a larger part of the difference between the autonomous and reported increase in earnings. Currency exchange rate differences had a positive effect of 2% on consolidated earnings reported in euro. The positive effect of the Transamerica transaction on earnings per share was 3%.

Transamerica's accounts have been included as from 21 July 1999. On a Dutch Accounting Principles basis Transamerica's non-insurance operations are accounted for as equity participations. Declared dividends from these activities are recognized in AEGON's earnings and offset AEGON's funding costs of these operations.

Results of the UK life insurance businesses of Guardian Royal Exchange have been included in AEGON N.V.'s consolidated accounts as from 1 July 1999. The Guardian acquisition and the related share issue had a slightly positive effect on reported net income per share for 1999. The table on page 39 presents a geographical summary of net income for 1999 by activity.

Following the official introduction of the euro on 1 January 1999, we report our 1999 annual accounts in euro with additional figures in guilders and dollars.

## **Revenues**

Total revenues in 1999 rose to EUR 22.4 billion (USD 23.7 billion), an increase of 30% (9% autonomous). Premium income from life insurance and pension sales grew 36% to EUR 12.8 billion (USD 13.6 billion). Total premium income grew 30% (10% autonomous) to EUR 15 billion,

(USD 16 billion), with the majority of the difference accounted for by Transamerica and GRE. Annuity, GIC and savings deposits, not included in premium income and revenues, increased by 100% to EUR 21.1 billion (USD 22.4 billion), largely driven by increased production from AEGON USA's autonomous operations. Investment income increased by 34% (5% autonomous). On page 41 a summary of premium income, investment income and deposits is presented.

## **Earnings by product line**

Life insurance results rose 34% to EUR 2,126 million in 1999, comprising 88% of the Group's income before tax, excluding interest and other charges. Life insurance income before tax from the Americas rose 40% to USD 1,285 million (EUR 1,212 million), largely as an effect of the Transamerica transaction. Life insurance income from the Netherlands totaled EUR 647 million, an increase of 10% over the prior year. AEGON UK's contribution to the life insurance and pensions results rose 61% to GBP 156 million (EUR 237 million). This includes the earnings contribution from the acquired Guardian operations as from 1 July 1999 and the effect of AEGON's 5% increase in the share of Scottish Equitable's profit at the end of 1998 (now 100%). Life insurance results from the other countries increased from EUR 19 million in 1998 to EUR 30 million in 1999. The operations in Hungary and Germany were the main contributors to this increase.

The 38% rise in health insurance income before tax in the Americas, which totaled USD 131 million (EUR 123 million), is largely attributable to improved experience with run-off activities in 1999. In the Netherlands, accident & health insurance results decreased by 17% to EUR 20 million, caused primarily by a write-off of a reinsurance receivable. Accident & health insurance results from other countries totaled EUR 1 million, compared to EUR 3 million in 1998.



General insurance results in other countries dropped from a EUR 6 million profit in 1998 to a EUR 43 million loss in 1999. As reported previously, the necessary strengthening of reserves in Spain at the amount of EUR 53 million, has more than offset the profits in this product group in the Netherlands, Mexico and Hungary.

Income before tax from Labouchere totaled EUR 127 million and from AEGON Bank EUR 28 million, accounting for the 46% increase in the total pre-tax results from the banking activities.

### ***Earnings Geographically***

#### *The Americas*

Net income in the Americas rose 34% to USD 927 million. Full year income before tax rose 39% to USD 1,418 million (+46% in euro). The earnings increase resulted from the inclusion of Transamerica (USD 259 million before tax), an increase in assets under management, rising fee income and expense savings in the home service operations.

The Transamerica transaction accounts for 3% of the increase in AEGON's earnings per share in euro in 1999. New production of the Transamerica business units has been stronger than originally anticipated and technical results were slightly better than expected. Integration efforts are progressing and are on schedule. Overall, the gross margin in the Americas increased 34%, while commissions and expenses rose 32%.

Life insurance results, including annuities and GICs, in the Americas totaled USD 1,285 million in 1999 (USD 921 million in 1998), marking an increase of 40%. Gross annuity and GIC deposits rose 148% to USD 18,501 million. Life insurance premium income (excluding annuity and GIC deposits) totaled USD 4,521 million (USD 2,787 million in 1998). The 62% increase in life premium income was mainly a result of the consolidation of the Transamerica activities. Life single premiums rose 17%, whereas life recurring premium income advanced 89%.

Accident and health insurance result rose 38% to USD 131 million. Health premiums totaled USD 1,341 million (USD 1,354 million in 1998), which reflects the influence of run-off activities.

The earnings contribution from our joint ventures in Mexico were higher than in 1998 due to an increase in fee income at Afore Banamex AEGON (established mid-1998) and continued good results of our life insurance joint venture Seguros Banamex AEGON.

#### *The Netherlands*

Net income in the Netherlands totaled EUR 672 million (up 13%, excluding Labouchere 10%). The increase in total pre-tax results amounted to 16%.

Life insurance and pensions activities accounted for 75% of 1999 pre-tax income. The growth in life insurance and pensions results was mainly due to increased production and a related improved coverage of fixed costs together with higher investment results. Overall gross margins increased 13%, while commissions and expenses increased 9%.

Life insurance premium income totaled EUR 3,012 million (up 15%). The increase in life single premium income was 17%, to a total of EUR 991 million. Recurring life premiums increased 13% to EUR 2,021 million.

Non-life insurance income before tax totaled EUR 59 million (up 23%). Although the underwriting results improved, the lower accident & health results are attributable to a write-off of a reinsurance receivable. General insurance results showed a significant increase, supported by a release of Y2K claims provisions that proved to be unnecessary.

Pre-tax results from the banking operations were up 46% compared to 1998, totaling EUR 155 million. The continued margin improvement contributed to the increase in earnings from AEGON Bank.

#### *United Kingdom*

Net income from AEGON UK totaled GBP 116 million (EUR 177 million), as compared to GBP 70 million in 1998.

# Net income

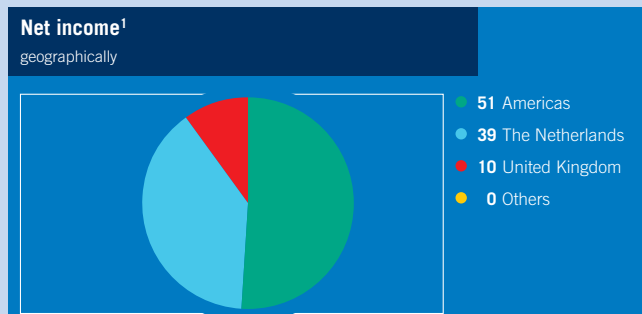
amounts in million EUR (unless otherwise stated)

	Americas <sup>1</sup>	The Netherlands	United Kingdom	Other countries <sup>2</sup>	Total 1999	Total 1998	Increase %	Total 1999 NLG
Life insurance (including annuities)	1,212	647	237	30	2,126	1,581	34	4,685
Accident & health insurance	123	20	–	1	144	112	29	317
General insurance	2	39	–	–43	–2	33	–106	–4
<b>Total insurance</b>	<b>1,337</b>	<b>706</b>	<b>237</b>	<b>–12</b>	<b>2,268</b>	<b>1,726</b>		<b>4,998</b>
<b>Banking activities</b>	–	155	–	–	155	106	46	341
<b>Interest charges &amp; other<sup>3</sup></b>					–242	–198	22	–533
Income before tax business units	1,337	861	237	–12				
Income before tax					2,181	1,634	33	4,806
Corporation tax business units	–463	–189	–60	1				
Corporation tax					–611	–387	58	–1,346
<b>Net income business units</b>	<b>874</b>	<b>672</b>	<b>177</b>	<b>–11</b>				
<b>Net income</b>					<b>1,570</b>	<b>1,247</b>	<b>26</b>	<b>3,460</b>
Net income 1998 business units	621	597	105	28				
Increase on 1998 in %	41	13	69	–				
Increase on 1998 in %, excluding Labouchere		10						
1999 in percentages	51	39	10	0				
1998 in percentages	46	44	8	2				

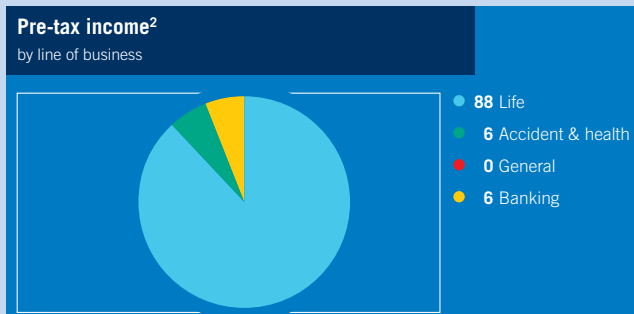
<sup>1</sup> The figures under 'Americas' include the results of AEGON USA, Canada and AEGON Mexico.

<sup>2</sup> The figures under 'Other countries' include the results of AB-AEGON in Hungary, AEGON Spain, AEGON Belgium, AEGON Lebensversicherungs-AG in Germany, AEGON Taiwan and AEGON Philippines.

<sup>3</sup> Beginning 1999, Group overhead expenses are included in the line 'Interest charges & other' and are no longer allocated to the lines of business and country units. Prior year figures have been restated accordingly.



<sup>1</sup> Before interest charges and other



<sup>2</sup> Before interest charges and other

The two main factors behind the 66% increase are the inclusion of results from the acquired Guardian Royal Exchange businesses (GBP 38 million before tax) and the fact that AEGON's share in Scottish Equitable's profits went up from 95% to 100% at the end of 1998. The growth of the in-force block of business supported the underlying earnings growth of the AEGON UK operations. The increase in funds under management resulted in higher income for the UK pensions and asset management operations. The overall increase in gross margin and commissions and expenses was 60% in euro.

AEGON UK reported a 26% higher premium income, totaling GBP 3,386 million in 1999. Single premiums increased 24%, while recurring premiums rose 31%. New premium production, excluding Guardian Royal Exchange, increased by 14%, based on the industry standard of new annual premiums plus  $\frac{1}{10}$  of the single premiums, reflecting the success of unitized pensions and other investment products.

#### *Other countries*

A net loss of EUR 11 million was recorded as the consolidated result from the operation in other countries. Net income in Hungary totaled EUR 40 million, while the net loss in Spain amounted to EUR 51 million. The earnings decline resulted from a necessary strengthening of the technical provisions of AEGON Spain to an amount of EUR 53 million. Improvements in underwriting and reserving policies have been implemented. Non-life insurance results in Hungary were lower, as claims due to storms and floods had a negative impact on earnings.

Life insurance results from the operations grouped under 'other countries' increased by 58% to EUR 30 million before tax. The results from life insurance and asset management activities of ÁB-AEGON in Hungary continue to grow. AEGON Spain successfully expanded its life insurance activities again. Growth in new life insurance premium production was higher than the market average.

AEGON Lebensversicherungs-AG in Germany and AEGON Belgium were both profitable in 1999. The introduction of the MoneyMaxx unit-linked savings product in Spain will be followed by other introductions in Europe (for instance in Hungary) in 2000.

#### **Unconsolidated holdings**

The following table presents a summary of net income for 1999 for *Transamerica's non-insurance businesses* (reporting based on Transamerica's historical US GAAP).

(x USD million)	
Transamerica Finance Corporation	143.9
Real Estate Information	47.3
Other	-2.0
<b>Total</b>	<b>189.2</b>

Excluding the negative impact of an industry-wide accounting change on the real estate service business, the results of Transamerica's non-insurance operations were 4.6% lower than last year. The strong performance of the commercial financing business was offset by lower utilization and lower leasing rates in the marine container leasing business. Higher mortgage interest rates had an impact on mortgage originations and refinancing, which are key drivers of the real estate information business.

In order to reflect that AEGON does not consider *Labouchere* a core activity going forward, Labouchere has been deconsolidated as from 31 December 1999 and accounted for as an equity participation.

# Revenues

amounts in million EUR (unless otherwise stated)

	Americas	The Netherlands	United Kingdom	Other Countries	Total 1999	Total 1998	Increase %	Total 1999 NLG
<b>Gross premiums</b>								
Life general account single	671	456	157	34	1,318	1,236	7	2,904
Life general account recurring	3,032	692	34	123	3,881	2,334	66	8,553
Life policyholders account single	457	535	3,713	143	4,848	3,681	32	10,684
Life policyholders account recurring	103	1,329	1,238	85	2,755	2,162	27	6,071
Total life insurance	4,263	3,012	5,142	385	12,802	9,413	36	28,212
Accident & health insurance	1,264	118	–	71	1,453	1,391	4	3,202
General insurance	4	402	–	319	725	746	–3	1,598
<b>Total gross premiums</b>	<b>5,531</b>	<b>3,532</b>	<b>5,142</b>	<b>775</b>	<b>14,980</b>	<b>11,550</b>	<b>30</b>	<b>33,012</b>
Investment income insurance activities	4,920	1,447	99	134	6,600	4,904	35	14,545
Income from banking activities	–	704	–	–	704	626	12	1,551
Total revenues business units	10,451	5,683	5,241	909	22,284	17,080	30	49,108
Income from other activities					90	99	–9	198
<b>Total revenues</b>					<b>22,374</b>	<b>17,179</b>	<b>30</b>	
Total revenues business units (NLG)	23,031	12,524	11,550	2,003				
<b>Total revenues (NLG)</b>								<b>49,306</b>
Investment income for the account of policyholders	7,216	2,478	3,783	56	13,533	8,466	60	29,823
Commissions and expenses business units	2,039	664	284	200				
Commissions and expenses					3,219	2,485	30	7,094
Gross margin business units <sup>1</sup>	3,376	1,525	521	188				
Gross margin <sup>1</sup>					5,400	4,119	31	11,900
Gross deposits in:								
Annuities and GICs	17,445	–	–	–	17,445	6,723	159	38,444
Savings accounts	–	3,661	–	–	3,661	3,804	–4	8,068
Net deposits <sup>2</sup> in:								
Annuities and GICs	1,887	–	–	–	1,887	–37	–	4,158
Savings accounts	–	62	–	–	62	525	–88	137

<sup>1</sup> Calculated as the sum of income before tax and commissions and expenses

<sup>2</sup> Balance of deposits and withdrawals

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## **Investments**

AEGON's general account investment assets increased 75% to EUR 102.5 billion (USD 103.0 billion) during 1999 and now represent 49% of total investments insurance activities. In the Americas, the increase in both fixed income and equity securities is for the largest part the result of including Transamerica. The majority of the rise in the general account portfolio in the UK is attributed to the addition of the former Guardian UK life businesses. The general account portfolios in the Netherlands and the Americas, which comprise 98% of total general account investments, outperformed their relevant benchmarks. The performance of the general account portfolios is detailed in the country sections of the annual report.

Investments for the account of policyholders, which include unit-linked products and separate accounts, increased by EUR 49.9 billion to EUR 108.3 billion and represent now 51% of total investments insurance activities. The gradual shift from investments in fixed income securities to equity securities in this category continued during 1999. The largest part (61%) of the investments for the account of policyholders are now allocated to equities. Off-balance sheet investments (including synthetic GICs and mutual funds) doubled to EUR 40.5 billion and now form 16% of total investments. The investment portfolio for banking activities decreased in 1999 from EUR 6.7 billion to EUR 5.4 billion at year-end, representing 2% of the total investment portfolio. The decrease was due to the deconsolidation of Labouchere.

## **Risk Management**

As an international life insurance company, AEGON is exposed to the impact of interest rate changes, to currency fluctuations, to changes in the market value of its investments and changes in mortality and longevity.

In the normal course of business, AEGON employs established policies and procedures to manage its

exposures to changes in interest rates and fluctuations in the value of currencies using a variety of financial instruments. AEGON also closely monitors its exposure to non-financial market risks in its mortality risk analyses and counterparty risk, reinsurance and IT standards. AEGON uses common derivative financial instruments such as interest rate swaps, options, futures and foreign exchange contracts to hedge its exposures related to both investments and borrowings. AEGON does not hold or issue derivative instruments for speculative trading purposes.

The local investment departments of the AEGON Group units are responsible for managing their investment portfolios. Their investment policies are guided by sound Asset and Liability Management principles. This approach applies throughout the various Group units.

Sensitivity analyses are performed on Group level, in close cooperation with the business units, in order to quantify exposures of the Group to a wide array of risks. The sensitivity analysis on forecasted 2000 net income and shareholders' equity – presented in the table on page 36 – is performed for each risk category independently. No assumptions are made regarding correlations between markets or risks, possible management actions or changing conditions for all other assets and liabilities. It should be noted that the effects presented only relate to 2000 forecasted net earnings and shareholders' equity; no conclusions should be drawn for subsequent years.

By the nature of its business, the AEGON Group is exposed to *interest rate risk*. The sensitivity analysis shows, however, that because of the balance between interest sensitive and non-interest sensitive liabilities, the potential effect of interest rate changes on forecasted 2000 net income is minimal. A simultaneous decrease of worldwide interest rates of 1% from the current levels would have a positive effect on earnings of approximately 1.5%. Conversely, an increase of worldwide interest rates of 1% would have a 1% negative influence on earnings.



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The portfolio yields in all our country units continue to be substantially higher than the minimum rate guarantees on our insurance liabilities. Our assets are managed to be aligned with the technical provisions for that part of our portfolio for which we guarantee a minimum return. Also, for new production, the yields on acquired assets comfortably exceed guaranteed levels.

*Currency risk* is managed based on AEGON's currency policies. For investments, these policies are based on assets and liabilities management principles. Equity held in subsidiaries is kept in local currencies to the extent shareholders' equity is required to satisfy regulatory and self-imposed capital requirements. This ensures that capital held by Group units will support the local insurance businesses irrespective of currency movements. However, this may result in effects on AEGON's consolidated shareholders' equity expressed in euro. The remainder of AEGON's capital base (capital securities and subordinated and senior debt) is held in various currencies relative to the book value AEGON's activities in those currencies. As a result, AEGON's debt/equity ratio will not be materially affected by currency volatility. In 1999, AEGON decided to end its policy of hedging the income streams from AEGON's main non-Dutch Group units for the translation to euros beginning in 2000. As a result, earnings may fluctuate due to currency translation.

The sensitivity analysis shows the effect of movements in the exchange rates of 15% of AEGON's most important currencies (the US dollar and the pound sterling) relative to the euro on forecasted net income and shareholders' equity. The table on page 36 shows that a decrease of 15% in non-euro currency rates would result in a negative impact on net income of around 9% and on shareholders' equity of approximately 10%. Conversely, an increase of 15% in these exchange rates would result in a positive impact on net income of 9% and on shareholders' equity of 10%. Movements of other currency exchange rates have an immaterial impact on net income and shareholders' equity.

AEGON's accounting policy of deferring and amortizing capital gains on *equity and real estate* investments in the general account portfolio makes our net income less sensitive to the effects of volatile equity markets than it would otherwise be. However, as equities held for account of policyholders becomes more significant, net income will become more sensitive to the fees related to these assets. Net income would be approximately 4.5% lower and shareholders' equity approximately 9% lower after a decrease of 15% in equity and real estate markets. Conversely, an increase of 15% in these markets would result in a positive impact on net income of 4.5% and on shareholders' equity of 9%. AEGON is not directly exposed to commodity markets.

As a consequence of the insurance and savings features in our products, the AEGON Group is exposed to *mortality and longevity risk*. On a regular basis we perform sensitivity analyses, which quantify the effect of mortality and longevity developments on our portfolios and technical provisions. If life expectancy would increase by one year, compared to our existing reserving basis, the positive effect on the technical provisions would be less than 0.5%. This implies that the AEGON Group has a well-balanced portfolio, in terms of mortality and longevity. Therefore, changes to mortality and longevity developments are not a current concern relative to our strong reserving basis.

