

Reference is made to page 36 for further details on financial highlights.

## Key markets

### GROUP PROFILE

AEGON N.V. is the holding company of one of the world's largest listed insurance groups. The Group's businesses offer a diverse portfolio of products: principally in life insurance, pensions and related savings and investment products; but also in accident, health and general insurance.

AEGON Group businesses encourage product innovation and reward value creation. New products and service initiatives are developed by local business units who understand the needs of customers and partners, and of intermediaries and other distributors, and are offered at the best price thanks to a continuous focus on cost-control.

### 1 USA [www.aegonins.com](http://www.aegonins.com) [www.transamerica.com](http://www.transamerica.com)

NUMBER OF EMPLOYEES 15,011

MAIN OFFICES BALTIMORE AND CEDAR RAPIDS

#### MAIN PRODUCT AREAS

Traditional, universal and variable universal life insurance, fixed and variable annuities, life reinsurance, supplemental health insurance, traditional and synthetic GICs, funding agreements, pensions and 401K plans, bank- and corporate-owned life insurance, mutual funds

#### MAJOR CUSTOMER SEGMENTS

Middle and upper income individuals, businesses and institutions

#### DISTRIBUTION CHANNELS

Independent and employee agents, marketing companies, financial institutions, brokers/dealers, wirehouses, affinity groups, direct response, worksite marketing, institutional clients

#### Key competitive strengths

- Market leader in nearly every business segment
- Products distributed through diverse, broad-based channels of distribution
- Broad product offerings; balanced mix of businesses
- Efficient, targeted product development, coupled with advanced actuarial and administrative systems
- Strong financial position, highly rated companies
- Decentralized decision-making, supported by streamlined, low cost operations

#### Key priorities for 2002

- Realize operational synergies through increased co-operation, more effective use of IT combined with cost control
- Identify new markets and opportunities
- Build on established market leadership positions
- Improve alignment of back-office operations



### 2 CANADA [www.transamerica.ca](http://www.transamerica.ca)

NUMBER OF EMPLOYEES 744

MAIN OFFICE TORONTO

#### MAIN PRODUCT AREAS

Traditional, universal and term life insurance, segregated funds, annuities and professional portfolio management

#### MAJOR CUSTOMER SEGMENTS

Middle and upper income individuals, pension customer segments

#### DISTRIBUTION CHANNELS

Independent advisors, employee agents, brokers, financial institutions, Money Concepts franchises

#### Key competitive strengths

- A market leader in the sale of individual life insurance and segregated funds; broad product portfolio
- Strong management philosophy
- Largest network of independent advisors across Canada
- Team approach and commitment to service
- Efficient development and targeted marketing of financial services products

#### Key priorities for 2002

- Strengthen distribution partnerships
- Further develop strategic alliance partner markets
- Continued development of innovative life insurance and segregated fund products and the development of an institutional client base
- Further develop a diversified multi-brand strategy

### 3 THE NETHERLANDS [www.aegon.nl](http://www.aegon.nl)

NUMBER OF EMPLOYEES 2,967

MAIN OFFICES THE HAGUE AND LEEUWARDEN

#### MAIN PRODUCT AREAS

Individual and group pension and life products, asset management, mutual funds, third party pension scheme administration, general insurance

#### MAJOR CUSTOMER SEGMENTS

Middle and upper income individuals, businesses

#### DISTRIBUTION CHANNELS

Independent intermediaries, agents, brokers, internet, financial institutions

#### Key competitive strengths

- Broad product range, innovative organization
- Professional sales network

#### Key priorities for 2002

- Expansion life activities
- Improve process efficiency through training and better customer risk profiling for agents

### 4 UNITED KINGDOM [www.aegon.co.uk](http://www.aegon.co.uk)

NUMBER OF EMPLOYEES 4,646

MAIN OFFICE EDINBURGH

#### MAIN PRODUCT AREAS

Individual and group pension and life products, asset management, mutual funds, third party pension scheme administration

#### MAJOR CUSTOMER SEGMENTS

Middle and upper income individuals and businesses

#### DISTRIBUTION CHANNELS

Independent intermediaries

#### Key competitive strengths

- Financial strength to compete at the forefront of the financial services industry
- Long-term investment performance
- Experienced provider with a quality image
- Flexible structure to maximize new business opportunities

#### Key priorities for 2002

- Take full advantage of growth opportunities
- Full integration of IT-systems to improve efficiency and accessibility of services and to reduce expenses
- Continue to take advantage of 'flight to quality' in UK market
- Develop institutional investment business, particularly fixed interest mandates