### **Capital Base**

During 1999 AEGON's capital base changed substantially, mainly as a result of acquisitions. Shareholders' equity increased from EUR 7.9 billion (USD 9.3 billion) to EUR 13.5 billion (USD 13.6 billion). Most of the increase resulted from issuance of new shares to Transamerica shareholders (EUR 5.4 billion) and a private placement to Vereniging AEGON (EUR 0.7 billion) to fund part of the Guardian acquisition. Realized and unrealized results on the equity and real estate investment portfolio,

## AEGON total investments geographically

amounts in millions

Amounts in millions

31 December 1998						31 December 1999						
Americas in USD	The Netherlands in EUR	United Kingdom in GBP	Other Countries in EUR	Total in EUR	in % of total		Americas in USD	The Netherlands in EUR	United Kingdom in GBP	Other countries in EUR	Total in EUR	in % of total
						<b>General account</b>						
						<b>Fixed rate securities</b>						
3,049	0	201	455	3,353	6	Treasuries/Agencies	6,989	0	333	647	8,139	8
11,311	7,847	104	104	17,794	30	High quality (AAA/AA)	15,809	6,319	161	216	22,531	22
18,082	237	83	43	15,896	27	Investment grade (A/BBB)	37,509	929	127	72	38,542	38
2,630	17	0	4	2,274	4	High yield (BB+ or less)	4,616	27	0	4	4,626	4
7,315	4,677	0	7	10,954	19	Mortgages	10,162	5,420	0	6	15,542	15
<b>42,387</b>	<b>12,778</b>	<b>388</b>	<b>613</b>	<b>50,271</b>	<b>86</b>	<b>Total fixed rate securities</b>	<b>75,085</b>	<b>12,695</b>	<b>621</b>	<b>945</b>	<b>89,380</b>	<b>87</b>
<b>812</b>	<b>4,058</b>	<b>125</b>	<b>63</b>	<b>4,995</b>	<b>8</b>	<b>Equity securities</b>	<b>3,407</b>	<b>4,804</b>	<b>155</b>	<b>65</b>	<b>8,509</b>	<b>8</b>
						<b>Other assets</b>						
241	1,755	0	97	2,058	4	Real estate	559	1,888	0	90	2,535	3
1,264	80	37	76	1,292	2	Others	1,907	92	4	88	2,084	2
<b>1,505</b>	<b>1,835</b>	<b>37</b>	<b>173</b>	<b>3,350</b>	<b>6</b>	<b>Total other assets</b>	<b>2,466</b>	<b>1,980</b>	<b>4</b>	<b>178</b>	<b>4,619</b>	<b>5</b>
<b>44,704</b>	<b>18,671</b>	<b>550</b>	<b>849</b>	<b>58,616</b>	<b>100</b>	<b>Total general account</b>	<b>80,958</b>	<b>19,479</b>	<b>780</b>	<b>1,188</b>	<b>102,508</b>	<b>100</b>
						<b>Account of policyholders</b>						
8,877	7,706	9,015	88	28,183	48	Fixed income	12,036	7,445	13,898	216	41,997	39
15,224	4,361	8,995	0	30,161	52	Equity and real estate	30,195	8,032	17,429	156	66,279	61
<b>24,101</b>	<b>12,067</b>	<b>18,010</b>	<b>88</b>	<b>58,344</b>	<b>100</b>	<b>Total account of policyholders</b>	<b>42,231</b>	<b>15,477</b>	<b>31,327</b>	<b>372</b>	<b>108,276</b>	<b>100</b>
<b>68,805</b>	<b>30,738</b>	<b>18,560</b>	<b>937</b>	<b>116,960</b>		<b>Total insurance activities</b>	<b>123,189</b>	<b>34,956</b>	<b>32,107</b>	<b>1,560</b>	<b>210,784</b>	
–	6,707	–	–	6,707		Banking activities	–	5,451	–	–	5,451	
21,612	0	1,149	38	20,191		Synthetic GICs, mutual funds and other off-balance sheet investments	37,047	986	1,604	96	40,539	
<b>90,417</b>	<b>37,445</b>	<b>19,709</b>	<b>975</b>	<b>143,858</b>		<b>Total investments</b>	<b>160,236</b>	<b>41,393</b>	<b>33,711</b>	<b>1,656</b>	<b>256,774</b>	
				1,072		business units					1,029	
				<b>144,930</b>		<b>Total investments</b>					<b>257,803</b>	

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retained earnings (EUR 773 million) and exchange rate differences (EUR 1,051 million) also contributed to the increase. Shareholders' equity was negatively affected by goodwill (EUR 3,133 million) mainly with respect to the acquisition of Transamerica, share repurchases to hedge AEGON's staff and management option plans (EUR 315 million), cash settlement of stock option plans (EUR 47 million) and convertible subordinated loans (EUR 69 million).

To facilitate the debt funding related to the Transamerica acquisition, AEGON founded AEGON Funding Corp. during 1999. Funding raised by this entity enjoys a full and unconditional guarantee from AEGON N.V. AEGON Funding Corp. raises funds through a USD 4.5 billion Global Commercial Paper program. In addition, AEGON Funding Corp. issued USD 400 million of 7% bonds due in 2004 and USD 350 million of 6<sup>3</sup>/<sub>4</sub>% bonds due in 2002 in several tranches in the second half of 1999. AEGON N.V. issued two public bonds in 1999. In August, CHF 300 million of 3<sup>1</sup>/<sub>8</sub>% bonds due in 2004 was issued. AEGON accessed the long dated sterling market in December with GBP 250 million of 6<sup>1</sup>/<sub>8</sub>% bonds due in 2031. With regard to other funding activities operational funding requirements were lower in 1999 than in preceding years as a result of securitization programs carried out by Labouchere.

AEGON has further employed its excellent access to the capital markets through private placements issued under its USD 1,500 million Euro Medium Term Notes Program. Additionally, a USD 2,000 million Euro Commercial Paper Program facilitates access to international and domestic money markets when required. AEGON maintains back-up credit facilities for outstanding debt under its Commercial Paper programs.

The composition of the capital base changed during 1999. As a percentage of total capital, equity decreased to 71% from 75% at year-end 1998. AEGON's financial policies require that shareholders' equity makes up at least 70% of the total capital base in order to maintain strong capitalization. These self-imposed

standards substantially exceed those of regulatory bodies in the various countries. We manage to these standards through application of our financial strategies and policies, including acquisition funding and dividend policies. We remain committed to a strategy, which assures continued financial strength. In addition to our strong credit ratings, this is reflected in the excellent insurance financial strength ratings assigned by both Standard & Poor's and Moody's to our operating units in the USA, the Netherlands and the UK.

### ***Dividends***

The total dividend for the year is composed of an interim dividend, declared at the publication of the six months' results in August and a final dividend proposed with the release of the year-end results in March and to be approved at the Annual General Meeting of Shareholders (AGM). Under normal circumstances the interim dividend is equal to 50% of the total dividend of the preceding year. For the financial year 1999 a dividend of EUR 1.20 per common share has been proposed (1998: EUR 1.01) for approval at the AGM. Dividends are based on net income per share.

The Board has proposed an increased dividend for the 16<sup>th</sup> year in a row. Calculated on a pay-out ratio of 47%, the proposed 1999 dividend represents an increase of 19% over 1998. Shareholders may opt to receive the dividend entirely in cash or entirely in stock. Depending on its capital position, AEGON can vary the relative value of the cash and the stock dividend. Based on our capital position relative to the standards mentioned above, we have decided this year not to indicate a preference to our shareholders to receive the final dividend in cash or shares. Therefore, there is no difference in the value of the cash and stock alternative for the proposed final dividend for 1999. The procedure is set forth on page 88.

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## ***Financial Relations***

We are pleased with the excellent performance of the AEGON share over the past ten years. We regard the fact that the return is outstanding over the last ten years in Dutch guilders, US dollars and pound sterling as recognition of excellent results delivered through the consistent implementation of our strategy.

AEGON continues to emphasize providing quality information and services to existing and potential shareholders and bondholders. Keeping institutional and private holders of AEGON securities, analysts, the media and potential investors well-informed of AEGON's strategy and performance through meetings, teleconferences, our website and publications – such as our ten year historical information booklet and investor newsletters – is the driving principle for our communications and investor relations efforts. The goal of these efforts is to maintain broad market access and competitive pricing for AEGON securities.

We are genuinely gratified that Rematch, through independent surveys of research analysts and investors, identified AEGON as the leading company in international financial services investor relations activities in both 1998 and 1999. We view this as encouragement to continue and improve our efforts. Commitment to the interests of shareholders remains a major priority for AEGON: we value our reputation as a shareholder friendly company, without losing sight of the interests of our other stakeholders.

The Hague, 9 March 2000

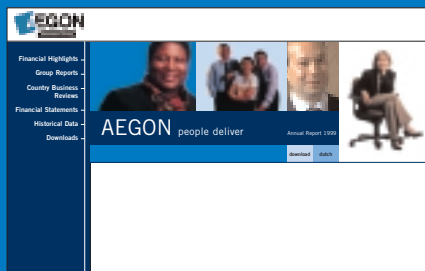
The Executive Board

**What's changed**

For the first time the Annual Report has been drawn up in euros, as well as in dollars and guilders.

**Where to find out more**

AEGON is committed to providing quality information and services to existing and potential shareholders. As well as the Annual Report, we publish a separate booklet, Historical Data Booklet 1990 – 1999, which provides further information and trend data over a ten-year period. Both these publications are now available on our corporate website, which contains investor information and press releases in browsable and downloadable formats.



[www.aegon.com](http://www.aegon.com)

[www.aegon.com/annualreport\\_99](http://www.aegon.com/annualreport_99)

**Exchange rates at 31 December 1999**

	EUR	USD	GBP	HUF	ESP	NLG
1 EUR	–	1.00460	0.62170	254.920	166.386	2.20371
1 USD	0.995	–	0.619	253.753	165.624	2.194
1 GBP	1.608	1.616	–	410.037	267.631	3.545
100 HUF	0.392	0.394	0.244	–	65.270	0.864
100 ESP	0.601	0.604	0.374	153.210	–	1.324
1 NLG	0.454	0.456	0.282	115.678	75.503	–

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**The AEGON Executive Board:**  
**"Respect People, Make Money, Have Fun"**

## Consolidated Balance Sheets at December 31

(after profit appropriation) In accordance with Dutch Accounting Principles  
Amounts in millions

1999 USD	1998 USD		Note number	1999 NLG	1999 EUR	1998 EUR
		<b>Investments</b>				
2,571	2,435	Real estate	1	5,639	2,559	2,087
4,019	422	Group companies and participations	2	8,817	4,001	362
106,891	75,002	Other financial investments	3	234,477	106,401	64,284
28	28	Deposits with ceding undertakings	4	62	28	24
<b>113,509</b>	<b>77,887</b>			<b>248,995</b>	<b>112,989</b>	<b>66,757</b>
<b>108,774</b>	<b>68,071</b>	<b>Investments for the account of policyholders</b>	5	<b>238,609</b>	<b>108,276</b>	<b>58,344</b>
		<b>Receivables</b>				
1,332	1,083	Receivables out of direct insurance	6	2,922	1,326	928
1,111	177	Receivables out of reinsurance		2,437	1,106	152
2,128	2,943	Other receivables	7	4,668	2,118	2,522
<b>4,571</b>	<b>4,203</b>			<b>10,027</b>	<b>4,550</b>	<b>3,602</b>
		<b>Other assets</b>				
162	143	Equipment	8	355	161	123
968	1,313	Liquid assets	9	2,124	964	1,125
370	127	Other assets		811	368	109
<b>1,500</b>	<b>1,583</b>			<b>3,290</b>	<b>1,493</b>	<b>1,357</b>
		<b>Prepayments and accrued income</b>				
1,402	1,219	Accrued interest and rent		3,074	1,395	1,045
105	107	Other prepayments and accrued income		231	105	91
<b>1,507</b>	<b>1,326</b>			<b>3,305</b>	<b>1,500</b>	<b>1,136</b>
<b>229,861</b>	<b>153,070</b>	<b>Total assets</b>		<b>504,226</b>	<b>228,808</b>	<b>131,196</b>

For notes: see page 56 and following



1999 USD	1998 USD		Note number	1999 NLG	1999 EUR	1998 EUR
<b>13,605</b>	<b>9,257</b>	<b>Capital and reserves</b>	10	<b>29,845</b>	<b>13,543</b>	<b>7,934</b>
<b>1,335</b>	<b>1,055</b>	<b>Capital securities</b>	11	<b>2,929</b>	<b>1,329</b>	<b>904</b>
<b>706</b>	<b>798</b>	<b>Subordinated (convertible) loans</b>	12	<b>1,549</b>	<b>703</b>	<b>684</b>
<b>15,646</b>	<b>11,110</b>	<b>Equity and subordinated loans</b>		<b>34,323</b>	<b>15,575</b>	<b>9,522</b>
		<b>Technical provisions</b>	13			
83,426	49,805	Life insurance		183,005	83,044	42,688
537	456	Unearned premiums and unexpired risks		1,177	534	391
1,802	1,961	Claims outstanding		3,953	1,794	1,680
223	195	Profit sharing and rebates		489	222	167
629	691	Other technical provisions		1,380	626	593
86,617	53,108	Gross		190,004	86,220	45,519
-4,371	-1,055	Reinsurers' share		-9,589	-4,351	-904
<b>82,246</b>	<b>52,053</b>			<b>180,415</b>	<b>81,869</b>	<b>44,615</b>
		<b>Technical provisions with investments for the account of policyholders</b>	14			
109,103	68,284	Gross		239,330	108,603	58,526
-329	-213	Reinsurers' share		-721	-327	-182
<b>108,774</b>	<b>68,071</b>			<b>238,609</b>	<b>108,276</b>	<b>58,344</b>
<b>2,247</b>	<b>1,038</b>	<b>Provisions</b>	15	<b>4,930</b>	<b>2,237</b>	<b>890</b>
<b>3,720</b>	<b>2,687</b>	<b>Long-term liabilities</b>	16	<b>8,160</b>	<b>3,703</b>	<b>2,303</b>
		<b>Current liabilities</b>				
3,114	3,107	Payables out of direct insurance		6,832	3,100	2,663
121	147	Payables out of reinsurance		264	120	125
4,636	3,674	Amounts owed to credit institutions		10,170	4,615	3,149
5,319	5,882	Entrusted savings accounts and deposits		11,666	5,294	5,041
3,013	3,740	Other payables	17	6,609	2,999	3,206
<b>16,203</b>	<b>16,550</b>			<b>35,541</b>	<b>16,128</b>	<b>14,184</b>
<b>1,025</b>	<b>1,561</b>	<b>Accruals and deferred income</b>	18	<b>2,248</b>	<b>1,020</b>	<b>1,338</b>
<b>229,861</b>	<b>153,070</b>	<b>Total liabilities</b>		<b>504,226</b>	<b>228,808</b>	<b>131,196</b>

For notes: see page 56 and following

## Summarized Consolidated Income Statements

In accordance with Dutch Accounting Principles  
Amounts in millions

1999 USD	1998 USD		Note number	1999 NLG	1999 EUR	1998 EUR
		<b>Revenues</b>				
15,886	12,829	Gross premiums		33,012	14,980	11,550
7,095	5,556	Investment income	4	14,743	6,690	5,003
747	696	Income from banking activities	5	1,551	704	626
<b>23,728</b>	<b>19,081</b>	<b>Total revenues</b>	1	<b>49,306</b>	<b>22,374</b>	<b>17,179</b>
		<b>Benefits and expenses</b>				
1,279	583	Premiums to reinsurers		2,658	1,206	525
8,098	6,539	Benefits to policyholders		16,828	7,636	5,887
6,719	5,836	Change in technical provisions	6	13,963	6,336	5,254
989	633	Profit sharing and rebates	7	2,054	932	571
3,414	2,760	Commissions and expenses	8	7,094	3,219	2,485
805	820	Interest charges		1,672	759	738
111	95	Miscellaneous income and expenditure	10	231	105	85
<b>21,415</b>	<b>17,266</b>	<b>Total benefits and expenses</b>		<b>44,500</b>	<b>20,193</b>	<b>15,545</b>
2,313	1,815	Income before tax		4,806	2,181	1,634
-648	-430	Corporation tax	12	-1,346	-611	-387
<b>1,665</b>	<b>1,385</b>	<b>Net income</b>		<b>3,460</b>	<b>1,570</b>	<b>1,247</b>

For notes: see page 70 and following

# Consolidated Income Statements

In accordance with Dutch Accounting Principles  
Amounts in millions

	Note number	1999 NLG	1999 EUR	1998 EUR
<b>TECHNICAL ACCOUNT LIFE INSURANCE</b>				
<b>Premiums for own account</b>				
Gross premiums		28,212	12,802	9,413
Premiums to reinsurers		-1,867	-847	-139
	2	<b>26,345</b>	<b>11,955</b>	<b>9,274</b>
<b>Investment income</b>	4	<b>13,901</b>	<b>6,308</b>	<b>4,653</b>
<b>Investment income for the account of policyholders</b>		<b>29,823</b>	<b>13,533</b>	<b>8,466</b>
<b>Benefits and surrenders own account</b>				
Benefits to policyholders				
Gross		-15,677	-7,114	-4,911
Reinsurers' share		1,333	605	121
		<b>-14,344</b>	<b>-6,509</b>	<b>-4,790</b>
<b>Change in other technical provisions own account</b>				
Provision for life insurance				
Gross		-43,884	-19,914	-13,567
Reinsurers' share		626	284	6
		<b>-43,258</b>	<b>-19,630</b>	<b>-13,561</b>
Other technical provisions		-75	-34	-30
		<b>-43,333</b>	<b>-19,664</b>	<b>-13,591</b>
<b>Profit sharing and rebates</b>	7	<b>-2,054</b>	<b>-932</b>	<b>-571</b>
<b>Operating expenses</b>	8	<b>-4,954</b>	<b>-2,248</b>	<b>-1,640</b>
<b>Investment charges</b>	9	<b>-492</b>	<b>-223</b>	<b>-158</b>
<b>Other technical charges own account</b>	10	<b>-207</b>	<b>-94</b>	<b>-62</b>
		<b>4,685</b>	<b>2,126</b>	<b>1,581</b>
<b>Investment income allocated to the non-technical account</b>	11	<b>-1,582</b>	<b>-718</b>	<b>-585</b>
<b>Result technical account life</b>		<b>3,103</b>	<b>1,408</b>	<b>996</b>

For notes: see page 70 and following

## Consolidated Income Statements

In accordance with Dutch Accounting Principles  
Amounts in millions

	Note number	1999 NLG	1999 EUR	1998 EUR
<b>TECHNICAL ACCOUNT NON-LIFE INSURANCE</b>				
<b>Premiums earned for own account</b>				
Gross premiums		4,800	2,178	2,137
Premiums to reinsurers		-791	-359	-386
		4,009	1,819	1,751
Change in technical provision unearned premiums and unexpired risks				
Gross		-320	-145	-92
Reinsurers' share		-73	-33	11
		-393	-178	-81
		<b>3,616</b>	<b>1,641</b>	<b>1,670</b>
<b>Investment income</b>	4	<b>644</b>	<b>292</b>	<b>251</b>
<b>Claims for own account</b>				
Claims incurred				
Gross		-3,103	-1,408	-1,370
Reinsurers' share		619	281	273
		-2,484	-1,127	-1,097
Change in provision for claims				
Gross		-60	-27	-53
Reinsurers' share		0	0	5
		-60	-27	-48
		<b>-2,544</b>	<b>-1,154</b>	<b>-1,145</b>
<b>Operating expenses</b>	8	<b>-1,355</b>	<b>-615</b>	<b>-617</b>
<b>Investment charges</b>	9	<b>-44</b>	<b>-20</b>	<b>-6</b>
<b>Other technical charges own account</b>	10	<b>-4</b>	<b>-2</b>	<b>-8</b>
		<b>313</b>	<b>142</b>	<b>145</b>
<b>Investment income allocated to the non-technical account</b>	11	<b>-112</b>	<b>-51</b>	<b>-56</b>
<b>Result technical account non-life</b>	3	<b>201</b>	<b>91</b>	<b>89</b>
<b>NON-TECHNICAL ACCOUNT</b>				
<b>Result technical account life insurance</b>		<b>3,103</b>	<b>1,408</b>	<b>996</b>
<b>Result technical account non-life insurance</b>		<b>201</b>	<b>91</b>	<b>89</b>
<b>Investment income</b>	4	<b>198</b>	<b>90</b>	<b>99</b>
<b>Income from banking activities</b>	5	<b>1,551</b>	<b>704</b>	<b>626</b>
<b>Allocated investment income transferred from technical accounts</b>	11	<b>1,694</b>	<b>769</b>	<b>641</b>
<b>Operating expenses banking and other expenses</b>	8	<b>-465</b>	<b>-211</b>	<b>-147</b>
<b>Investment charges</b>	9	<b>-1,456</b>	<b>-661</b>	<b>-655</b>
<b>Miscellaneous income and expenditure</b>	10	<b>-20</b>	<b>-9</b>	<b>-15</b>
<b>Income before tax</b>		<b>4,806</b>	<b>2,181</b>	<b>1,634</b>
<b>Corporation tax</b>	12	<b>-1,346</b>	<b>-611</b>	<b>-387</b>
<b>Net income</b>		<b>3,460</b>	<b>1,570</b>	<b>1,247</b>

For notes: see page 70 and following

# Consolidated Cash Flow Statements

In accordance with Dutch Accounting Principles  
Amounts in millions

1999 USD	1998 USD		1999 NLG	1999 EUR	1998 EUR
		<b>Cash flow from operating activities</b>			
1,665	1,385	Net income	3,460	1,570	1,247
22,032	14,502	Increase technical provisions after reinsurance	45,782	20,775	13,056
228	-22	Change in provisions	474	215	-20
939	726	Amortization of policy acquisition costs	1,950	885	654
122	131	Amortization of interest rate rebates	254	115	118
57	49	Depreciation of equipment	119	54	44
2,422	1,413	Change in current liabilities	5,033	2,284	1,272
268	773	Change in entrusted funds	557	253	696
-1,570	-1,146	Deferred policy acquisition costs	-3,261	-1,480	-1,031
-18	-52	Interest rate rebates granted	-37	-17	-47
-3,227	-559	Change in receivables	-6,706	-3,043	-503
-103	-70	Other	-214	-97	-64
<b>22,815</b>	<b>17,130</b>		<b>47,411</b>	<b>21,514</b>	<b>15,422</b>
		<b>Cash flow from investing activities</b>			
		Invested and acquired			
-2,283	-2,252	Real estate and shares	-4,745	-2,153	-2,027
-5,196	-380	Shares of group companies from third parties	-10,799	-4,900	-342
-41,266	-31,471	Other investments	-85,751	-38,912	-28,334
-107	-93	Equipment	-223	-101	-83
		Disposed and redeemed			
3,154	2,879	Real estate and shares	6,554	2,974	2,592
134	767	Shares of group companies from third parties	278	126	691
40,036	29,408	Other investments	83,197	37,753	26,476
9	34	Equipment	20	9	30
-418	-295	Indirect return real estate and shares	-868	-394	-265
-19,567	-12,168	Change in investments for account of policyholders	-40,660	-18,451	-10,955
<b>-25,504</b>	<b>-13,571</b>		<b>-52,997</b>	<b>-24,049</b>	<b>-12,217</b>
		<b>Cash flow from financing activities</b>			
700	-1,604	Change in long-term liabilities	1,453	660	-1,444
-334	-545	Repurchased own shares	-694	-315	-491
722	0	Issuance of common shares	1,501	681	0
13	0	Issuance of preferred shares	27	12	0
0	-10	Withdrawal of preferred shares	0	0	-9
0	-12	Change in deposits withheld from reinsurers	0	0	-11
5	18	Options exercised	11	5	16
-73	-190	Cash settlement subordinated convertible loan	-152	-69	-171
-516	-419	Dividend paid	-1,073	-487	-378
18,501	7,468	Annuity deposits	38,444	17,445	6,723
-16,500	-8,136	Annuity repayments	-34,286	-15,558	-7,324
<b>2,518</b>	<b>-3,430</b>		<b>5,231</b>	<b>2,374</b>	<b>-3,089</b>
<b>-171</b>	<b>129</b>	<b>Change in liquid assets</b>	<b>-355</b>	<b>-161</b>	<b>116</b>
1.06050	1.11074	Translation rate EUR/USD: weighted average exchange rate			

The cash flow statement has been set up according to the indirect method. Only those changes affecting liquid assets have been taken into account. The effects of revaluation and currency exchange rate differences have therefore not been included. The influence of currency exchange rate differences on liquid assets kept in foreign currencies is not material.

# Notes to the Consolidated Financial Statements

## Introduction

These financial statements have been drawn up in accordance with the rules for financial statements of insurance companies in The Netherlands, embodied in Section 15 of Title 9, Book 2 of the Dutch Civil Code. A summarized consolidated income statement has been added to the required formats for balance sheet and profit and loss account in order to present a comprehensible view of the results of the AEGON Group. Also AEGON's current accounting policies are within the scope of the guidelines of the Netherlands Council for Annual Reporting. For some of the information recommended in the guidelines, refer to the separate publication of AEGON's Historical Data 1990-1999.

For the first time the financial statements have been drawn up in euros, with joined figures in Dutch guilders for the current year.

In order to better reflect its characteristics, classification of the Monthly Income Preferred Stock (MIPS) was changed from long-term liabilities to a separate category within equity and subordinated loans (capital securities) at year end. To provide a better insight in the underlying earnings development of the business units, expenses related to the Group overhead are no longer included in the technical accounts and recognized in the non-technical account. The previous year's figures have been adjusted accordingly.

On January 12, 1999 AEGON announced a definitive agreement to sell the former Providian property and casualty business to American Financial Group. The sale was closed at April 8, 1999.

On March 30, 1999 AEGON called off the announced merger of Labouchere N.V. and AOT N.V. As this business is considered being non-core, in anticipation of its sale, Labouchere was deconsolidated in the balance sheet at year end and included as an unconsolidated holding. The consolidated income statements fully include the results from this subsidiary over the financial year.

On July 21, 1999 AEGON completed the acquisition of Transamerica Corporation, established in the United States. The acquisition was realized through a cash payment of EUR 22.50 (USD 23.40) plus 0.71813 AEGON shares in exchange for each Transamerica Corporation share. In total, the number of AEGON common shares exchanged was 89,548,182. Of this, AEGON N.V. issued 74,244,755 new shares and obtained 15,303,427 shares from Vereniging AEGON. As part of the transaction new preferred shares with a total par value of NLG 27.5 million (USD 13.0 million) were issued to Vereniging AEGON. AEGON also assumed Transamerica's holding company debt for an amount of EUR 1.0 billion (USD 1.1 billion), which has been recognized partly under capital securities and partly under long-term liabilities.

As of the date of completion of the acquisition, the results of the insurance activities have been included in the Group's annual accounts. The effect on the growth in net income per share amounts to 3%.

As of the date of completion of the acquisition, the Transamerica non-insurance businesses have not been consolidated, but are included in the balance sheet as a single line presentation in 'Group companies and participations'. AEGON's core business focus led to the announced intention to sell these activities. The value in the balance sheet reflects the fair value of the acquired business. In the income statement dividends declared have been recognized to offset funding costs on the related raised debt, resulting in a neutral effect on AEGON's earnings.

On October 7, 1999 the acquisition of the UK life insurance operations of Guardian Royal Exchange was completed. The acquisition was paid in cash. Related to this transaction AEGON N.V. issued 8,300,829 new common shares in a private placement to Vereniging AEGON. The results of the acquired businesses are included in AEGON's accounts as from July 1, 1999 and had an additional small effect on the earnings and earnings per share.

On December 24, 1999 AEGON reached an agreement with Alleanza Assicurazioni (Generali) on the acquisition of the life insurance company Covadonga S.A., established in Madrid. The acquired company is included in the consolidated balance sheet at year end.

## Consolidation principles

In the consolidated financial statements of AEGON N.V. all the Group companies have been included, except for some Group companies for which the aggregate effect is insignificant and others which are not intended to be held for a long-term ownership. Participations in joint ventures have been consolidated proportionally.

Due to their insignificance the minority interests are included under the caption Current Liabilities.

A list of names and locations of the most important Group companies is given on page 81.

With regard to the income statements of AEGON N.V., article 402, Book 2 of the Dutch Civil Code is applicable.



## Derivatives

AEGON uses derivative financial instruments to hedge interest rate risks and foreign currency risks related to investments and debt.

Derivatives are not used for trading purposes.

Derivatives included in the balance sheet, such as options on shares and bonds and also futures, are valued at market value or at the amounts received on written options. Foreign currency amounts are converted at the year-end exchange rates.

Realized and unrealized results on derivative financial instruments are recognized in the same period and likewise as the results of the related investments and debt.

Notional amounts of foreign currency contracts and interest rate contracts are not included in the balance sheet and are shown, together with other off balance sheet derivatives, under commitments and contingencies. They represent aggregate notional amounts only and are therefore not a measure of the exposure of the Company.

## Foreign currency

Assets and liabilities in foreign currencies are converted at the year-end exchange rates after consideration of transfer risks, where necessary.

Income statement items in foreign currencies are converted at the average currency exchange rates for the reporting period. Currency exchange rate differences resulting from using year-end exchange rates as well as average exchange rates are charged or credited directly to shareholders' equity under the caption Currency Exchange Rate Differences.

Currency exchange rate differences from non-hedging shareholders' equity of subsidiaries not accounted for in euro, including results and related costs from the hedging transactions on those subsidiaries, are also charged or credited to shareholders' equity under the caption Currency Exchange Rate Differences.

All other currency exchange rate differences are included in the income statements.

The most important closing rates are:

	1999	1998
Dutch Guilder (NLG)	2.20371	2.20371
US Dollar (USD)	1.00460	1.16672
Swiss Franc (CHF)	1.60550	1.60778
Pound Sterling (GBP)	0.62170	0.70541
German Mark (DEM)	1.95583	1.95583
Spanish Peseta (ESP)	166.38600	166.38600
Japanese Yen (JPY)	102.73000	132.83363
Hungarian Forint (HUF)	254.92000	251.56507

# Notes to the Consolidated Balance Sheets

Amounts in millions

## Accounting principles

Where not otherwise stated, balance sheet items are carried at face value. If necessary a provision for bad and doubtful debts is deducted. Assets and liabilities from banking activities and gains and losses on these activities are accounted for in accordance with the rules for banks.

	1999 NLG	1999 EUR	1998 EUR
<b>1 Real estate</b>			
Real estate for own use	769	349	175
Other real estate	4,870	2,210	1,912
	<b>5,639</b>	<b>2,559</b>	<b>2,087</b>

Real estate is shown at market value, being the selling-value under normal market circumstances. Each property is revalued at least once in every 5-year period. Valuation is for a large part based on external appraisal. In 1999 the revaluation included 97% of the portfolio.

New property is valued at construction cost including interest during the construction period, or at purchase price.

Unrealized and realized gains and losses on real estate investments as well as results, expenses and currency exchange rate differences from hedging transactions are recognized in the Revaluation account, taking into account the related (deferred) taxes.

The participation in AMVEST Vastgoed is accounted for under this caption.

Purchase price of the portfolio amounts to EUR 2,163 million (1998: EUR 1,914 million).

	1999 NLG	1999 EUR	1998 EUR
<b>2 Group companies and participations</b>			
Shares in Group companies	725	329	21
Loans to Group companies	802	364	287
Other participations	7,241	3,286	50
Loans to other participations	49	22	4
	<b>8,817</b>	<b>4,001</b>	<b>362</b>

Interests in companies in which AEGON is able to influence operating policy, as well as Group companies which are not consolidated because of their insignificance, are accounted for by inclusion of AEGON's proportion of the equity and the net income of the companies. Loans to Group companies and participations are valued at face value.

Interests in short-term holdings are valued at cost less provisions where necessary. Dividends declared are included in the consolidated income statements.

The Transamerica non-insurance businesses<sup>1</sup> and Labouchere are accounted for under other participations and shares in Group companies respectively.

<sup>1</sup> Refer to page 80 for additional disclosures.

	1999 NLG	1999 EUR	1998 EUR
<b>3 Other financial investments</b>			
Shares	18,753	8,510	5,128
Bonds and other fixed rate securities	125,036	56,739	30,977
Loans guaranteed by mortgages	35,557	16,135	11,418
Other loans	47,347	21,485	13,413
Deposits with credit institutions	1,360	617	662
Other financial investments	6,424	2,915	2,686
	<b>234,477</b>	<b>106,401</b>	<b>64,284</b>

	1999 NLG	1999 EUR	1998 EUR
<b>Shares</b>	<b>18,753</b>	<b>8,510</b>	<b>5,128</b>

Shares and convertible debentures reported under this caption are valued at their quoted price or, if unquoted, at estimated market value.

Unrealized and realized gains and losses on the share investments as well as results, expenses and currency exchange rate differences from hedging transactions are recognized in the Revaluation account, taking into account the related (deferred) taxes.

When optional dividend is taken up in shares, an amount equal to the cash dividend is credited to income.

The participation in AEGON Aandelenfonds N.V. is also accounted for under this caption.

Purchase price of the portfolio amounts to EUR 4,983 million (1998: EUR 3,169 million).

<b>Bonds and other fixed rate securities</b>	<b>125,036</b>	<b>56,739</b>	<b>30,977</b>
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Bonds are shown at amortized cost representing the cash value at the balance sheet date of future interest and principal repayment components based on the effective interest rate on the date of acquisition.

The other fixed rate securities include preferred shares and money market investments. Preferred shares are valued at amortized cost; money market investments are valued at cost.

Realized gains and losses from transactions within the bonds and private placements portfolios are deferred and released to the income statements in annual installments over the estimated average remaining maturity term of the investments sold.

Redemption value of the bonds	129,241	58,647	29,380
Deferred purchase differences	-13,099	-5,944	-574
Amortization value bonds	116,142	52,703	28,806
Other fixed rate securities	8,894	4,036	2,171
	125,036	56,739	30,977

Market value of these investments amounts to EUR 55,561 million (1998: EUR 32,016 million). For a proper understanding it should be noted that this market value is not part of the matching of these investments with the related insurance liabilities, which are not stated at market value either.

The provision for doubtful debts for these investments amounts to EUR 137 million (1998: EUR 116 million).

<b>Loans guaranteed by mortgages</b>	<b>35,557</b>	<b>16,135</b>	<b>11,418</b>
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Loans guaranteed by mortgages are valued at redemption value. Discount granted is deferred over the contractual period of interest fixation.

Market value of the portfolio amounts to EUR 15,952 million (1998: EUR 12,155 million). As no market exists for these investments, market value is calculated based on interest, maturity and risk assumptions. For a proper understanding it should be noted that this market value is not part of the matching of these investments with the related insurance liabilities, which are not stated at market value either.

The provision for doubtful debts for these investments amounts to EUR 166 million (1998: EUR 134 million).

<b>Other loans</b>	<b>47,347</b>	<b>21,485</b>	<b>13,413</b>
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Private placements are shown at amortized cost representing the cash value at the balance sheet date of future interest and principal repayment components based on the effective interest rate on the date of acquisition.

Realized gains and losses from transactions within the private placements and bond portfolios valued at amortized cost are released to the income statements in annual installments over the estimated average remaining maturity term of the investments sold.

Redemption value	48,978	22,225	13,727
Deferred purchase differences	-1,631	-740	-314
Amortization value	47,347	21,485	13,413

Market value of the portfolio amounts to EUR 21,193 million (1998: EUR 13,998 million). As no market exists for these investments, market value is calculated based on interest, maturity and risk assumptions. For a proper understanding it should be noted that this market value is not part of the matching of these investments with the related insurance liabilities, which are not stated at market value either.

The provision for doubtful debts for these investments amounts to EUR 67 million (1998: EUR 19 million).

## Notes to the Consolidated Balance Sheets

Amounts in millions

	1999 NLG	1999 EUR	1998 EUR
<b>Deposits with credit institutions</b>	<b>1,360</b>	<b>617</b>	<b>662</b>

This item relates to amounts that can be called up after a certain period of time, the period exceeding one year.

Market value of the deposits is equated with book value.

<b>Other financial investments</b>			
Policy loans	3,184	1,445	844
Receivables out of share lease agreements and others	3,240	1,470	1,842
	<b>6,424</b>	<b>2,915</b>	<b>2,686</b>

Market value of Other financial investments is equated with book value.

The provision for doubtful debts for these investments amounts to EUR 32 million (1998: EUR 36 million).

	1999 NLG	1999 EUR	1998 EUR
<b>4 Deposits with ceding undertakings</b>	<b>62</b>	<b>28</b>	<b>24</b>

Debentures related to reinsurance contracts that are not at free disposal.

Market value amounts to EUR 28 million (1998: EUR 24 million).

### Changes in investments

	Balance at January 1 1999 EUR	Acquired EUR	Disposed and redeemed EUR	Revalu- ations EUR	Currency exchange rate differences and other changes <sup>1</sup> EUR	Balance at December 31, 1999 EUR	Balance at December 31, 1999 NLG
Real estate	2,087	143	-95	122	302	2,559	5,639
Group companies and participations	362	333	-126	-	3,432	4,001	8,817
Shares	5,128	2,010	-2,879	1,258	2,993	8,510	18,753
Bonds and other fixed rate securities	30,977	26,195	-29,034	-	28,601	56,739	125,036
Loans guaranteed by mortgages	11,418	5,726	-2,790	-	1,781	16,135	35,557
Other loans	13,413	5,749	-5,330	-	7,653	21,485	47,347
Deposits with credit institutions	662	24	-72	-	3	617	1,360
Other financial investments	2,686	1,215	-527	-	-459	2,915	6,424
Deposits with ceding undertakings	24	3	0	-	1	28	62
<b>Total</b>	<b>66,757</b>	<b>41,398</b>	<b>-40,853</b>	<b>1,380</b>	<b>44,307</b>	<b>112,989</b>	<b>248,995</b>
Balances and changes of 1998	68,345	30,374	-29,423	776	-3,315	66,757	

<sup>1</sup> Mainly caused by acquisitions (EUR 39,361 million), deconsolidation (EUR -1,483 million) and the remainder by currency exchange rate differences on investments not accounted for in euro.

## 5 Investments for the account of policyholders

Investments for the account of policyholders and insurance-linked savings deposits are investments of which the investment risk is borne by the policyholders. They are valued at market value. Separate investments for Group life contracts with full profit sharing are valued according to the principles of the related contracts.

Total return of these investments is accounted for in the technical account life insurance on a separate line.

	1999 NLG	1999 EUR	1998 EUR
Balance at January 1	128,573	58,344	49,949
Acquired	55,802	25,322	10,196
Disposed and redeemed	-15,831	-7,184	-284
Currency exchange rate differences and other changes <sup>1</sup>	70,065	31,794	-1,517
<b>Balance at December 31</b>	<b>238,609</b>	<b>108,276</b>	<b>58,344</b>

<sup>1</sup> Mainly caused by acquisitions (EUR 24,710 million) and for the remainder by revaluations and by currency exchange rate differences on investments not accounted for in euro.

	1999 NLG	1999 EUR	1998 EUR
<b>6 Receivables out of direct insurance</b>			
Policyholders	1,988	902	549
Agents	934	424	379
<b>Total receivables out of direct insurance</b>	<b>2,922</b>	<b>1,326</b>	<b>928</b>

The provision for doubtful debts for these receivables amounts to EUR 16 million (1998: EUR 65 million).

	1999 NLG	1999 EUR	1998 EUR
<b>7 Other receivables</b>			
Investment receivables	522	237	163
Receivables from stockbroking transactions	–	–	1,191
Other	4,146	1,881	1,168
<b>Total other receivables</b>	<b>4,668</b>	<b>2,118</b>	<b>2,522</b>

Other receivables include items to the amount of EUR 626 million maturing within one year. The remaining items have terms maturing beyond one year.

The provision for doubtful debts for these receivables amounts to EUR 14 million (1998: EUR 6 million).

## 8 Equipment

Equipment is shown at original cost less depreciation over the estimated useful life.

	Computer installations EUR	Office furniture & other equipment EUR	Total equipment EUR	Total equipment NLG
Total cost of equipment			250	550
Accumulated depreciation			-127	-279
Balance at January 1, 1999	57	66	123	271
Investments	63	38	101	223
Depreciation	-30	-24	-54	-119
Disposals and other changes	-4	-5	-9	-20
<b>Balance at December 31, 1999</b>	<b>86</b>	<b>75</b>	<b>161</b>	<b>355</b>
Accumulated depreciation			154	339
Total cost of equipment			315	694

## Notes to the Consolidated Balance Sheets

Amounts in millions

	1999 NLG	1999 EUR	1998 EUR
<b>9 Liquid assets</b>			
Cash on hand and balances with banks	848	385	571
Short-term investments	1,276	579	554
<b>Total liquid assets</b>	<b>2,124</b>	<b>964</b>	<b>1,125</b>

All liquid assets are freely disposable.

	Common shares EUR	Preferred shares EUR	Total EUR	Total NLG
<b>10 Capital and reserves</b>				
<b>Share capital</b>				
Authorized	295	159	454	1,000
Unissued	144	94	238	523
<b>Issued and outstanding</b>	<b>151</b>	<b>65</b>	<b>216</b>	<b>477</b>

Vereniging AEGON, based in The Hague, holds all the issued preferred shares.

	1999	1998
<b>Number of common shares</b>		
Balance at January 1	583,180,340	289,863,382
Stock split	–	289,863,382
Issuance of shares	82,545,584	–
Stock dividend	2,318,840	2,194,606
Exercise of options	381,380	1,258,970
<b>Balance at December 31</b>	<b>668,426,144</b>	<b>583,180,340</b>

The 1999 weighted average number of NLG 0.50 common shares was 612,681,284 (1998: 577,277,015).

The repurchased own shares are eliminated in the calculation of the weighted average number of shares (see page 85).

### Stock options

Senior executives of AEGON companies as well as other AEGON employees have been offered the possibility to acquire AEGON stock options annually. The options have been granted at an exercise price equal to the market price of the shares at the date of the grant. The options granted from 1997 onwards can only be exercised three years after being granted and then during a period of two years. Stock options plans can only be established after the prior consent of the Annual General Meeting. If subsequently the Executive Board decides to implement stock option plans, that decision has to be approved by the Supervisory Board. Options granted in earlier years can generally be exercised during a period of five years. Options granted on behalf of the purchase agreement with Providian have various expiration dates. The subsequently granted options to senior executives of former Providian business units fully vest in three years and the exercise period is up to ten years, the latest ending in August 2008.

In compliance with regulations, options cannot be exercised in black-out periods.

The following tables set forth the changes in the years 1998 and 1999 as well as the breakdown of the options outstanding.

	Number of options	Weighted average exercise price
Balance at January 1, 1998	16,335,332	21.59
Issued	5,759,000	58.04
Issued options Providian	242,350	77.30
Exercised	–6,390,473	14.49
Lapsed	–208,833	26.87
Balance at December 31, 1998	15,737,376	38.46
Issued	3,918,850	93.90
Exercised	–1,384,789	15.47
Lapsed	–137,423	43.33
<b>Balance at December 31, 1999</b>	<b>18,134,014</b>	<b>52.50</b>



	Original number of options <sup>1</sup>	January 1, 1999 <sup>1</sup>	Outstanding options December 31, 1999 <sup>1</sup>	EUR	Exercise price <sup>1</sup> NLG	Exercise period <sup>3</sup>
1993	4,053,000	250	–	8.85	19.50	
1994	4,848,060	637,430	47,250	9.45	20.82	until January 1, 2001
1995	5,084,750	1,282,250	1,051,500	13.59	29.95	until November 1, 2000
1996	4,943,350	2,080,100	1,772,000	19.58	43.15	until November 1, 2001
1997	4,739,750	4,739,750	4,739,250	34.71	76.50	until November 1, 2002
Providian	3,602,192	1,238,596	846,664	42.33 <sup>2</sup>	93.28	until August 6, 2008
1998	5,759,000	5,759,000	5,758,500	58.04	127.90	until March 23, 2003
1999	3,918,850	–	3,918,850	93.90	206.93	until March 6, 2004
	<b>36,948,952</b>	<b>15,737,376</b>	<b>18,134,014</b>			

<sup>1</sup> Adjusted for the stock splits in 1995 and 1998 as appropriate.

<sup>2</sup> Weighted average exercise price of the outstanding options in USD calculated at the closing rate.

<sup>3</sup> As of the 1995 series, the exercise period for a small part of the options is 74 months.

Options exercisable as of December 31, 1999 amount to 3,498,047 (1998: 4,776,135).

The breakdown of the options granted in 1999 is as follows: Executive Board 400,000, other senior executives 1,383,050, other employees 2,135,800 (1998: 400,000, 1,906,000 and 3,453,000 respectively).

For detailed information about the Executive Board's options refer to page 78.

	1999 NLG	1999 EUR	1998 EUR
<b>General surplus fund</b>			
Balance at January 1	8,805	3,995	4,800
Retained earnings	1,703	773	659
Issuance of new shares	13,330	6,049	–
Exercised options	11	5	16
Stock dividend	0	0	0
Optional dividend 1999/1998, resp. 1998/1997	427	194	153
Currency exchange rate differences	2,316	1,051	–390
Cash settlement subordinated convertible loan	–152	–69	–171
Goodwill	–6,904	–3,133	–310
Repurchased own shares <sup>1</sup>	–694	–315	–491
Cash settlement stock option plans	–104	–47	–273
Other changes <sup>2</sup>	–2,449	–1,111	2
<b>Balance at December 31</b>	<b>16,289</b>	<b>7,392</b>	<b>3,995</b>

<sup>1</sup> For explanation refer to page 85.

<sup>2</sup> Mainly caused by acquisitions.

Exchange rate differences are mainly due to the unhedged part of shareholders' equity of subsidiaries not accounted for in euro.

In the offering circular of the USD 600,000,000 4.75% convertible subordinated bonds 1994-2004 it is stated that "Holders may elect upon conversion to receive either Ordinary Shares or New York Shares. The Company may elect to pay holders upon conversion cash in lieu of Shares based upon the opening and closing price of the Shares on the five trading days prior to and including the day of conversion (the 'Conversion Date')".

As AEGON is not at this time aiming to strengthen its equity by increasing the outstanding number of shares through conversions of this bond, it elected to pay part of the conversion in cash in lieu of shares. The accompanying release of surplus has been charged to the General Surplus Fund resulting in the same effect as would have occurred in case the conversion had taken place in shares and an equal number of shares had been purchased by AEGON and then cancelled.

Goodwill is the difference between acquisition price and net asset value, based on AEGON accounting principles. The calculated amount is charged to shareholders' equity in the year of acquisition.

# Notes to the Consolidated Balance Sheets

Amounts in millions

	1999 NLG	1999 EUR	1998 EUR
<b>Revaluation account</b>			
Balance at January 1	8,273	3,754	3,234
Unrealized gains and losses on real estate and shares	3,041	1,380	776
Unrealized gains and losses in previous years			
on real estate and shares sold in the reporting year	-1,600	-726	-906
Realized gains and losses on real estate and shares	1,580	717	919
Transfer to the income statements of indirect income			
on real estate and shares	-868	-394	-265
Changes in the provision for deferred taxation	306	139	20
Other changes <sup>1</sup>	2,347	1,065	-24
<b>Balance at December 31</b>	<b>13,079</b>	<b>5,935</b>	<b>3,754</b>

<sup>1</sup> Mainly caused by acquisitions.

Unrealized gains and losses on investments are due to changes in stock exchange quotations and reappraisal of real estate of all activities.

In the income statement the structural total return on investments in real estate and shares is recognized. This total return includes the realized direct income (rents and dividends) of the reporting period and an amount of indirect income.

The total return is calculated by determining the average of the total return yield over the last 30 years and multiplying this average yield by the average value of these investments over the last 7 years, adjusted for investment purchases and sales.

The indirect income from these investments is then calculated as the difference between the total return and the realized direct income. As a measure of conservatism the indirect income is capped at a level of 7% after tax on the average investment portfolio. As a consequence an amount of EUR 49 million was not released to earnings in 1999 (EUR 26 million in 1998).

The indirect income is released from the revaluation account if and as far as the balance of this account is positive. Moreover, the minimum reserve as required by law, described in the notes to the parent company's accounts should be maintained. This reserve consists of the unrealized difference between the bookvalue and the cost price of real estate and shares. In relation to this, as at December 31, 1999, an amount of EUR 2,919 million after tax is presently available for release from the revaluation reserve whereas the remainder is only available after realization.

	1999 NLG	1999 EUR	1998 EUR
<b>11 Capital securities</b>			
Perpetual cumulative subordinated loans	1,800	817	817
Trust Pass-through Securities and Monthly Income Preferred Stock	1,129	512	87
	<b>2,929</b>	<b>1,329</b>	<b>904</b>

Perpetual cumulative subordinated loans				
This item comprises the following loans:	Year <sup>1</sup>			
Interest rate 8%, coupon date June 8	2005	250	114	114
Interest rate 7 <sup>7</sup> / <sub>8</sub> %, coupon date September 29	2005	250	114	114
Interest rate 7 <sup>3</sup> / <sub>4</sub> %, coupon date December 15	2005	300	136	136
Interest rate 7 <sup>1</sup> / <sub>8</sub> %, coupon date March 4	2011	450	203	203
Interest rate 7 <sup>5</sup> / <sub>8</sub> %, coupon date July 10	2008	250	114	114
Interest rate 7 <sup>1</sup> / <sub>4</sub> %, coupon date October 14	2008	300	136	136
Total perpetual cumulative subordinated loans		1,800	817	817

<sup>1</sup> Year of first possibility for redemption.

The coupons of the NLG 250 million 8% bonds, NLG 450 million 7<sup>1</sup>/<sub>8</sub>% bonds and NLG 300 million 7<sup>1</sup>/<sub>4</sub>% bonds are set at 8% until June 8, 2005, at 7<sup>1</sup>/<sub>8</sub>% until March 4, 2011 and at 7<sup>1</sup>/<sub>4</sub>% until October 14, 2008 respectively. On these dates, and after every consecutive period of ten years, the coupons will be reset at the then prevailing yield of 9-10 years Dutch State Loans plus a surcharge of 0.85%. The coupon of the other three loans is fixed.

The loans have the same subordination provisions as dated subordinated debt. The conditions of the loans contain certain provisions for interest deferral and for the availability of principal amounts to meet losses.

Although the loans have no stated maturity, AEGON has the right to call the loans for redemption at par for the first time on the coupon date in the years as specified above, and thereafter on the coupon date after every consecutive period of ten years.

The market value of these loans amounts to EUR 871 million (1998: EUR 954 million).

		1999 NLG	1999 EUR	1998 EUR
<b>Trust Pass-through Securities and Monthly Income Preferred Stock</b>				
This item comprises the following loans				
USD 100 mln 7 <sup>4</sup> / <sub>5</sub> % Capital Trust Pass-through Securities	1996/26	222	100	–
USD 225 mln 7 <sup>13</sup> / <sub>20</sub> % Capital Trust Pass-through Securities	1996/26	493	224	–
USD 190 mln 7 <sup>5</sup> / <sub>8</sub> % Capital Trust Pass-through Securities	1997/37	414	188	–
USD 100 mln 8 <sup>7</sup> / <sub>8</sub> % Cumulative Monthly Income Preferred Stock, redeemable on or after May 31, 1999	1994/99	–	–	87
		<b>1,129</b>	<b>512</b>	<b>87</b>

The Capital Trust Pass-through Securities (TRUPS) listed above are securities through which the holders participate in a trust. The assets of these trusts exist of junior subordinated deferrable interest debentures of Transamerica. The trusts have been included in the consolidated financial statements. The TRUPS carry certain provisions with regard to deferral of distributions. The TRUPS have maturity terms of 30 to 40 years with a fixed coupon. Earlier redemption is possible for the USD 100 million 7<sup>4</sup>/<sub>5</sub>% Capital Trust Pass-through Securities on or after December 1, 2006.

The market value of these loans amounts to EUR 539 million (1998: EUR 87 million).

		1999 NLG	1999 EUR	1998 EUR
<b>12 Subordinated (convertible) loans</b>				
Subordinated loans				
		1,505	683	655
Subordinated convertible loan				
		44	20	29
<b>Total subordinated loans</b>				
		<b>1,549</b>	<b>703</b>	<b>684</b>

These loans are subordinated to all other liabilities and borrowings.

The subordinated loans have an average remaining term of seven years. For an amount of EUR 368 million the remaining term is (more than) five years. The coupons vary from 4.75% to 8.25%.

The subordinated convertible loan is a USD 600 million 4.75% loan 1994-2004, convertible into AEGON NLG 0.50 common shares on or after May 15, 1995 up to and including November 1, 2004 at a conversion rate of 360 shares per USD 5,000 principal amount, and an exchange rate of NLG 1.728 per US dollar. Early redemption is allowed on or after November 1, 2001, against an amount that will give an effective yield of 7.5% per year, with a premium of 1.43% decreasing to 0% in 2004. Redemption at maturity will be at 138.9%. Full conversion as at the balance sheet date would result in the issuance of 1,860,840 NLG 0.50 common shares, increasing the number of outstanding common shares by 0.3%.

The market value of these loans amounts to EUR 873 million (1998: EUR 1,075 million).

## Notes to the Consolidated Balance Sheets

Amounts in millions

	Balance at January 1, 1999 EUR	Increase charged to the income statement EUR	Exchange rate fluctuations and other changes <sup>1</sup> EUR	Balance at December 31, 1999 EUR	Balance at December 31, 1999 NLG
<b>13 Technical provisions</b>					
<b>Life insurance:</b>					
Life insurance	24,397	1,405	14,826	40,628	89,532
Annuities	23,692	1,887	24,257 <sup>2</sup>	49,836	109,824
	48,089	3,292	39,083	90,464	199,356
Deferred policy acquisition costs	-5,421			-10,992	-24,223
Unamortized interest rate rebates	-576			-486	-1,071
<b>Subtotal life insurance</b>	<b>42,092</b>			<b>78,986</b>	<b>174,062</b>
<b>Non-life insurance:</b>					
Unearned premiums and unexpired risks	745	178	49	972	2,142
Deferred policy acquisition costs	-405			-472	-1,040
	340			500	1,102
Claims outstanding	1,423	27	85	1,535	3,382
<b>Subtotal non-life insurance</b>	<b>1,763</b>			<b>2,035</b>	<b>4,484</b>
<b>Profit sharing and rebates</b>	<b>167</b>			<b>222</b>	<b>489</b>
<b>Other</b>	<b>593</b>	<b>34</b>	<b>-1</b>	<b>626</b>	<b>1,380</b>
<b>Total</b>	<b>44,615</b>	<b>3,531</b>		<b>81,869</b>	<b>180,415</b>

<sup>1</sup> Mainly caused by acquisitions (EUR 32,854 million).

<sup>2</sup> Of which the balance of deposits and withdrawals is EUR 180 million.

### Life insurance

The provision for *life insurance* is calculated according to the assumptions on which the premiums have been based. Regularly the assumptions are tested against actual data. If these tests reveal a negative outcome, the provision is recalculated according to the actual data. Future costs of processing benefits are included in the provision. This provision also includes the provision for unearned premiums and unexpired risks as well as the provision for claims outstanding, both as far as related to the life insurance business.

The average interest rate used is 5.24% (1998: 4.80%). Taking into account the capitalized interest rate rebates, the average interest rate used is 5.59% (1998: 5.42%).

Provisions for *annuities* are for annuity and GIC products sold in the United States. Annuities are single premium payment insurance products which have significant savings characteristics. Guaranteed investment contracts (GICs) provide protection of principal and a guaranteed rate of interest and are issued on both a fixed rate and a floating rate basis to retirement savings plans. Both benefit reserves are equal to the full accumulated contract values.

	1999 NLG	1999 EUR	1998 EUR
<b>Deferred policy acquisition costs</b>			
Balance at January 1	11,947	5,421	5,367
Deferred during the year	3,003	1,363	937
Amortization charged to the income statement	-1,705	-774	-560
Other changes <sup>1</sup>	10,978	4,982	-323
<b>Balance at December 31</b>	<b>24,223</b>	<b>10,992</b>	<b>5,421</b>

<sup>1</sup> Mainly caused by acquisitions (EUR 4,270 million).

Policy acquisition costs are costs that directly or indirectly are related to the conclusion of insurance contracts. Part of the acquisition costs is deferred and deducted from the technical provision life insurance.

Deferred policy acquisition costs of insurance contracts with fixed premiums are generally amortized over periods not to exceed the premium-paying periods or the contract periods. For flexible insurance contracts and investment type contracts the amortization is generally in proportion to emerging gross profits.

	1999 NLG	1999 EUR	1998 EUR
<b>Unamortized interest rate rebates</b>			
Balance at January 1	1,270	576	655
Rebates granted during the year	37	17	47
Amortization charged to the income statement	-254	-115	-118
Other changes	18	8	-8
<b>Balance at December 31</b>	<b>1,071</b>	<b>486</b>	<b>576</b>

Interest rate rebates granted are amortized over the period of the contracts concerned in proportion to anticipated investment income.

The provision for pension obligations towards employees amounts to EUR 1,533 million (1998: EUR 1,309 million).

#### Non-life insurance

*Unearned premiums* represent the unearned part of premiums received. Furthermore, when necessary, this item also includes a special provision to compensate for the increasing age of persons insured under health and personal accident policies.

The provision for *unexpired risks* amounts to EUR 30 million (1998: EUR 27 million).

<b>Deferred policy acquisition costs</b>			
Balance at January 1	893	405	423
Deferred during the year	258	117	94
Amortization charged to the income statement	-245	-111	-94
Other changes	134	61	-18
<b>Balance at December 31</b>	<b>1,040</b>	<b>472</b>	<b>405</b>

Policy acquisition costs are costs that directly or indirectly are related to the conclusion or renewal of insurance contracts.

The deferred policy acquisition costs are deducted from the technical provision for unearned premiums and include renewal commission paid related to unearned premiums, amortized over the related premium period, and first year commission on health insurance policies, amortized over the contract period.

	1999 NLG	1999 EUR	1998 EUR
<b>Claims outstanding</b>			
Balance at January 1	3,703	1,680	1,697
Less reinsurance recoverables	-566	-257	-264
Net balance	3,137	1,423	1,433
Incurred related to:			
– current year	2,283	1,036	1,102
– prior years	171	78	28
Total incurred	2,454	1,114	1,130
Paid related to:			
– current year	-1,314	-596	-743
– prior years	-1,073	-487	-339
Total paid	-2,387	-1,083	-1,082
Other changes	178	81	-58
Net balance at December 31:			
– current year	969	440	359
– prior years	2,413	1,095	1,064
Plus reinsurance recoverables	3,382	1,535	1,423
	571	259	257
<b>Balance at December 31</b>	<b>3,953</b>	<b>1,794</b>	<b>1,680</b>

## Notes to the Consolidated Balance Sheets

Amounts in millions

The provision for claims outstanding relates to claims during the current and previous years, still unsettled at year-end. Calculation takes place either on the item by item basis or on the basis of statistical information, taking account of claims incurred but not yet reported. In calculating the provision, the future costs of processing claims are considered.

A different method is applied to marine, aviation and transport insurance. The calculation is based on the 'underwriting years system' with the unearned premiums and claims provision being stated as a combined item.

### Profit sharing and rebates

This provision consists of the amounts earmarked for insured or beneficiaries, as far as their accounts have not yet been credited.

### Other technical provisions

This consists mainly of insurance deposits under Dutch group life contracts, which are designated for improvement of retirement benefits under such contracts. Maturity is undetermined. Interest credited to such deposits is linked with the average yield on long-term Dutch government bonds.

	1999 NLG	1999 EUR	1998 EUR
<b>Reinsurance amount</b>			
The following amounts on account of reinsurance have been deducted from the technical provisions:			
Life insurance	8,943	4,058	596
Unearned premiums and unexpired risks	75	34	51
Claims outstanding	571	259	257
	<b>9,589</b>	<b>4,351</b>	<b>904</b>

	Balance at January 1, 1999 EUR	Increase charged to the income statement EUR	Exchange rate fluctuations and other changes <sup>1</sup> EUR	Balance at December 31, 1999 EUR	Balance at December 31, 1999 NLG
<b>14 Technical provisions with investments for the account of policyholders</b>					
Provisions gross	58,526			108,603	239,330
Ceded to reinsurers	-182			-327	-721
<b>Provisions for insurance of which the policyholder bears the investment risk and for insurance-linked savings deposits</b>	<b>58,344</b>	<b>16,338</b>	<b>33,594</b>	<b>108,276</b>	<b>238,609</b>

<sup>1</sup> Mainly caused by acquisitions (EUR 24,688 million).

This provision includes unit-linked insurance contracts, separate investment funds Group Life, insurance-linked savings deposits and the liabilities of AEGON UK related to the non-participating funds as well as the participating funds (EUR 25,913 million). The amount of EUR 16,338 million charged to the income statement is the total of premium receipt and benefits of EUR 2,805 million and the investment income for the account of policyholders amounting to EUR 13,533 million. Also the liabilities of the acquired pension business of Diversified Investment Advisors are recognized under this heading to the extent that the contractholder bears the economic risk.

The provisions are generally shown at book value of the related investments.



	1999 NLG	1999 EUR	1998 EUR
<b>15 Provisions</b>			
<b>Provisions for taxation</b>	<b>4,930</b>	<b>2,237</b>	<b>890</b>

The provisions for taxation are of a long-term nature. This caption includes both deferred taxation as well as other long-term tax liabilities.

The deferred taxation is calculated on the basis of the difference between book value and valuation for tax purposes of the appropriate assets and liabilities.

The provision is equal to the discounted value of the future tax liabilities. In the calculation, discounted tax rates ranging from 0% to nominal rates are used.

Nominal value of these tax liabilities amounts to EUR 2,549 million.

	1999 Total NLG	1-5 years EUR	Remaining terms more than 5 years EUR	1999 Total EUR	1998 Total EUR
<b>16 Long-term liabilities</b>					
<b>Capital market:</b>					
Borrowings	7,087	2,294	922	3,216	1,807
<b>Other:</b>					
Miscellaneous long-term liabilities	1,073	250	237	487	496
<b>Total long-term liabilities</b>	<b>8,160</b>	<b>2,544</b>	<b>1,159</b>	<b>3,703</b>	<b>2,303</b>
Redemptions due in 2000/1999	884			401	696

Redemptions are shown under long-term liabilities.

Borrowings include debenture loans for EUR 1,157 million. The repayment periods of borrowings vary from in excess of one year up to a maximum of 32 years. The coupons vary from 1% to 10% per annum.

The market value of the long-term liabilities amounts to EUR 3,727 million (1998: EUR 2,376 million).

	1999 NLG	1999 EUR	1998 EUR
<b>17 Other payables</b>			
Investment payables	544	247	129
Payables from stockbroking transactions	–	–	1,077
Taxes and social security	53	24	161
Dividend	1,014	460	344
Minority interest	0	0	7
Other	4,998	2,268	1,488
<b>Total other payables</b>	<b>6,609</b>	<b>2,999</b>	<b>3,206</b>
	1999 NLG	1999 EUR	1998 EUR
<b>18 Accruals and deferred income</b>			
Accrued interest	992	450	543
Deferred gains and losses on fixed rate investments	1,256	570	795
<b>Total accruals and deferred income</b>	<b>2,248</b>	<b>1,020</b>	<b>1,338</b>

# Notes to the Consolidated Balance Sheets

Amounts in millions

## Commitments and Contingencies

	1999 NLG	1999 EUR	1998 EUR
<b>Investments contracted</b>			
Real estate	35	16	-7
Mortgages	258	117	341
Bonds and registered debentures:			
Purchase	315	143	393
Sale	417	189	25
Private placements	712	323	50
Other:			
Purchase	789	358	137
Sale	0	0	0

## Derivatives

AEGON uses derivatives relating to investments and investments for account of policyholders as a means of hedging exposure to price, foreign currency and/or interest rate risk.

The following table represents aggregate notional amounts of derivatives. Notional amounts are shown at face value, translated at the respective year-end exchange rates. Parties will not exchange the notional amounts mentioned under interest rate contracts. The amounts mentioned under foreign currency contracts will be exchanged at amounts calculated on the basis of the notional amounts and the terms of the derivatives, which relate to interest rates, exchange rates, or other financial or other indexes.

The credit risk on all financial instruments is controlled by a strict counterparty policy. AEGON does not expect any counterparties to fail to meet their obligations given their high credit ratings. The credit exposure of the derivatives is represented by the fair value of contracts. The fair value of the derivatives generally reflects the estimated amounts that AEGON will receive or pay to terminate the contracts on the reporting date. Market quotes are available for many derivatives; for those products without readily available market quotes generally accepted valuation models are used to estimate fair value.

All derivatives are used in the regular framework of asset liability management and are not used for trading purposes.

	Notional amounts 1999 NLG	Notional amounts 1999 EUR	Fair value 1999 EUR	Book value 1999 EUR	Notional amounts 1998 EUR	Fair value 1998 EUR	Book value 1998 EUR
<b>Interest rate contracts</b>							
Interest rate swaps	60,060	27,254	56	0	13,757	-90	0
Swaptions	18,141	8,232	34	0	-	-	-
Caps/floors	2,532	1,149	10	0	429	5	4
Forward rate agreements	1,842	836	1	0	1,295	-11	0
<b>Foreign currency contracts</b>							
Cross currency swaps	8,548	3,879	-59	-51	4,048	-78	-91
Foreign exchange contracts	5,452	2,474	27	27	8,355	-4	-4
OTC options	12,852	5,832	995	995	3,002	625	625
Exchange traded options/futures	10,787	4,895	57	57	2,215	37	37

	1999 NLG	1999 EUR	1998 EUR
<b>Collateral and Guarantees given to third parties</b>			
Bonds and registered debentures	5,185	2,353	1,258
Private placements	674	306	256
Letters of credit	187	85	386

These function mainly as collateral granted by AEGON branches abroad, to meet legal requirements. This item also includes collateral guarantees given by subsidiaries under reciprocal insurance contracts.

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**Off balance managed assets**

In the United States commitments prevail related to Guaranteed Investment Contracts, which in the form of Trust GICs have been issued to plan sponsors, pursuant to which the plan sponsor retains legal title to the assets and receives the investment performance related to these contracts. Guarantees have been given to provide benefit responsiveness, which may take the form of annuities, in the event that qualified plan benefit requests exceed plan cash flows. The plan sponsor agrees to reimburse for such benefit payments with interest. In return for this guarantee, a premium is received that varies based on such elements as benefit responsive exposure and contract size. Funding requirements to date have been minimal and management does not anticipate any future funding requirements that would have a material effect on reported financial results.

Per December 31, 1999 the value of the outstanding GICs together with the value of all other off balance managed assets amount to EUR 40.5 billion (USD 40.7 billion).

**Obligations regarding acquisitions**

AEGON's obligations related to the acquisition of Diversified Investment Advisors from the Mutual of New York, consist of payments relating to the assets and liabilities for a remaining period of three years. Then AEGON will purchase the remaining transferred business in force based on a formula described in the agreement.

The agreement between AEGON and Grupo Financiero Banamex-Accival (Banacci) provides for the purchase by AEGON of aggregate 49% participations in the equities of Seguros Banamex AEGON and Afore Banamex. The equity consideration to be paid by AEGON to Banacci will be adjusted in either direction based upon the growth and profitability of the ventures over the years up to and including 2005.

# Notes to the Consolidated Income Statements

Amounts in millions

## Determination of results

Income and expenditure related to the operating activities during the year are included in the income statements. The principles for the determination of results are described in the notes to the balance sheets.

Interest charges and group overhead expenses are not allocated to the Group units but are reported in the non-technical account.

	Life EUR	Non-life EUR	Non- technical EUR	Total EUR	Total NLG
<b>1 Revenues</b>					
<b>1999</b>					
<b>Americas</b>					
Gross premiums	4,263	1,268	–	5,531	12,189
Investment income	4,756	164	–	4,920	10,842
	<b>9,019</b>	<b>1,432</b>	<b>–</b>	<b>10,451</b>	<b>23,031</b>
<b>The Netherlands</b>					
Gross premiums	3,012	520	–	3,532	7,784
Investment income	1,362	85	–	1,447	3,189
Income from banking activities	–	–	704	704	1,551
	<b>4,374</b>	<b>605</b>	<b>704</b>	<b>5,683</b>	<b>12,524</b>
<b>United Kingdom</b>					
Gross premiums	5,142	–	–	5,142	11,331
Investment income	99	–	–	99	219
	<b>5,241</b>	<b>–</b>	<b>–</b>	<b>5,241</b>	<b>11,550</b>
<b>Other countries</b>					
Gross premiums	385	390	–	775	1,708
Investment income	91	43	–	134	295
	<b>476</b>	<b>433</b>	<b>–</b>	<b>909</b>	<b>2,003</b>
<b>Other activities</b>					
Investment income	–	–	90	90	198
<b>Total</b>	<b>19,110</b>	<b>2,470</b>	<b>794</b>	<b>22,374</b>	
<b>Total in NLG</b>	<b>42,113</b>	<b>5,444</b>	<b>1,749</b>		<b>49,306</b>

	Life EUR	Non-life EUR	Non- technical EUR	Total EUR
<b>1998</b>				
<b>Americas</b>				
Gross premiums	2,509	1,223	–	3,732
Investment income	3,175	131	–	3,306
	<b>5,684</b>	<b>1,354</b>	<b>–</b>	<b>7,038</b>
<b>The Netherlands</b>				
Gross premiums	2,626	539	–	3,165
Investment income	1,295	74	–	1,369
Income from banking activities	–	–	626	626
	<b>3,921</b>	<b>613</b>	<b>626</b>	<b>5,160</b>
<b>United Kingdom</b>				
Gross premiums	4,026	–	–	4,026
Investment income	101	–	–	101
	<b>4,127</b>	<b>–</b>	<b>–</b>	<b>4,127</b>
<b>Other countries</b>				
Gross premiums	252	375	–	627
Investment income	82	46	–	128
	<b>334</b>	<b>421</b>	<b>–</b>	<b>755</b>
<b>Other activities</b>				
Investment income	–	–	99	99
<b>Total</b>	<b>14,066</b>	<b>2,388</b>	<b>725</b>	<b>17,179</b>

Revenues include gross premiums, investment income and other income.

Investment income for the account of policyholders is balanced with the increase in related policy liabilities.

Other countries comprises EUR 565 million of gross premiums of other EU countries (1998: EUR 432 million).

# Notes to the Consolidated Income Statements

Amounts in millions

	Life insurance			Investments for the account of policyholders		
	Gross	Reinsurance	Own account	Gross	Reinsurance	Own account
<b>2 Analysis of premiums life insurance 1999</b>						
<b>Incoming reinsurance</b>	<b>482</b>	<b>-191</b>	<b>291</b>	<b>224</b>	<b>-4</b>	<b>220</b>
<b>Incoming reinsurance in NLG</b>	<b>1,062</b>	<b>-421</b>	<b>641</b>	<b>494</b>	<b>-9</b>	<b>485</b>
<b>Insurance</b>						
<b>Recurring:</b>						
Individual						
– without profit sharing	1,873	-82	1,791	1,265	-7	1,258
– with profit sharing	329	-5	324	195	-1	194
<b>Total</b>	<b>2,202</b>	<b>-87</b>	<b>2,115</b>	<b>1,460</b>	<b>-8</b>	<b>1,452</b>
Group						
– without profit sharing	869	-324	545	554	-6	548
– with profit sharing	328	-21	307	517	-9	508
<b>Total</b>	<b>1,197</b>	<b>-345</b>	<b>852</b>	<b>1,071</b>	<b>-15</b>	<b>1,056</b>
<b>Total recurring</b>	<b>3,399</b>	<b>-432</b>	<b>2,967</b>	<b>2,531</b>	<b>-23</b>	<b>2,508</b>
<b>Total recurring in NLG</b>	<b>7,490</b>	<b>-952</b>	<b>6,538</b>	<b>5,577</b>	<b>-51</b>	<b>5,526</b>
<b>Single:</b>						
Individual						
– without profit sharing	842	-38	804	2,524	-1	2,523
– with profit sharing	130	-	130	1,128	-102	1,026
<b>Total</b>	<b>972</b>	<b>-38</b>	<b>934</b>	<b>3,652</b>	<b>-103</b>	<b>3,549</b>
Group						
– without profit sharing	63	0	63	663	0	663
– with profit sharing	283	-2	281	533	-54	479
<b>Total</b>	<b>346</b>	<b>-2</b>	<b>344</b>	<b>1,196</b>	<b>-54</b>	<b>1,142</b>
<b>Total single</b>	<b>1,318</b>	<b>-40</b>	<b>1,278</b>	<b>4,848</b>	<b>-157</b>	<b>4,691</b>
<b>Total single in NLG</b>	<b>2,905</b>	<b>-88</b>	<b>2,817</b>	<b>10,684</b>	<b>-346</b>	<b>10,338</b>
<b>Total premiums</b>	<b>5,199</b>	<b>-663</b>	<b>4,536</b>	<b>7,603</b>	<b>-184</b>	<b>7,419</b>
<b>Total premiums in NLG</b>	<b>11,457</b>	<b>-1,461</b>	<b>9,996</b>	<b>16,755</b>	<b>-406</b>	<b>16,349</b>
<b>Grand total</b>				<b>12,802</b>	<b>-847</b>	<b>11,955</b>
<b>Grand total in NLG</b>				<b>28,212</b>	<b>-1,867</b>	<b>26,345</b>

**Geographical breakdown of gross premiums life insurance 1999 in EUR**

	Individual	Group	Total	Single	Recurring	Total
Americas	2,977	1,286	4,263	1,128	3,135	4,263
The Netherlands	1,454	1,558	3,012	991	2,021	3,012
United Kingdom	3,475	1,667	5,142	3,870	1,272	5,142
Other countries	380	5	385	177	208	385
<b>Total</b>	<b>8,286</b>	<b>4,516</b>	<b>12,802</b>	<b>6,166</b>	<b>6,636</b>	<b>12,802</b>

**Geographical breakdown of gross premiums life insurance 1999 in NLG**

	Individual	Group	Total	Single	Recurring	Total
Americas	6,561	2,834	9,395	2,486	6,909	9,395
The Netherlands	3,205	3,433	6,638	2,185	4,453	6,638
United Kingdom	7,658	3,673	11,331	8,528	2,803	11,331
Other countries	837	11	848	390	458	848
<b>Total</b>	<b>18,261</b>	<b>9,951</b>	<b>28,212</b>	<b>13,589</b>	<b>14,623</b>	<b>28,212</b>



# Notes to the Consolidated Income Statements

Amounts in millions

	Accident & health EUR	Legal liability motor EUR	Other motor EUR	Marine, transport and aviation EUR	Fire EUR	General liability EUR	Other branches EUR	Total EUR	Total NLG
<b>3 Analysis of technical results non-life insurance</b>									
<b>1999</b>									
Gross premiums	1,453	191	153	39	265	65	12	2,178	4,800
Gross premiums earned	1,321	189	148	39	261	63	12	2,033	4,480
Gross claims incurred	-888	-184	-127	-24	-173	-37	-2	-1,435	-3,163
Gross operating expenses	-477	-59	-39	-10	-94	-23	-7	-709	-1,562
Balance of reinsurance ceded	4	-1	-1	-2	-10	-5	-2	-17	-38
	<b>-40</b>	<b>-55</b>	<b>-19</b>	<b>3</b>	<b>-16</b>	<b>-2</b>	<b>1</b>	<b>-128</b>	<b>-283</b>
Investment income	195	35	17	4	28	11	2	292	644
Investment charges	-11	-3	-1	-1	-2	-1	-1	-20	-44
Balance of other items	0	-1	-1	0	0	0	0	-2	-4
Investment income allocated to the non-technical account	-37	-6	-2	-2	-2	-1	-1	-51	-112
<b>Result technical account non-life</b>	<b>107</b>	<b>-30</b>	<b>-6</b>	<b>4</b>	<b>8</b>	<b>7</b>	<b>1</b>	<b>91</b>	
<b>Result technical account non-life in NLG</b>	<b>236</b>	<b>-66</b>	<b>-13</b>	<b>9</b>	<b>18</b>	<b>15</b>	<b>2</b>		<b>201</b>

## 1998

Gross premiums	1,391	191	143	40	284	73	15	2,137	
Gross premiums earned	1,305	185	148	40	283	73	11	2,045	
Gross claims incurred	-904	-173	-113	-25	-173	-28	-7	-1,423	
Gross operating expenses	-449	-52	-51	-10	-100	-31	-3	-696	
Balance of reinsurance ceded	2	0	5	-1	-5	-17	-2	-18	
	<b>-46</b>	<b>-40</b>	<b>-11</b>	<b>4</b>	<b>5</b>	<b>-3</b>	<b>-1</b>	<b>-92</b>	
Investment income	156	32	18	3	28	11	3	251	
Investment charges	-2	-1	0	0	-2	-	-1	-6	
Balance of other items	4	0	0	-2	-5	-3	-2	-8	
Investment income allocated to the non-technical account	-40	-6	-3	-2	-3	-1	-1	-56	
<b>Result technical account non-life</b>	<b>72</b>	<b>-15</b>	<b>4</b>	<b>3</b>	<b>23</b>	<b>4</b>	<b>-2</b>	<b>89</b>	

## Combined ratios (in %)

### 1999

Americas	98	-	-	-	31	-	-	98
The Netherlands	100	121	90	94	98	108	69	101
Other countries	101	138	140	97	118	101	-	123
<b>Total</b>	<b>99</b>	<b>129</b>	<b>112</b>	<b>94</b>	<b>106</b>	<b>105</b>	<b>69</b>	<b>104</b>

### 1998

Americas	102	-	-	-	69	-	-	102
The Netherlands	107	117	97	90	96	108	108	102
Other countries	99	125	124	95	100	93	-	111
<b>Total</b>	<b>103</b>	<b>121</b>	<b>108</b>	<b>90</b>	<b>97</b>	<b>105</b>	<b>108</b>	<b>104</b>

The combined ratio is the sum of the ratio of net incurred claims to net premiums earned and the ratio of net commissions and expenses to premiums own account.

Although a ratio over 100% suggests a loss, the ratio does not include investment income. With the inclusion of investment income in the calculation, all of AEGON's major product lines excluding motor were profitable.

	Life EUR	Non-life EUR	Non technical EUR	Total EUR	Total NLG
<b>4 Investment income</b>					
<b>1999</b>					
Income from participations	14	2	40	56	123
Group companies:					
Income from other investments					
Real estate <sup>1</sup>	144	3	1	148	326
Shares	121	6	0	127	280
Bonds and other fixed rate securities	2,973	173	0	3,146	6,933
Loans guaranteed by mortgages	969	3	0	972	2,142
Other loans	1,085	23	49	1,157	2,550
Deposits with credit institutions	49	11	0	60	132
Other financial investments	117	4	0	121	267
Interest on liquid assets and other	460	49	0	509	1,122
Indirect income real estate and shares	376	18	0	394	868
<b>Total</b>	<b>6,308</b>	<b>292</b>	<b>90</b>	<b>6,690</b>	
<b>Total in NLG</b>	<b>13,901</b>	<b>644</b>	<b>198</b>		<b>14,743</b>
<b>1998</b>					
Income from participations	2	0	24	26	
Group companies:					
Income from other investments					
Real estate <sup>1</sup>	134	3	1	138	
Shares	114	6	5	125	
Bonds and other fixed rate securities	2,067	148	0	2,215	
Loans guaranteed by mortgages	850	2	0	852	
Other loans	775	25	68	868	
Deposits with credit institutions	58	3	0	61	
Other financial investments	85	2	0	87	
Interest on liquid assets and other	319	46	1	366	
Indirect income real estate and shares	249	16	0	265	
<b>Total</b>	<b>4,653</b>	<b>251</b>	<b>99</b>	<b>5,003</b>	

<sup>1</sup> Of which allocated internal rent for real estate in own use an amount of EUR 14 million (1998: EUR 10 million), based on market conditions.

	1999 NLG	1999 EUR	1998 EUR
<b>5 Income from banking activities</b>			
Participations	2	1	1
Real estate	0	0	0
Bonds and other fixed rate securities	209	95	111
Loans guaranteed by mortgages	62	28	24
Other loans	190	86	90
Other investments and liquid assets	965	438	338
Commissions	123	56	62
<b>Total</b>	<b>1,551</b>	<b>704</b>	<b>626</b>

# Notes to the Consolidated Income Statements

Amounts in millions

	1999 NLG	1999 EUR	1998 EUR
<b>6 Change in technical provisions</b>			
Technical provisions	7,782	3,531	2,897
Technical provisions with investments for the account of policyholders	36,004	16,338	10,823
	43,786	19,869	13,720
Investment income for the account of policyholders	-29,823	-13,533	-8,466
<b>Change in technical provisions</b>	<b>13,963</b>	<b>6,336</b>	<b>5,254</b>

	1999 NLG	1999 EUR	1998 EUR
<b>7 Profit sharing and rebates</b>			
Amortization of interest rate rebates	254	115	118
Surplus interest bonuses	1,677	761	393
Profit appropriated to policyholders	123	56	60
<b>Total</b>	<b>2,054</b>	<b>932</b>	<b>571</b>

Granted interest rate rebates amount to EUR 17 million (1998: EUR 47 million), relating to the Dutch companies.

	Life EUR	Non-life EUR	Non- technical EUR	Total EUR	Total NLG
<b>8 Operating expenses</b>					
<b>1999</b>					
Acquisition costs	1,685	435	–	2,120	4,672
Deferred policy acquisition costs	-1,363	-117	–	-1,480	-3,261
Amortization of deferred policy acquisition costs	774	111	–	885	1,950
	1,096	429	–	1,525	3,361
Administrative expenses	1,357	280	–	1,637	3,607
Commissions and profit sharing from reinsurers	-205	-94	–	-299	-659
Banking and other activities	–	–	211	211	465
<b>Total operating expenses</b>	<b>2,248</b>	<b>615</b>	<b>211</b>	<b>3,074</b>	
<b>Total operating expenses in NLG</b>	<b>4,954</b>	<b>1,355</b>	<b>465</b>		<b>6,774</b>
Investment expenses				145	320
Commissions and expenses				3,219	7,094

<b>1998</b>					
Acquisition costs	1,180	398	–	1,578	
Deferred policy acquisition costs	-937	-94	–	-1,031	
Amortization of deferred policy acquisition costs	560	94	–	654	
	803	398	–	1,201	
Administrative expenses	874	298	–	1,172	
Commissions and profit sharing from reinsurers	-37	-79	–	-116	
Banking and other activities	–	–	147	147	
<b>Total operating expenses</b>	<b>1,640</b>	<b>617</b>	<b>147</b>	<b>2,404</b>	
Investment expenses				81	
Commissions and expenses				2,485	

	1999 NLG	1999 EUR	1998 EUR
Technical and non-technical accounts include the following:			
Salaries	1,609	730	526
Pension premiums	-48	-22	13
Other social security charges	295	134	120
Other expenses	2,380	1,080	775
Total expenses	4,236	1,922	1,434
Commissions	4,828	2,191	1,544
Deferred policy acquisition costs	-3,261	-1,480	-1,031
Amortization of deferred policy acquisition costs	1,950	885	654
Commissions and profit sharing from reinsurers	-659	-299	-116
<b>Commissions and expenses</b>	<b>7,094</b>	<b>3,219</b>	<b>2,485</b>

Expenses include allocated housing expenses from real estate in own use for an amount of EUR 14 million (1998: EUR 10 million), based on market conditions.

Claims processing costs are included in benefits and surrenders and claims for own account; investment expenses are included in investment charges.

AEGON has non-contributory defined benefit plans and defined contribution plans covering substantially all AEGON employees. In a number of countries retirement benefits are insured with our life insurance companies based on the usual actuarial formulas. In the other countries the provisions for pension obligations are vested in separate legal entities, not forming part of AEGON.

In The Netherlands benefits are based on past service and final pay. Regular improvements of benefits and increases in pensions are fully funded yearly and immediately charged to the income statements.

In the United States and in the United Kingdom benefits are based on past and future service, taking into account future salary and benefit levels as well as estimated inflation in future years. Regular improvements of benefits are allocated to future service years. In the United States, because of the consolidation of Transamerica, the present overfunding of the pension plans and the related interest benefit on pension plan assets cause pension expense to be credit.

In the other countries pension costs are fully charged to the income statements in the years in which they occur.

The average number of employees per geographical area was:

	1999	1998
Americas	12,857	11,046
The Netherlands	3,786	3,744
United Kingdom	3,255	2,609
Other countries	2,172	4,562
<b>Total</b>	<b>22,070</b>	<b>21,961</b>
Of which agent-employees	4,647	6,260

**Remuneration of active and retired members of the Executive Board**

in thousands of EUR

	Salary	Performance related payments <sup>1</sup>	Pension	Total 1999	Total 1998
P. van de Geijn	445	426	77	948	
F.C. Herringer (as of July 21, 1999)	411	–	58	469	
D.J. Shepard	943	1,048	512	2,503	
K.J. Storm	601	575	104	1,280	
H.B. van Wijk	445	426	77	948	
<b>Total</b>	<b>2,845</b>	<b>2,475</b>	<b>828</b>	<b>6,148</b>	<b>6,029</b>

<sup>1</sup> Under an annual bonus scheme of EUR 22,700 (NLG 50,000) per member per percent point increase in the preceding year earnings per share over the rate of inflation, with a maximum of that year's salary. The USA board members have an additional short-term incentive plan based on prior year's earnings increase.

Remuneration of members of the Supervisory Board accounted for EUR 0.4 million (1998: EUR 0.3 million). Nothing was related to retired members of either the Executive Board or the Supervisory Board.

**Stock options and interests in the company of active members**

	Stock options Balance at January 1	Exercise price EUR	Granted	Exercise price EUR	Exercised	Date	Market price EUR	Stock options Balance at December 31	Exercise price EUR	Shares held in the Company December 31
P. van de Geijn	60,000	19.58			0	–	–	60,000	19.58	111,641
	100,000	34.71			0	–	–	100,000	34.71	
	100,000	58.04			0	–	–	100,000	58.04	
			100,000	93.90	0	–	–	100,000	93.90	
F.C. Herringer	–		–		–	–	–	–	–	232,989
D.J. Shepard	100,000	19.58			0	–	–	100,000	19.58	126,485
	100,000	34.71			0	–	–	100,000	34.71	
	100,000	58.04			0	–	–	100,000	58.04	
			100,000	93.90	0	–	–	100,000	93.90	
K.J. Storm	100,000	34.71			0	–	–	100,000	34.71	128,609
	100,000	58.04			0	–	–	100,000	58.04	
			100,000	93.90	0	–	–	100,000	93.90	
H.B. van Wijk	100,000	34.71			0	–	–	100,000	34.71	–
	100,000	58.04			0	–	–	100,000	58.04	
			100,000	93.90	0	–	–	100,000	93.90	
<b>Total</b>	<b>960,000</b>		<b>400,000</b>		<b>0</b>			<b>1,360,000</b>		<b>599,724</b>

The criteria for the number of options offered to the members of the Executive Board are as follows:

1. Comparison of the AEGON share price with a peer group of nine Financials (AIG, Allianz, AXA, Generali, Prudential, Zurich, ABN Amro, Fortis, ING). The comparison is based on a moving average over the last three years.
2. When AEGON finishes in the top three each person receives the maximum of 100,000 options, amongst the bottom three 25,000 per person and amongst the middle four 50,000 per person.
3. If there is no increase in earnings per share, no options will be offered.

	Life EUR	Non-life EUR	Non- technical EUR	Total EUR	Total NLG
<b>9 Investment charges</b>					
<b>1999</b>					
Investment expenses and interest charges	223	20	661	904	
Investment expenses and interest charges in NLG	492	44	1,456		1,992

#### 1998

Investment expenses and interest charges	158	6	655	819	
--	-----	---	-----	-----	--

	Life EUR	Non-life EUR	Non- technical EUR	Total EUR	Total NLG
<b>10 Miscellaneous income and expenditure</b>					
<b>1999</b>					
Addition to provision for doubtful debts	83	7	10	100	220
Currency exchange rate differences	2	1	10	13	29
Other income and expenditure	9	-6	-11	-8	-18
<b>Total</b>	<b>94</b>	<b>2</b>	<b>9</b>	<b>105</b>	
<b>Total in NLG</b>	<b>207</b>	<b>4</b>	<b>20</b>		<b>231</b>

#### 1998

Addition to provision for doubtful debts	72	1	8	81	
Currency exchange rate differences	-1	-1	-3	-5	
Other income and expenditure	-9	8	10	9	
<b>Total</b>	<b>62</b>	<b>8</b>	<b>15</b>	<b>85</b>	

#### 11 Investment income allocated to the non-technical account

Investment income from shareholders' equity does not form part of the technical results. The amounts transferred to the non-technical account include direct yield on allocated investments or are based on the average direct yield of the investment portfolio.

#### 12 Corporation tax

The tax burden for AEGON as a Group is made up of the direct and future taxes payable on profits of the Group units operating in the various countries. The taxes of these units reflect tax benefits available in the local environment and therefore could be below nominal rates.

Compared to 1998 there is an effective tax rate increase in the United States, caused primarily by an increase in current taxes (which are not discounted) relative to deferred taxes (which are discounted).

The tax burden in The Netherlands reflects the benefit of special tax rules for which the Company and its subsidiaries qualify, including an equalization reserve and tax exempt investment in subsidized housing and certain participations.

The effective tax rate in The Netherlands in 1999 also increased, due to a lower proportional amount of exempt income as well as a higher effective tax rate on banking activities than on insurance activities.

	1999 NLG	1999 EUR	1998 EUR
Breakdown:			
Taxes currently due	714	324	317
Taxes deferred due to temporary differences	632	287	70
<b>Total</b>	<b>1,346</b>	<b>611</b>	<b>387</b>

## Notes to the Consolidated Income Statements

Amounts in millions

	1999 NLG	1999 EUR	1998 EUR
The following is a reconciliation of the expected tax on income with the actual tax expense:			
Statutory tax rate	1,648	748	559
Increases (decreases) in taxes resulting from:			
Dividend income exclusions and credits	-90	-41	-38
Depreciation of equipment and real estate	-42	-19	-10
Valuation of technical provisions	-13	-6	-40
Other, net	-157	-71	-84
<b>Actual tax expense</b>	<b>1,346</b>	<b>611</b>	<b>387</b>

### Transamerica non-insurance operations

The following summarized balance sheet and income statement, based on Transamerica's historical US GAAP reporting, is presented for the non-insurance operations. These operations have not been consolidated but are included in the balance sheet as a single line presentation in 'Group companies and participations'.

In the income statement dividends declared have been recognized to offset funding costs on the related raised debt, resulting in a neutral effect on AEGON's earnings.

December 31,  
1999  
USD

#### Summarized balance sheet:

Finance receivables, net of unearned charges and allowance for bad debts	8,565
Equipment held for lease	3,020
Other assets	3,133
Notes and loans payable	9,517
Accounts payable and other liabilities	1,952
Shareholders' equity	3,249

Post acquisition period July 21, 1999 through December 31, 1999 USD	Pre-acquisition period January 1, 1999 through July 20, 1999 USD	Year ended December 31, 1999 USD
---	--	---

#### Summarized income statements:

Finance charges	465	410	875
Leasing revenue	349	341	690
Real estate revenue	138	156	294
Other	99	108	207
<b>Total revenue</b>	<b>1,051</b>	<b>1,015</b>	<b>2,066</b>
Operating income:			
Transamerica Finance Corporation	75	69	144
Real estate information	18	29	47
Other	-1	-1	-2
<b>Total operating income, net of tax</b>	<b>92</b>	<b>97</b>	<b>189</b>
Dividend declared	61		
Funding costs on the related raised debt	-61		
<b>Income from participations</b>	<b>0</b>		



## Group Companies

AEGON's most important Group companies (100% unless indicated differently).

### The Americas

AEGON USA, Inc., Cedar Rapids (Iowa USA)  
AUSA Life Insurance Company, Inc., Purchase (New York USA)  
Bankers United Life Assurance Company, Cedar Rapids (Iowa USA)  
Commonwealth General Corporation, Wilmington (Delaware USA)  
First AUSA Life Insurance Company, Baltimore (Maryland USA)  
Life Investors Insurance Company of America, Cedar Rapids (Iowa USA)  
Monumental Life Insurance Company, Baltimore (Maryland USA)  
PFL Life Insurance Company, Cedar Rapids (Iowa USA)  
Peoples Benefit Life Insurance Company, Cedar Rapids (Iowa USA)  
Veterans Life Insurance Company, Springfield (Illinois USA)  
Western Reserve Life Assurance Co. of Ohio, Columbus (Ohio USA)  
Transamerica Corporation, Wilmington (Delaware USA)  
Transamerica Insurance Corp. of California, Los Angeles (California USA)  
Transamerica Life Insurance and Annuity Company, Charlotte (North Carolina USA)  
Transamerica Life Insurance Company of Canada, Scarborough (Ontario Canada)  
Transamerica Occidental Life Insurance Company, Los Angeles (California USA)  
Seguros Banamex AEGON S.A., Mexico (Mexico) (48%)  
Afore Banamex AEGON S.A., Mexico (Mexico) (48%)

### The Netherlands

AEGON Bank N.V., Utrecht  
AEGON Financiële Diensten B.V., The Hague  
AEGON International N.V., The Hague  
AEGON Levensverzekering N.V., The Hague  
AEGON Nederland N.V., The Hague  
AEGON Schadeverzekering N.V., The Hague  
AEGON Spaarkas N.V., The Hague  
AEGON Vastgoed Holding B.V., The Hague  
AMVEST Vastgoed B.V., Utrecht (50%)  
AXENT/AEGON Leven N.V., Utrecht  
AXENT/AEGON Schade N.V., Utrecht  
Labouchere N.V., Amsterdam  
Nederlandse Verzekeringsgroep Leven N.V., Groningen  
Nederlandse Verzekeringsgroep Schade N.V., Groningen  
Van Nierop Assuradeuren N.V., Amsterdam  
Spaarbeleg Kas N.V., Utrecht

### United Kingdom

AEGON UK plc, Cardiff  
Guardian Assurance plc, Cardiff  
Guardian Linked Life Assurance Limited, Cardiff  
Guardian Pensions Management Limited, Cardiff  
Scottish Equitable plc, Edinburgh  
Scottish Equitable Asset Management plc, Cardiff  
Scottish Equitable International Holdings plc, Cardiff

### Other Countries

ÁB-AEGON Általános Biztosító Rt., Budapest (Hungary)  
AEGON Unión Aseguradora S.A. de Seguros y Reaseguros, Madrid (Spain) (98.3%)  
AEGON Lebensversicherungs-AG, Düsseldorf (Germany)

The legally prescribed list of participations as meant in the articles 379 and 414 of Book 2 of the Dutch Civil Code, has been registered with the Trade Register at The Hague.

## Balance Sheets of AEGON N.V. at December 31

(after profit appropriation)  
Amounts in millions

	Note number	1999 NLG	1999 EUR	1998 EUR
<b>Investments</b>				
Group companies				
Shares in group companies	1	27,811	12,620	7,794
Loans to group companies	2	6,113	2,774	1,976
Other loans	3	1,485	674	877
		<b>35,409</b>	<b>16,068</b>	<b>10,647</b>
<b>Receivables</b>				
Receivables from group companies		5,146	2,335	2,236
Other receivables		–	–	–
		<b>5,146</b>	<b>2,335</b>	<b>2,236</b>
<b>Other assets</b>				
Liquid assets		20	9	23
Other assets		73	33	35
		<b>93</b>	<b>42</b>	<b>58</b>
<b>Prepayments and accrued income</b>				
Accrued interest and rent		137	62	67
Other prepayments and accrued income		6	3	16
		<b>143</b>	<b>65</b>	<b>83</b>
<b>Total assets</b>		<b>40,791</b>	<b>18,510</b>	<b>13,024</b>
<b>Capital and reserves</b>				
Share capital	4	477	216	185
Tax-free paid-in surplus	5	7,486	3,397	2,119
Revaluation account	5	14,725	6,682	4,501
Other surplus fund	5	7,157	3,248	1,129
		<b>29,845</b>	<b>13,543</b>	<b>7,934</b>
<b>Perpetual cumulative subordinated loans</b>		<b>1,800</b>	<b>817</b>	<b>817</b>
<b>Subordinated (convertible) loans</b>		<b>1,549</b>	<b>703</b>	<b>684</b>
<b>Equity and subordinated loans</b>		<b>33,194</b>	<b>15,063</b>	<b>9,435</b>
<b>Provisions</b>		<b>855</b>	<b>388</b>	<b>363</b>
<b>Long-term liabilities</b>	6	<b>3,295</b>	<b>1,495</b>	<b>1,132</b>
<b>Current liabilities</b>				
Amounts owed to credit institutions		2,065	937	1,715
Other payables		1,157	525	293
		<b>3,222</b>	<b>1,462</b>	<b>2,008</b>
<b>Accruals and deferred income</b>		<b>225</b>	<b>102</b>	<b>86</b>
<b>Total liabilities</b>		<b>40,791</b>	<b>18,510</b>	<b>13,024</b>

For notes: see page 84 and following

## Income Statements of AEGON N.V.

and the Appropriation of Profit  
Amounts in millions

	1999 NLG	1999 EUR	1998 EUR
Net income group companies	3,334	1,513	1,189
Other income	126	57	58
<b>Net income</b>	<b>3,460</b>	<b>1,570</b>	<b>1,247</b>
<b>Appropriation of profit:</b>			
Dividend on preferred shares	6	3	3
Dividend on common shares	1,751	794	585
Retained earnings	1,703	773	659
	<b>3,460</b>	<b>1,570</b>	<b>1,247</b>

# Notes to the Balance Sheets of AEGON N.V.

Amounts in millions

## Accounting principles

Unless otherwise stated, balance sheet items are valued in accordance with the accounting principles described in the Notes to the Consolidated Balance Sheets.

	1999 NLG	1999 EUR	1998 EUR
<b>1 Shares in group companies</b>			
Balance at January 1	17,175	7,794	7,924
Capital contribution and acquisitions	12,178	5,526	0
Net income for the financial year	3,334	1,513	1,189
Dividend distributed	-2,075	-942	-1,024
Cash settlement subordinated convertible loan	-152	-69	-171
Goodwill	-6,904	-3,133	-310
Revaluations	4,255	1,931	186
<b>Balance at December 31</b>	<b>27,811</b>	<b>12,620</b>	<b>7,794</b>

The group companies are stated at their net asset value.

	1999 NLG	1999 EUR	1998 EUR
<b>2 Loans to group companies</b>			
Balance at January 1	4,354	1,976	4,833
Additional loans	3,905	1,772	370
Repayments or payments received	-2,514	-1,141	-1,322
Other changes	368	167	-1,905
<b>Balance at December 31</b>	<b>6,113</b>	<b>2,774</b>	<b>1,976</b>

	1999 NLG	1999 EUR	1998 EUR
<b>3 Other loans</b>			
Balance at January 1	1,934	877	–
Additional loans	–	–	–
Repayments or payments received	-449	-203	-951
Other changes	–	–	1,828
<b>Balance at December 31</b>	<b>1,485</b>	<b>674</b>	<b>877</b>

	Common shares EUR	Preferred shares EUR	Total EUR	Total NLG
<b>4 Share capital</b>				
Authorized	295	159	454	1,000
Unissued	144	94	238	523
<b>Issued and outstanding</b>	<b>151</b>	<b>65</b>	<b>216</b>	<b>477</b>

In the financial year 55 million preferred shares were issued at the nominal value of NLG 0.50 per share.

	Paid-in surplus EUR	Revaluation account EUR	Other surplus fund EUR	Total EUR	Total NLG
<b>5 Surplus funds</b>					
Balance at January 1, 1999	2,119	4,501	1,129	7,749	17,078
Net income			1,570	1,570	3,460
Issuance of new shares	1,273		4,776	6,049	13,330
Repurchased own shares			-315	-315	-694
Exercised options	5			5	11
Stock dividend	0			0	0
Dividends paid			-797	-797	-1,757
Optional dividend 1999/1998			194	194	427
Revaluation group companies		1,080	851	1,931	4,255
Currency exchange rate differences			200	200	440
Cash settlement subordinated convertible loan			-69	-69	-152
Goodwill			-3,133	-3,133	-6,904
Cash settlement stock option plan			-47	-47	-104
Other movements		1,101	-1,111	-10	-22
<b>Balance at December 31, 1999</b>	<b>3,397</b>	<b>6,682</b>	<b>3,248</b>	<b>13,327</b>	<b>29,368</b>

The minimum of the revaluation account for the consolidated investments as required by law amounts to EUR 3,763 million.

By virtue of acquisition in accordance with article 98, paragraph 5 of Book 2 of the Dutch Civil Code, per balance sheet date AEGON kept 10,407,281 own common shares with a face value of NLG 0.50 each. The shares have been purchased to hedge stock option rights granted to executives and employees.

Movements in the numbers of shares were as follows:

Balance at January 1	6,590,610
Purchase: 31 transactions, average price EUR 82.69 (NLG 182.22)	3,859,251
Sale: 12 transactions, average price EUR 84.43 (NLG 186.06)	-42,580
Balance at December 31	10,407,281

The purchase value of the shares acquired has been deducted from the other surplus fund.

	1999 NLG	1999 EUR	1998 EUR
<b>6 Long-term liabilities</b>			
Remaining terms 1-5 years	2,590	1,175	1,071
Remaining terms more than 5 years	705	320	61
<b>Total long-term liabilities</b>	<b>3,295</b>	<b>1,495</b>	<b>1,132</b>
Redemptions due in 2000/1999	862	391	393

Redemptions are included in long-term liabilities.

Borrowings include debenture loans for EUR 1,157 million. The repayment periods of borrowings vary from in excess of one year up to a maximum of 32 years. The interest rates vary from 2.5% to 10.0% per annum.

# Notes to the Balance Sheets of AEGON N.V.

Amounts in millions

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## Commitments and contingencies

AEGON N.V. has guaranteed and is severally liable for the following:

Due and punctual payment of payable by AEGON Funding Corp. in respect of bonds and notes issued by AEGON Funding Corp. as well as notes issued in connection with AEGON Funding Corp.'s Commercial Paper Program.

FGH BANK N.V., for the sake of

- a. all creditors, whom FGH BANK owes from deeds prior to February 27, 1987, and from all loans contracted by FGH BANK after February 27, 1987, up to March 30, 1998 as far as not privileged or subordinated;
- b. those whom FGH BANK guaranteed or assumed several liability prior to February 27, 1987.

The sales agreement with Bayerische Vereinsbank includes recourse against that bank for liabilities emerging from above guarantees.

## The Hague, March 9, 2000

### Supervisory Board

G. van Schaik  
H. de Ruiter  
D.G. Eustace  
Sir Michael Jenkins  
O.J. Olcay  
J.F.M. Peters  
K.M.H. Peijs  
G.A. Posthumus  
W.F.C. Stevens  
M. Tabaksblat  
F.J. de Wit

### Executive Board

K.J. Storm  
P. van de Geijn  
F.C. Herringer  
D.J. Shepard  
H.B. van Wijk

### Associated Non-Life Companies

The annual accounts of the mutual non-life companies below, which are associated with AEGON N.V., are not consolidated.

- Algemene Friese Onderlinge Schadeverzekeringsmaatschappij 'Zevenwouden' U.A., Heerenveen.
- 'O.O.M.' Onderlinge Verzekering-Maatschappij U.A., The Hague.
- 'O.O.M.' Onderlinge Ziektekostenverzekering-Maatschappij U.A., The Hague.
- 'O.O.M.' Onderlinge Molestverzekering-Maatschappij U.A., The Hague.

For more financial information on these companies we refer to the annual accounts (in Dutch only), which have been deposited with the relevant Trade Registers.

### Provisions of the Articles of Incorporation Relating to the Appropriation of Profit (article 24)

- 1 If the approved income statements show 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 surplus funds.
- 2 Profits may only be distributed as far as the Company's equity exceeds the amount of the paid and called part of the share capital increased by the surplus funds to be maintained according to the law.
- 3 From the net profit, if it is sufficient to this end after a part of the profit has been set aside for augmenting or forming surplus funds according to paragraph 1, first of all the holders of preferred shares shall receive, on the call paid on their preferred shares, a dividend the percentage of which, on an annual basis, is equal to the rate of disbursement applied by 'De Nederlandsche Bank N.V.' increased by two percentage-points and by any additional interest charged on current account debit balances by one of the banks in The Netherlands, all this applying to the first stock exchange business day at Amsterdam in the financial year the dividend is related to. Apart from this no additional dividend is to be paid on the preferred shares.
- 4 The remaining profit shall be put at the disposal of the general meeting of shareholders.
- 5 Provided it appears from an interim statement of assets signed by the Executive Board that the requirement mentioned in paragraph 2 concerning the position of the Company's assets has been fulfilled, the Executive Board may, subject to the approval of the Supervisory Board even before the approval of the balance sheets and the income statements of any financial year distribute one or more interim dividends on account of the dividend to the holders of shares, with regard to preferred shares, however, subject to the maximum mentioned in paragraph 3.
- 6 A dividend or interim dividend shall be declared and paid as from a day to be fixed to this end by the Executive Board. Different days may be fixed for this purpose for:
  - shares to bearer for which K-certificates have been issued;
  - shares to bearer for which CF-certificates have been issued;
  - registered shares for which certificates of share have been issued; as well as for
  - registered shares for which no certificates of share have been issued.Furthermore common shares and preferred shares can be treated differently. Each day which has been fixed shall be announced with due regard to regulations applicable to the Company.
- 7 For a dividend or an interim dividend on a share for which a CF-certificate has been issued, such party shall be entitled as a holder of the share at a time fixed by the Executive Board. In order to exercise the right to a dividend or an interim dividend referred to in the preceding sentence, the rightful claimant must see to it that the dividend sheet is, at the time mentioned there, in the custody of a custodian as referred to in Article 4 paragraph 5. For the distribution of a dividend or interim dividend mentioned in this paragraph, the Company shall be discharged towards the rightful claimants by payment to the institution mentioned in Article 4, paragraph 5 or to one or more third parties to be designated by such institution and the Company, in favour of those in whose names the dividend sheets are in the custodians' custody at the aforesaid time.
- 8 A party in whose name the share is registered in the share register at a date fixed to this end by the Executive Board, shall be entitled to a dividend or an interim dividend on a registered share for which no certificate of share has been issued, or on a registered share for which a certificate of share has been issued.
- 9 Different times may be fixed for the shares mentioned in the paragraphs 7 and 8. Each time which has been fixed shall be announced with due regard to regulations applicable for the Company.
- 10 The Executive Board may decide, subject to the approval of the Supervisory Board that the payment of a dividend or an interim dividend in cash on registered common shares for which certificates of share have been issued and the dealing in which on an exchange or a similar institution in another country than The Netherlands is permitted with the cooperation of the Company, shall take place in the currency of that country unless this is not possible for the Company owing to government measures or other circumstances beyond its control. If, in accordance with the provisions of the preceding sentence, a dividend or an interim dividend is distributed in a foreign currency, it shall to this end be converted at the exchange rate current on the exchange at Amsterdam on



a day to be fixed and announced by the Executive Board which does not fall before the day on which the distribution is resolved upon, nor after the day fixed for the shares in question in accordance with the provisions of paragraph 6.

- 11 The Executive Board is authorized, subject to the approval of the Supervisory Board, to decide that a dividend or an interim dividend on common shares shall not take place as a cash payment but as a payment in common shares, or to decide that holders of common shares shall have a choice to receive a dividend or an interim dividend as a cash payment and/or as a payment in common shares, in all cases out of the profit and/or out of a surplus fund, provided that the Executive Board is designated by the general meeting as stated in Article 5, paragraphs 1 and 3. Subject to approval of the Supervisory Board the Executive Board shall also determine the conditions for the aforementioned choices.
- 12 Dividends which have not been claimed within five years of the first day upon which they were made payable shall lapse to the Company.

### **Profit Appropriation**

Upon approval of the annual accounts, which contain the profit appropriation, a dividend for the year 1999 of EUR 1.20 (NLG 2.64) per common share of NLG 0.50 par value will be paid, which after taking into account the EUR 0.51 (NLG 1.12) interim dividend, leads to a final dividend of EUR 0.69 (NLG 1.52) per common share.

It is proposed that the final dividend will be made available entirely in cash or entirely in stock to be paid out of the paid-in surplus or, if so requested, out of the 1999 net income. The value of the final dividend in shares will be approximately equal to that of the final dividend in cash.

In order to take full advantage of the prevailing market price of AEGON N.V. common shares within the indication provided, the number of dividend coupons that gives entitlement to a new common share of NLG 0.50 will be determined on May 23, 2000, based upon the average share price (quotation Amsterdam Exchanges) in the five trading days from May 16 up to and including May 22, 2000.

In accordance with article 24, paragraph 3 of the Articles of Incorporation, a dividend equal to 4.75% of the paid up amount of the preferred stock will be distributed in cash.

Finally, an amount of EUR 773 million will be retained and added to the general surplus fund.

### **Subsequent events**

On March 1, 2000, AEGON announced that, after reviewing and evaluating the businesses comprising Transamerica Finance Corporation (TFC) which it had acquired in connection with the purchase of Transamerica Corporation in July 1999, it has determined to make strategic dispositions of these businesses. The strategic dispositions under consideration include potential sale, in whole or in part, as well as joint ventures. These businesses had previously been classified as non-core. Investment bankers have been retained to assist AEGON in this process.

On January 10, 2000 AEGON announced that its subsidiary Transamerica Life Insurance Company of Canada and ING Canada will enter into a strategic marketing alliance under which Transamerica will acquire 100% of NN Life Insurance Company and ING Canada will distribute life insurance products manufactured by Transamerica. Closing of the acquisition is subject to regulatory approval that is expected by March 31, 2000. After closing, Transamerica will seek regulatory and policyholder approval to merge Transamerica Life and NN Life into a single organization.

On February 21, 2000 the management boards of Rodamco Continental Europe (RCE) and AMVEST announced that they jointly investigate the possibility of combining their retail and office activities. Assets are expected to be acquired mainly by issuing RCE shares to the two current shareholders in AMVEST, namely AEGON and PGGM.

### Vereniging AEGON

The aim of Vereniging AEGON is, in a well-balanced fashion, to serve the direct and indirect interests of AEGON N.V. and the companies associated with AEGON N.V. in a group, insured parties, employees, shareholders and other parties associated with these companies. Vereniging AEGON controls the majority of votes in AEGON N.V. through its minority holding of common shares (33%) and its holding of all issued preferred shares. It intends to maintain its majority of voting rights by increasing its percentage holding of common shares to a level of approximately 40% by purchasing shares. Its shareholding will gradually be replenished so that additional influence on the price of the AEGON share will be avoided as much as possible. The preferred shares will gradually be repurchased by AEGON N.V., so that Vereniging AEGON regains its 40% holding of common shares whilst continually maintaining its majority of voting rights. As per December 31, 1999, the Vereniging, according to its annual report, held 53% of the total number of voting rights.

Number of common shares as at January 1, 1999	209,695,861
Sold	-15,303,427
Purchase for an average price of NLG 190.09	19,178,685
Acquired out of a share issue dated August 19, 1999 at EUR 82.04	8,300,829
<b>Number of common shares as at December 31, 1999</b>	<b>221,871,948</b>
<b>Number of preferred shares as at December 31, 1999</b>	<b>285,000,000</b>

The General Meeting of Members of the Vereniging consists of 21 elected members. Seventeen of these are not, nor have been, an employee or former employee of AEGON N.V., nor an employee or former employee of a company associated with AEGON N.V. in a group, nor a (former) member of the Supervisory Board or the Executive Board of AEGON N.V. They hold the majority of the voting rights. Of the four other members, two are elected from among the members of the Supervisory Board and two are elected from among the members of the Executive Board of AEGON N.V.

The Vereniging has an Executive Committee consisting of eight members, half of whom, including the chairman and vice chairman, are not, nor have been, associated with the AEGON Group; the other half consists of the four above-mentioned members who hold a position within AEGON N.V. When a vote in the Executive Committee results in a tie, the General Meeting of Members has the deciding vote.

Vereniging AEGON's annual report is available for inspection at the library of the Trade Register of the Chamber of Commerce in The Hague – where the Vereniging is registered under No. 40531114 – and can be obtained upon request from the Secretary to the Vereniging, Mr R.H. Bolman, telephone number in The Hague +31 70 344 8288.

# Auditor's Report

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## Introduction

We have audited the financial statements of AEGON N.V., The Hague, for the year 1999. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

## Scope

We conducted our audit in accordance with auditing standards generally accepted in the Netherlands. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

## Opinion

In our opinion, the financial statements give a true and fair view of the financial position of the Company as at 31 December, 1999 and of the result for the year then ended in accordance with accounting principles generally accepted in the Netherlands and comply with the financial reporting requirements included in Part 9, Book 2 of the Netherlands Civil Code.

**The Hague, March 9, 2000**

**Ernst & Young Accountants**

# Report of the Supervisory Board to Shareholders

During another successful year for AEGON, a year of continuous strong growth, the Supervisory Board carried out its responsibilities in close consultation with the Executive Board. In 1999, the Supervisory Board held five regular meetings and three extra meetings, and all members attended the Annual General Meeting of Shareholders (AGM) held on 29 April 1999.

## Supervisory Board Meetings

Absences from the Board's meetings were an exception. The regular Supervisory Board meetings and two extra meetings were also attended by Executive Board members. One extra meeting was held without the Executive Board members being present.

In accordance with the Board's internal Rules and Regulations, the regular meetings and the AGM were preceded by a preparatory meeting between the Chairman and the Vice-Chairman of the Supervisory Board and the Chairman (and, in most instances, one other member) of the Executive Board.

Those meetings in which the 1998 results and the 1999 quarterly results were discussed, were also attended by the Chief Financial Officer and the Corporate Actuary. Representatives from Ernst & Young, AEGON's external auditor, attended the discussion regarding the 1998 results. AEGON's 'Year 2000' (Y2K) status was reviewed regularly.

As usual, special meetings of the Supervisory Board were dedicated to AEGON's business strategy and its budget for 2000. For AEGON's business strategy, please refer to page 4. The Board's meetings in 1999 dealt with many other items as well, including actuarial analyses, the development of AEGON's embedded value, dividend and dividend policy, AEGON's preparations for the Euro conversion, the Group-wide risk management Report, AEGON's Funding Plan and currency exposure, AEGON's worldwide employee and management stock option plans and the hedging of the 1999 stock options. We also discussed management development issues.

We devoted considerable attention to intended acquisitions and divestitures. Besides discussing AEGON's acquisition strategy in general, we approved the Transamerica transaction (in an extra meeting), the acquisition of the UK life insurance business of Guardian Royal Exchange and some other smaller acquisitions and joint ventures.

The Supervisory Board appointed Mr. F.C. Herringer, former CEO of Transamerica, as an Executive Board member per 21 July 1999, the day on which the Transamerica transaction was finalized. As was announced on 24 June 1999, Mr. H.B. van Wijk has expressed his wish to retire from the Executive Board at the conclusion of the AGM in 2000, to be held on 4 May. He originally joined AGO, one of AEGON's predecessors, in 1981 and became a member of AEGON's Executive Board in 1984. We are very grateful for his unwavering dedication to AEGON and, in particular, for his outstanding financial expertise, from which the Company has benefited greatly. As we also announced on 24 June 1999, the Supervisory Board intends to appoint

Mr. J.B.M. Streppel to the Executive Board, as his successor, as per the conclusion of the 2000 AGM.

## Supervisory Board Committees

Without prejudice to its responsibility, the Supervisory Board has constituted three Committees from among its members to deal more extensively with specific matters. Each Committee has four members.

The Audit Committee, active since 1983, held two meetings in 1999. All Executive Board members, the Chief Financial Officer, the Corporate Actuary and Ernst & Young, AEGON's external auditor, also attended these meetings.

Following a joint Report from the New York Stock Exchange, the National Association of Securities' Dealers and the so-called Blue Ribbon Committee, the Supervisory Board adopted an internal Charter for the Audit Committee. Taking into account the requirements of Dutch corporate law, this Charter follows the ten Recommendations specified in the joint Report. Among other things, the Charter covers the organization and responsibilities of the Audit Committee, the independence and financial competence of its members, the relationship with the external auditors and the quality of financial reporting.

Discussions in 1999 were again focused on the Committee's permanent agenda: the annual accounts and the auditing of these accounts by Ernst & Young; accounting principles; internal control systems; the actuarial analysis; AEGON's Funding Plan and currency exposure. The Audit Committee subsequently advised the Supervisory Board on its findings.

The Chairman and the Vice-Chairman of the Supervisory Board and Messrs. Tabaksblat and Peters are members of the Audit Committee. Upon Mr. Van Schaik's retirement in 2000, Mr. Tabaksblat will become Chairman of the Audit Committee and Mr. Eustace will join as a member. In accordance with the aforementioned Recommendations and the Charter, all members are highly experienced and competent in financial matters.

The Compensation Committee, active since 1989, held two meetings in 1999, attended also by the Executive Board's Chairman. Discussions concentrated on the remuneration and stock option program for Executive Board members. The Supervisory Board's Chairman and Vice-Chairman, and Sir Michael Jenkins and Mr. De Wit, are members of this Committee.

The Nominating Committee, active since 1993, held one meeting, attended also by the Executive Board's Chairman. The Committee discussed the reappointment of Supervisory Board members, and the Chairmanship of the Supervisory Board after Mr. Van Schaik's retirement in 2000. The Supervisory Board's Chairman and Vice-Chairman are permanent members of this Committee. The two non-permanent members are appointed annually. Sir Michael Jenkins and Mr. Peters were members in 1999 and Mrs. Peijs and Mr. Olcay will be members in 2000.

## Members' other AEGON activities

The Chairman of the Supervisory Board attended a meeting of the Central Works Council (CWC) of AEGON The Netherlands in 1999 to discuss AEGON N.V.'s 1998 annual accounts, together with the Chairman of the Executive Board. Most of the Board members attended AEGON's annual 'Meeting on a Specific Theme', together with members of the Executive Board, members of AEGON The Netherlands' Management Board and members of the Dutch Central Works Council. Several participated in the annual 'AEGON University' management development programs in Baltimore, USA, and in Fontainebleau, France as guest speakers.

## Supervisory Board Composition

At the conclusion of the 2000 AGM, to be held on 4 May, the current terms of office of Mrs. Peijs and Messrs. Olcay, De Ruiter and De Wit will expire. They are eligible for reappointment and are willing to continue their membership of the Board. As required by Dutch law, shareholders and the Dutch CWC have been invited to make recommendations; they also have the right to object to any intended reappointment. Shareholders have not made any recommendation and the CWC has specifically recommended the reappointment of Mrs. Peijs. The Supervisory Board intends to reappoint all four candidates. The CWC has raised no objections and shareholders have the right to object to the intended reappointments during the 2000 AGM. At the same time, Mr. Van Schaik will step down because of his reaching retirement age and, as we announced on 24 June 1999, the Supervisory Board has decided that Mr. Tabaksblat will succeed him as Chairman of the Supervisory Board.

As a consequence of Mr. Van Schaik's retirement, a vacancy on the Board will arise in 2000. Neither shareholders nor the CWC have recommended candidates for this vacancy and the Board now intends to appoint Mrs. T. Rembe, former member of the Board of Directors of Transamerica Corp., as per the conclusion of the 2000 AGM on 4 May. The CWC has raised no objections and shareholders have the right to raise objections during the AGM in 2000.

In 2001, at the conclusion of the AGM, the current terms of office of Messrs. Eustace, Posthumus, Stevens and Tabaksblat will expire and they will be eligible and available for reappointment. The Supervisory Board intends to fill these four vacancies and shareholders and the CWC have the right to recommend candidates. At the same time, Mr. Peters will step down because of his reaching retirement age. The Supervisory Board does not intend to fill this vacancy, and this will result in the number of members of the Board becoming ten, in accordance with the Profile of the Board.

For personal data on all members of the Supervisory Board, please refer to page 95.

## Annual accounts, profit appropriation and final dividend

This annual report includes the annual accounts for 1999, adopted by us as prepared and submitted by the Executive Board and as advised upon by the Audit Committee. We recommend that you approve these annual accounts. According to Article 23 of the Articles of Incorporation, shareholders can decide, and we propose that they do so, to discharge the Executive Board from all liability with regard to its management, and to discharge the Supervisory Board from all liability with regard to its supervision of this management. Upon approval of the 1999 annual accounts, and this will include the profit appropriation, a dividend for 1999 will be paid of EUR 1.20 (NLG 2.64) per common share. Please refer to page 88 for further details.

## Acknowledgement

AEGON's continued strong growth since its inception in 1983 reflects the consistent commitment and dedication of the Executive Board and other members of the AEGON community worldwide. We are happy to acknowledge this with appreciation and congratulations and we wish AEGON well in the new millennium.

The Hague, 9 March 2000

On behalf of the Supervisory Board:

Gerard van Schaik, Chairman

### **‘Structure Regime’**

AEGON N.V., in its Articles of Incorporation, has incorporated the complete two-tier provisions as set out in Dutch corporate law, referred to as the ‘Structure Regime’. It has not made use of the exemption available with regard to certain provisions. Consequently, the Supervisory Board possesses certain rights, which would otherwise belong to shareholders. This enables AEGON, in accordance with its statutory objectives, to serve equally and fairly the interests of all parties directly or indirectly involved with the Company. The main duties of the Supervisory Board are supervising the Executive Board’s management and advising the Executive Board. Management by the Executive Board and supervision by the Supervisory Board are completely separate responsibilities.

### **Supervisory Board**

In the performance of their duties, the members of the Supervisory Board shall follow the interests of the Company and its business. The Supervisory Board currently consists of eleven members and acts as a body with collective responsibility and accountability. The members of the Board are (re)appointed by the Board itself, each time for a term of office of four years. They must retire at the latest at the conclusion of the Annual General Meeting of Shareholders (AGM) in the year in which they reach the age of 70 years. Shareholders, the Central Works Council in the Netherlands (CWC) and the Executive Board have the legal right to recommend candidates for the Supervisory Board. Moreover, shareholders and the CWC have the legal right to object to any candidate. The requirements, which the composition of the Board and the individual members have to meet, are outlined in the ‘Profile’. This ‘Profile’ was updated in 1997 and is available for shareholders at the secretariat of the Executive Board. According to the Profile, only one of the Supervisory Board members may be a former member of the Executive Board and Supervisory Board members may not be dependent on any interests associated with the Company and must fulfil their duties independently. (Re)Appointments have to be prepared and advised on by the Nominating Committee. The aim, in due course, is to decrease the number of Supervisory Board members to ten. Supervisory Board members are entitled to a fixed fee and an expense allowance. According to Dutch corporate law and the Articles of Incorporation, the Supervisory Board is the body that is authorized to appoint or discharge members of the Executive Board and to adopt the annual accounts. Moreover, certain important Executive Board resolutions, among which those concerning securities’ issues, are subject to the approval of the Supervisory Board.

Rules and Regulations have been adopted, for internal use, in which procedures and the Board’s duties, activities and allocation of tasks are laid down.

Besides the Nominating Committee, the Board has constituted a further two committees from among its members which, without prejudice to the Board’s responsibility, will discuss

certain subjects in more detail and advise the Board about them. The Compensation Committee prepares proposals concerning the remuneration of Executive Board members and the fees for Supervisory Board members. In the Audit Committee, the audit of the annual accounts as well as the ‘accounting principles’ are discussed each year with the external auditor, as well as the external auditor’s report about the internal control system. The tasks and working methods of the Audit Committee are laid down in a Charter for internal use.

### **Executive Board**

The Executive Board, as a body, is charged with the management of the Company, whereby each individual member has specific areas of interest, within an allocation of duties as approved by the Supervisory Board. In principle, Executive Board members will be appointed for an indefinite period of time and shareholders have to be informed of an intended appointment. They can retire at the age of 60 and have to retire at the age of 62. The Supervisory Board determines the conditions of employment.

### **Shareholders**

The Executive Board is accountable to investors for a clear and transparent justification of its management. Every shareholder has the right to speak and to vote without limitation in any of AEGON’s meetings of shareholders. Each outstanding share entitles the holder to one vote.

Furthermore, AEGON was one of those actively involved in the establishment of the Dutch ‘Stichting Communicatiekanaal Aandeelhouders’ (Shareholders’ Communication Channel Foundation), established in April 1998 for better and direct communication with shareholders, a pilot project for three years. In 1999, shareholders with a securities account in The Netherlands and participating in this Communication Channel have made use of the possibility offered by the Foundation to receive the annual report and the agenda for the AGM. From the year 2000 onwards, a system will also be introduced which will offer shareholders the possibility of voting without attending a meeting in person. Furthermore, for both management and (groups of) shareholders the Communication Channel may serve to solicit proxies.

According to Dutch corporate law and AEGON N.V.’s Articles of Incorporation, shareholders in a meeting are authorized as follows:

- ◆ To approve the annual accounts, including profit appropriation and dividend. Furthermore, to discharge the Executive Board from liability with respect to its management and the Supervisory Board with respect to the supervision thereof, insofar as such management appears from the annual accounts.
- ◆ To appoint the external auditor.
- ◆ To decide on share issues or on the granting of rights to take shares (stock options) or to designate the Executive

Board to resolve on such issues or grants, up to a certain maximum percentage and for a period of three years, and, possibly, to exclude shareholders' pre-emptive rights.

- ◆ To amend the Articles of Incorporation as proposed by the Executive Board and previously approved by the Supervisory Board.
  - ◆ To authorize the Executive Board to repurchase AEGON's own shares.
  - ◆ To determine the Supervisory Board members' fees.
- It will be proposed at the AGM in 2000, to be held on 4 May, that the Articles of Incorporation shall be amended such that shareholders who represent, individually or collectively, 0.1% of the outstanding common share capital, will have the right to add items to the agenda of shareholders' meetings, provided that they comply with the respective criteria as indicated in the Articles of Incorporation. At present this threshold is 1% of the outstanding capital.



## Members of the Supervisory Board of AEGON N.V.

**D.G. Eustace**, 63, of British nationality, is a former Vice-Chairman of Royal Philips Electronics N.V. and a resident of The Netherlands. He joined the Board in 1997; his current term will end in 2001. He is Chairman of Smith-Nephew (London, UK) and he is also a member of the Supervisory Board of four Dutch companies, including Hagemeyer and Royal Dutch Airlines (KLM).

**Sir Michael Jenkins, KCMG**, 64, of British nationality, is Vice-Chairman of Dresdner Kleinwort Benson (London, UK). He was appointed in 1995 and his current term will end in 2003. He is also a former British Ambassador to The Netherlands and a member of the Trilateral Commission. He is also a member of the Compensation Committee of the Supervisory Board.

**O.J. Olcay**, 63, of American nationality, is Vice-Chairman of Fischer, Francis, Trees & Watts, Inc. (New York, USA). He joined the Board in 1993 and his current term will end in 2000. He is also a former general partner of W. Greenwell Associates (New York, USA) and W. Greenwell Company (London, UK). He is also a member of the Nominating Committee of the Supervisory Board.

**Mrs. K.M.H. Peijs**, 55, of Dutch nationality, is a member of the European Parliament. She was appointed in 1992; her current term expires in 2000. She is also a Supervisory Board member of Vendex International and Mercedes-Benz Nederland. Mrs. Peijs is a member of the Nominating Committee of the Supervisory Board.

**J.F.M. Peters**, 68, of Dutch nationality, is a retired Chairman of the Executive Board of AEGON N.V. He was appointed in 1993; his current term will end in 2001, when he will reach the statutory retirement age. He is a member of the Supervisory Boards of eight Dutch companies, including Randstad Holding and Samas Groep, and of the Boards of Monsanto Company (St. Louis, USA) and Kleinwort Endowment Policy Trust Plc. (London, UK) and further holds, among others, memberships of Trust offices on behalf of a number of Dutch companies. He is also a member of the Audit Committee of the Supervisory Board.

**G.A. Posthumus**, 67, of Dutch nationality, is a member of the Council of State in The Netherlands. He joined the Supervisory Board in 1997; his current term expires in 2001. He is also a former member of the Executive Board of the I.M.F.

**H. de Ruiter**, 66, Vice-Chairman and of Dutch nationality, is a retired Managing Director of Royal Dutch Petroleum Company and Group Managing Director of Royal Dutch/Shell Group of Companies. He was appointed in 1993; his current term will end in 2000. He is a member of the Supervisory Boards of six Dutch companies, including Royal Dutch Petroleum Company, Royal Ahold and Royal Vopak and is a Board member of Corus Group. He is also a member of the Executive Committee of Vereniging AEGON and of Trust offices on behalf of some Dutch companies. He is also a member of, respectively, the Audit, Compensation and Nominating Committees of the Supervisory Board.

**G. van Schaik**, 69, Chairman up to and including the AGM to be held on 4 May 2000, and of Dutch nationality, is a retired Chairman of the Executive Board of Heineken N.V. He was appointed in 1987 and has served as Chairman since 1993; his current term expires in 2000, due to his reaching the statutory retirement age. He is a member of the Supervisory Boards of nine Dutch companies, including DSM, Sara Lee/D.E. and VNU, and further holds, among others, memberships of the Executive Committee of Vereniging AEGON and of Trust offices on behalf of some Dutch companies. He is also the Chairman of, respectively, the Audit, Compensation and Nominating Committees of the Supervisory Board.

**W.F.C. Stevens**, 62, of Dutch nationality, is a senior partner of Caron & Stevens/Baker & McKenzie (law firm). He joined the Board in 1997; his current term will end in 2001. He is a member of the Supervisory Boards of eight Dutch companies, including NIB Capital and TBI Holdings, aside from some Board memberships which are exercised in relation to his principal occupation. Further he is a senator in the Dutch Parliament.

**M. Tabaksblat**, 62, appointed as Chairman as from 4 May 2000, and of Dutch nationality, is Chairman of Reed Elsevier PLC and a retired Chairman and CEO of Unilever N.V. He was appointed in 1990; his current term expires in 2001. He is also a member of the Supervisory Board of TNT Post Groep and of the Board of VEBA A.G., a member of the Advisory Boards of Ernst & Young, Salomon Smith Barney (USA) and Renault Nissan. He is a member of the Supervisory Board's Audit Committee.

**F.J. de Wit**, 60, of Dutch nationality, is a former Chairman of the Executive Board of N.V. Koninklijke KNP BT. He was appointed in 1990; his current term will end in 2000. He is also a member of the Supervisory Boards of three Dutch companies, including Océ and Royal Ten Cate. He is also a member of the Supervisory Board's Compensation Committee.

### Ownership of AEGON N.V. shares

The aggregate amount of AEGON N.V. common shares owned by the Supervisory Board members was 26,112 as per 31 December 1999. Members of the Supervisory Board do not hold options on AEGON N.V. shares.

## Information based on US Accounting Principles

In EUR millions

The consolidated financial statements of AEGON N.V. have been prepared in accordance with Dutch accounting principles which differ in certain respects from those generally accepted in the United States (US GAAP). The following information is a summary of the approximate effect on the Group's capital and reserves and net income of the application of US GAAP which is in further detail included in the Form 20-F report filed with the Securities and Exchange Commission. This report is as usual available on request, free of charge, and can also be retrieved from the EDGAR database of the SEC at [www.sec.gov](http://www.sec.gov).

	1999	Capital and Reserves December 31, 1998	1999	Net income 1998
Amounts in accordance with Dutch accounting principles	13,543	7,934	1,570	1,247
Real estate	-793	-670	-41	-36
The Netherlands: appraisal value				
United States: cost less depreciation				
Debt securities	-816	182	-	-
The Netherlands: amortized cost for bonds, private placements and preferred shares				
United States: market value				
Goodwill	3,986	921	-183	-80
The Netherlands: charged to shareholder's equity				
United States: capitalized and amortized over various periods not exceeding 20 years				
Technical provisions	901	766	21	-54
The Netherlands: calculated on recent assumptions				
United States: calculated on assumptions when the policy was issued or on recent assumptions				
Realized gains and losses on bonds and private placements	33	295	-261	196
The Netherlands: deferred and released to income over the estimated average remaining maturity term				
United States: recognized as income when realized				
Realized gains and losses on shares and real estate	-	-	408	690
The Netherlands: realized gains and losses on shares and real estate are added to the revaluation account. From this reserve amounts are released to income, so that together with the direct yield, a 30-year moving average total rate of return is recognized.				
United States: recognized as income when realized				
Deferred taxation (including taxation on US GAAP adjustments)	-512	-468	262	-69
The Netherlands: calculated using discounted tax rates				
United States: calculated using nominal tax rates				
Carried forward	16,342	8,960	1,776	1,894

In EUR millions	1999	Capital and Reserves December 31, 1998	1999	Net Income 1998
Brought forward	16,342	8,960	1,776	1,894
Cash settlements of convertible loan and stock options	–	–	–116	–444
The Netherlands: charged to equity				
United States: charged to income				
Dividends <sup>1</sup>	460	344	–	–
The Netherlands: accrued as a liability				
United States: not recognized until they become irrevocable				
Balance of other items	248	308	–59	21
Certain expenses are recorded in different periods on the two bases of accounting				
<b>Approximate amounts in accordance with US GAAP</b>	<b>17,050</b>	<b>9,612</b>	<b>1,601</b>	<b>1,471</b>
<b>Approximate amounts in accordance with US GAAP in NLG</b>	<b>37,573</b>		<b>3,528</b>	

<sup>1</sup> The 1998 figures have been adjusted for this item from previously reported.

In 1999 major differences between amounts on Dutch accounting principles and those on US accounting principles compared to the amounts of 1998 are explained as follows:

Realized and unrealized gains and losses by their nature can show large fluctuations.

The cash settlement of the convertible loan is related to the repurchase and early redemption of the Company's convertible debt.

The balance of other items includes provisions not accounted for under US GAAP such as for euro/Year 2000 and general default reserves.

## Long-Term Liabilities, Subordinated Loans and Capital Securities at December 31, 1999

In EUR millions

The following table lists AEGON's long-term liabilities and subordinated loans at December 31, 1999. All loans that are shown separately relate to AEGON NV except when stated otherwise. All items of EUR 50 million or more are shown separately.

	Period	Coupon date	1999	Book value 1998
Long-term liabilities				
NLG 250 mln 7¾% Eurobonds	1989/99	November 15	–	93
NLG 225 mln 8¾% Eurobonds	1991/01	December 16	90	93
NLG 250 mln 5½% Eurobonds	1994/99	February 23	–	102
CHF 125 mln 5½% Bonds	1995/99	January 11	–	78
LUF 2,000 mln 7¾% Eurobonds	1995/99	December 20	–	49
USD 100 mln 9¾% Domestic Debentures (Transamerica Corp.)	1996/08	March/Sept 1	100	–
USD 200 mln 6¾% Domestic Debentures (Transamerica Corp.)	1996/06	May/Nov 15	199	–
USD 200 mln 6¼% Eurobonds	1997/00	August 29	174	151
USD 200 mln 6¼% Eurobonds	1997/01	October 1	199	172
CHF 150 mln 3¼% Bonds	1997/04	June 24	93	93
DEM 150 mln 2½% Eurobonds	1998/03	February 24	77	77
USD 400 mln 7% Eurobonds (AEGON Funding Corp.)	1999/04	September 10	398	–
USD 350 mln 6¾% Eurobonds (AEGON Funding Corp.)	1999/02	November 15	348	–
CHF 300 mln 3½% Eurobonds	1999/04	September 27	187	–
GBP 250 mln 6½% Eurobonds	1999/31	December 15	402	–
Other <sup>1</sup>			1,436	1,395
			3,703	2,303
Subordinated loans				
NLG 500 mln Floating Rate/Fixed Rate subordinated Eurobonds	1992/04	September 15	161	167
NLG 275 mln 6½% subordinated Eurobonds	1993/03	September 15	102	102
USD 400 mln 8% subordinated Notes	1994/06	August 15	293	253
USD 600 mln 4¾% subordinated convertible Eurobonds	1994/04	November 1	20	29
Other subordinated loans			127	133
			703	684
Capital Securities				
Perpetual cumulative subordinated loans	Year <sup>2</sup>			
NLG 250 mln 8%	2005	June 8	114	114
NLG 250 mln 7½%	2005	September 29	114	114
NLG 300 mln 7¾%	2005	December 15	136	136
NLG 450 mln 7½%	2011	March 4	203	203
NLG 250 mln 7½%	2008	July 10	114	114
NLG 300 mln 7¼%	2008	October 14	136	136
			817	817
Trust Pass-through Securities and Monthly Income Preferred Stock				
USD 100 mln 7½% (Transamerica aff.)	1996/26	Jun/Dec 1	100	–
USD 225 mln 7¼% (Transamerica aff.)	1996/26	Jun/Dec 1	224	–
USD 190 mln 7% (Transamerica aff.)	1996/26	May/Nov 15	188	–
USD 100 mln 8½% Cumulative Monthly Income Preferred Stock, redeemable on or after May 31, 1999 (Providian LLC)	1994/99	Last day each calendar month	–	87
			512	87
<b>Total long-term liabilities, subordinated loans and capital securities</b>			<b>5,735</b>	<b>3,891</b>

<sup>1</sup> Of which EUR 273 million relate to AEGON NV (1998: EUR 138 million).

<sup>2</sup> Year of first possibility for redemption.

In the years 2000 through 2004 the following amounts are due: EUR 401 million in 2000, EUR 423 million in 2001, EUR 657 million in 2002, EUR 252 million in 2003 and EUR 1,003 million in 2004.

## Survey of Major AEGON Investment Funds

	Value as of December 31, 1999	Return 1999	Return last 3 years	Return last 5 years	
Return on a yearly basis, in local currencies					
<b>AEGON Nederland</b>	EUR million				
AEGON Equity Fund	3,417	48.4	31.4	24.7	
AEGON Aandelen Fonds	2,934	51.1	30.8	25.1	
AEGON Equity Europe Fund	2,345	32.6	33.3	n/a	
AEGON Equity North America Fund	1,825	42.4	34.6	n/a	
AEGON World Equity Fund	1,577	52.6	32.6	25.4	
AEGON Mix Fund	1,518	19.5	16.9	15.8	
<b>AEGON USA/IDEX</b>	USD million	EUR million			
IDEX Growth	3,906	3,888	21.9	35.2	34.9
IDEX Global	1,300	1,294	63.3	34.9	30.2
<b>AEGON USA/WRL</b>	USD million	EUR million			
WRL Growth	4,141	4,122	59.7	45.6	39.9
WRL Global	1,926	1,917	71.1	38.2	32.9
WRL VKAM Emerging Growth	1,916	1,907	105.2	50.7	43.0
WRL Alger Aggressive Growth	1,118	1,113	69.0	46.2	36.6
<b>AEGON USA/DIA</b>	USD million	EUR million			
Equity Income	1,415	1,409	8.8	17.3	21.0
Equity Growth	1,267	1,261	38.8	34.7	28.4
Growth & Income	1,242	1,236	31.6	34.1	31.8
<b>Scottish Equitable</b>	GBP million	EUR million			
<i>Pension Funds</i>					
Mixed Fund	6,041	9,718	16.9	15.9	15.0
UK Equity Fund	4,297	6,912	18.5	17.2	17.9
European Fund	1,283	2,063	21.4	23.7	19.8
Global Fund	1,196	1,924	15.9	16.3	15.1
UK Fixed Interest Fund	812	1,306	−1.8	10.4	10.8
<b>Return on indices</b>					
FT World Index (in NLG)			47.6	31.5	25.1
JP Morgan Dutch Gov. Bond (in NLG)			−2.6	5.1	8.3
S&P 500 (in USD)			19.5	25.6	26.2
JP Morgan US Gov. Bond (in USD)			−2.9	5.6	7.3
FT All Share Index (in GBP)			24.2	20.4	20.3
FT World Index (in GBP)			30.1	23.8	18.7
FT World Europe ex UK (in GBP)			19.9	27.1	22.5
FT World Pacific ex Japan (in GBP)			44.8	−2.6	3.5
JP Morgan UK Gov. Bond (in GBP)			−1.3	10.7	11.2
Tokyo Stock Exchange (TOPIX) (in JPY)			59.6	6.3	2.8

N.B. Participation in most of our funds can only be achieved by purchasing an insurance product that is linked to these funds.

# Quarterly Results

Amounts in millions

1999				USD		1999				EUR		NLG
I	II	III	IV	Total		I	II	III	IV	Total		Total
					<b>Net income</b>							
446	475	606	728	2,255	Life insurance	397	449	579	701	2,126		4,685
38	41	36	38	153	(including annuities)	34	39	35	36	144		317
17	-8	-24	13	-2	Accident & health insurance	15	-7	-22	12	-2		-4
43	43	40	38	164	General insurance	38	41	39	37	155		341
-52	-49	-65	-91	-257	Banking activities	-46	-47	-62	-87	-242		-533
492	502	593	726	2,313	Interest charges & Other	438	475	569	699	2,181		4,806
-125	-130	-155	-238	-648	Income before tax	-111	-123	-149	-228	-611		-1,346
<b>367</b>	<b>372</b>	<b>438</b>	<b>488</b>	<b>1,665</b>	Corporation tax	<b>327</b>	<b>352</b>	<b>420</b>	<b>471</b>	<b>1,570</b>		<b>3,460</b>
					<b>Net income in NLG</b>	<b>721</b>	<b>775</b>	<b>926</b>	<b>1,038</b>	<b>3,460</b>		
					<b>Revenues</b>							
4,617	3,758	5,388	6,503	20,266	Life insurance	4,111	3,580	5,157	6,262	19,110		42,113
461	449	423	415	1,748	Accident & health insurance	410	425	409	404	1,648		3,633
295	224	196	156	871	General insurance	263	213	192	154	822		1,811
208	151	166	222	747	Banking activities	185	145	160	214	704		1,551
27	24	23	22	96	Other activities	24	23	22	21	90		198
<b>5,608</b>	<b>4,606</b>	<b>6,196</b>	<b>7,318</b>	<b>23,728</b>	<b>Total revenues</b>	<b>4,993</b>	<b>4,386</b>	<b>5,940</b>	<b>7,055</b>	<b>22,374</b>		<b>49,306</b>
					<b>Total revenues in NLG</b>	<b>11,003</b>	<b>9,666</b>	<b>13,090</b>	<b>15,547</b>	<b>49,306</b>		
2,602	1,896	-2,268	12,122	14,352	Investment income for the	2,317	1,813	-2,048	11,451	13,533		29,823
					account of policyholders							
3,980	3,603	4,449	10,351	22,383	Annuities, GICs and savings	3,544	3,419	4,269	9,874	21,106		46,512
952	421	260	434	2,067	accounts	848	413	263	425	1,949		4,295
714	719	913	1,068	3,414	– Gross deposits	636	680	874	1,029	3,219		7,094
9,318	9,726	13,324	13,605		– Net deposits	8,675	9,417	12,493	13,543			29,845
1,731	1,576	2,326	2,041		Commissions and expenses	1,611	1,526	2,181	2,032			4,478
<b>11,049</b>	<b>11,302</b>	<b>15,650</b>	<b>15,646</b>		Shareholders' equity	<b>10,286</b>	<b>10,943</b>	<b>14,674</b>	<b>15,575</b>			<b>34,323</b>
					Subordinated loans	<b>22,667</b>	<b>24,115</b>	<b>32,337</b>	<b>34,323</b>			
					<b>Equity and subordinated loans</b>							
					<b>Equity and subordinated loans</b>							
					<b>in NLG</b>							
0.64	0.65	0.68	0.74	2.71	<b>Figures per common share</b>	0.57	0.61	0.66	0.72	2.56		5.64
16.06	16.74	20.15	20.57		Net income	14.95	16.21	18.89	20.48			
					Shareholders' equity							
1.07419	1.03280	1.06650	1.00460		<b>USD exchange rate</b>							
1.12315	1.08900	1.07120	1.06050		At end of period							
					Weighted average rate							
			2.20371		<b>NLG exchange rate</b>							

1998					USD	1998					EUR
I	II	III	IV	Total		I	II	III	IV	Total	
<b>Net income</b>											
					Life insurance						
388	423	439	507	1,757	(including annuities)	361	388	397	435	1,581	
31	20	36	37	124	Accident & health insurance	29	18	33	32	112	
23	7	8	-1	37	General insurance	21	7	7	-2	33	
26	31	24	37	118	Banking activities	24	29	21	32	106	
-56	-52	-58	-55	-221	Interest charges & Other	-52	-48	-52	-46	-198	
412	429	449	525	1,815	Income before tax	383	394	406	451	1,634	
-96	-101	-108	-125	-430	Corporation tax	-89	-93	-98	-107	-387	
<b>316</b>	<b>328</b>	<b>341</b>	<b>400</b>	<b>1,385</b>	<b>Net income</b>	<b>294</b>	<b>301</b>	<b>308</b>	<b>344</b>	<b>1,247</b>	
<b>Revenues</b>											
4,221	3,702	3,698	4,003	15,624	Life insurance	3,927	3,393	3,337	3,409	14,066	
447	420	400	451	1,718	Accident & health insurance	416	385	361	385	1,547	
297	227	201	209	934	General insurance	276	208	181	176	841	
159	200	182	155	696	Banking activities	148	183	164	131	626	
29	27	27	26	109	Other activities	27	25	25	22	99	
<b>5,153</b>	<b>4,576</b>	<b>4,508</b>	<b>4,844</b>	<b>19,081</b>	<b>Total revenues</b>	<b>4,794</b>	<b>4,194</b>	<b>4,068</b>	<b>4,123</b>	<b>17,179</b>	
5,076	1,161	-3,290	6,456	9,403	Investment income for the account of policyholders	4,722	1,040	-3,060	5,764	8,466	
					Annuities, GICs and savings accounts						
3,101	3,120	2,733	2,739	11,693	- Gross deposits	2,885	2,863	2,464	2,315	10,527	
551	417	-27	-399	542	- Net deposits	513	381	-31	-375	488	
678	746	646	690	2,760	Commissions and expenses	631	685	582	587	2,485	
9,966	9,745	8,635	9,257		Shareholders' equity	9,409	8,998	7,400	7,934		
1,891	1,868	1,921	1,853		Subordinated loans	1,785	1,725	1,647	1,588		
<b>11,857</b>	<b>11,613</b>	<b>10,556</b>	<b>11,110</b>		<b>Equity and subordinated loans</b>	<b>11,194</b>	<b>10,723</b>	<b>9,047</b>	<b>9,522</b>		
<b>Figures per common share</b>											
0.55	0.56	0.59	0.69	2.39	Net income	0.51	0.52	0.53	0.60	2.16	
17.07	16.78	14.86	15.95		Shareholders' equity	16.12	15.50	12.73	13.67		
<b>USD exchange rate</b>											
1.05917	1.08301	1.16672	1.16672		At end of period						
1.07498	1.08237	1.09041	1.11074		Weighted average rate						

## Group Staff Departments and Officers

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### Corporate Actuarial Department

Ad A.M. Kok, senior vice-president

### Group Finance

Joseph B.M. Streppel, executive vice-president

Ruurd A. van den Berg, senior vice-president

### Group Business Development

Alexander R. Wynaendts, executive vice-president

### Group Communications

Gerard van Dongen, senior vice-president

### Group Legal

N. Willem van Vliet, senior vice-president

### Group Tax

Adri D.J. Verzijl, senior vice-president

### Group Treasury

C. Michiel van Katwijk, senior vice-president and Group Treasurer

Robert J. McGraw, executive vice-president, with special responsibility for Investor relations

### Secretaries to the Executive Board

Peter Tuit, company secretary

Richard H. Bolman

## Corporate and Shareholder Information

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### Headquarters

AEGON N.V.

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P.O. Box 202

2501 CE The Hague

The Netherlands

Telephone +31 70 344 32 10

Internet: <http://www.aegon.com>

E-mail: [groupcom@aegon.nl](mailto:groupcom@aegon.nl)

### Stock Exchange Listings

The common shares of AEGON N.V. are quoted on stock exchanges in:

- Amsterdam (AEGN.AS)
- Frankfurt (AEGN.F)
- London (AEGNq.L)
- New York, NYSE (AEG.N)
- Tokyo (AEGON.T)
- Zurich (AEGN.S)

AEGON N.V. stock options are quoted at the AEX-Options Exchange in Amsterdam, the Chicago Board Options Exchange and the Philadelphia Stock Exchange.

### Annual Meeting

The AEGON N.V. Annual General Meeting of Shareholders will be held at AEGON headquarters, Mariahoeveplein 50, The Hague, the Netherlands on Thursday, 4 May 2000 at 2.30 p.m.

### Shareholder and Investor Relations Contacts

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The Netherlands

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#### Group Investor Relations

Telephone: +31 70 344 83 05

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Baltimore, Maryland 21201-5574

#### Investor Relations

Telephone: +1 410 576 45 99

Fax: +1 410 347 86 85

E-mail: [mallwine@aegonusa.com](mailto:mallwine@aegonusa.com)



# Financial Calendar

## Key events in 1999

12 January	Divestiture of Worldwide Insurance (property & casualty unit of the former Providian Corporation)
17/18 February	Announcement of the acquisition of Transamerica in the USA
21 July	Completion of Transamerica acquisition
12 August	Announcement of the acquisition of the UK life insurance activities of Guardian Royal Exchange
12 August	AEGON issues Euro Dollar Bond of USD 300 million principal amount (increased to USD 400 million)
17 August	AEGON issues a public bond of CHF 300 million principal amount
19 August	Private placement AEGON common shares in connection with the purchase of the UK life operations of Guardian Royal Exchange by AEGON UK plc
7 October	Completion of Guardian Royal Exchange acquisition
21 October	AEGON issues a bond of USD 250 million principal amount (increased to USD 350 million)
9 November	Dutch Association of Insurers (of which AEGON is a prominent member) and Dutch Central Jewish Board establish the Shoah Foundation, an independent foundation for individual Holocaust-era insurance claims
3 December	AEGON issues bonds with a total principal amount of GBP 250 million
9 December	Divestiture of NOWM general insurance in the Netherlands
24 December	Acquisition of the life insurer Covadonga in Spain

## Post Balance Sheet Date Events

10 January 2000	Acquisition of NN Life Insurance Company of Canada by Transamerica Canada
21 February 2000	Announcement of the merger of real estate investment fund Amvest in the Netherlands with Rodamco
1 March 2000	Announcement of plans to divest Transamerica's Finance business
2 March 2000	Announcement of Mr. Frank C. Herrerger's intention to step down from the Executive Board
9 March 2000	Announcement stock split (2:1)

## Important Dates in 2000

4 May	Report first three months 2000
4 May	Annual General Meeting of Shareholders
8 May	Start election period optional final dividend (up to and including 15 May)
30 May	Final dividend payable
10 August	Report first six months 2000
14 August	Start election period optional interim dividend (up to and including 4 September)
15 September	Interim dividend payable
9 November	Report first nine months 2000

## Disclaimer

The statements contained in this annual report that are not historical facts, are forward-looking statements within the meaning of the Private Securities Litigation Reform Act. Forward-looking statements are made based upon management's current expectations and beliefs concerning future developments and their potential effects upon the company. There can be no assurance that future developments affecting the company will have those anticipated by management. Actual results may differ materially from those included in the forward-looking statements.

These forward looking statements involve risks and uncertainties including, but not limited to, the following: (1) changes in general economic conditions, including the performance of financial markets and interest rates; (2) customer responsiveness to both new products and distributions channels; (3) competitive, regulatory or tax changes that affect the cost of or demand for the company's products; (4) the company's ability to render its computer systems Year 2000 compliant that may affect the profitability of the company; (5) acts of God; (6) mortality, morbidity and other factors that may affect the profitability of the company's insurance products; and (7) the company's failure to achieve anticipated levels of earnings or operational efficiencies in connection with the merger, as well as other cost-saving initiatives.

## Colophon

### Design

Pauffley, London (UK)

### Photography

AEGON Photo (NL), Peter Howard (US), Richard Anderson (US), Robert Burke (US), Donald McLeman (UK)

### Typesetting

Generator Limited, London (UK), Habo DaCosta, Vianen (NL)

### Printing

Habo DaCosta, Vianen (NL)

### Binding

Hexspoor, Boxtel (NL)