### 5 HUNGARY [www.aegon.hu](http://www.aegon.hu)

NUMBER OF EMPLOYEES 741

MAIN OFFICE BUDAPEST

#### MAIN PRODUCT AREAS

Life, pension and household insurance, asset management

#### MAJOR CUSTOMER SEGMENTS

Middle and upper income individuals

#### DISTRIBUTION CHANNELS

Independent intermediaries, tied agents, direct marketing, franchise sales force, worksite marketing, internet, joint ventures

#### 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, the key distribution channel
- Excellent cost and margin control

#### Key priorities for 2002

- Emphasis on profitability, while retaining sales leadership
- Introduction of new sales channels
- Update and renew IT and internet access
- Investigate growth opportunities elsewhere in the region

### 6 SPAIN [www.aegon.es](http://www.aegon.es)

NUMBER OF EMPLOYEES 745

MAIN OFFICE MADRID

#### MAIN PRODUCT AREAS

Life, general and health insurance

#### MAJOR CUSTOMER SEGMENTS

Middle income professionals in urban locations

#### DISTRIBUTION CHANNELS

Independent intermediaries, agents, brokers, internet, financial institutions

#### Key competitive strengths

- Broad product range, innovative organization
- Professional sales network

#### Key priorities for 2002

- Expansion life activities
- Improve process efficiency through training and better customer risk profiling for agents

## Executive Board and staff departments AEGON N.V.



The Executive Board from left to right:  
Kees J. Storm, Donald J. Shepard, Paul van de Geijn, Joseph B.M. Stroppel

**Paul van de Geijn** started his career at one of AEGON's predecessors in 1971 at the legal department. In 1984 he became Vice-President and in 1986 CEO of AEGON The Netherlands. In 1992 he joined the Executive Board of AEGON N.V.

**Donald J. Shepard** began his career with Life Investors in 1970. Serving in various management and executive functions with Life Investors, he became Executive Vice-President and Chief Operating Officer in 1985, a position he held until AEGON consolidated its other US operations with Life Investors to form AEGON USA in 1989. He became a member of the Executive Board in 1992 and he is also Chairman, President and CEO of AEGON Americas. On 18 April 2002 he will become the new chairman of AEGON N.V.

**Joseph B.M. Stroppel** started his career in 1973 at one of AEGON's predecessors, and has served in several treasury and investment positions. In 1986 he became CFO and in 1987 he joined the Executive Board of FGH Bank. In 1991 he became CEO and Chairman of Labouchere and in 1995 also of FGH Bank. In 1998 he became CFO of AEGON N.V. Since May 2000 Jos Stroppel has been a member of the Executive Board of AEGON N.V.



Corporate Actuarial  
Ad M. Kok



Group Business Development  
Alexander R. Wynaedts



Group Communications  
Gerard van Dongen



Group Finance &  
Information  
Ruurd A. van den Berg



Group Legal  
Erik Lagendijk



Group Tax  
Adri D.J. Verzijl



Group Treasury  
C. Michiel van Katwijk



Group Treasury  
Investor Relations  
Robert J. McGraw



Company Secretary  
Peter Tuit

The eight Group Staff departments have specific areas of attention, defined by the Executive Board. They work for the whole Executive Board and, if so requested, for individual members. Each Head of a Group Staff department formally reports to an individual member of the Executive Board. AEGON's Group Staff consists of some 100 people of different nationalities and is based in The Hague, the Netherlands.

2001

## creating better futures

Throughout AEGON's multi-national, multi-cultural, multi-branded businesses one element stands as an absolute constant: our desire to create better futures for our customers.

We must always deliver products and services that meet the needs of our customers more closely than any of our competitors, whether that means helping them save for later, bringing added security to their lifestyle or accumulating assets.

That is why we give all AEGON businesses the freedom to organize themselves around the customers they serve: to stay close to their needs, to respect local markets, to be flexible and responsive to their ever-changing requirements.

In a world of complexity it is always good to remind ourselves of the basic goals that underly our business, which is why we have chosen 'creating better futures' as the overall theme for this year's annual report.

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## Supervisory Board



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

### **M. TABAKSBLAT (DUTCH) – CHAIRMAN**

**Chairman of Reed Elsevier PLC and a retired Chairman and CEO of Unilever**

He was appointed in 1990; his current term expires in 2005. He is Chairman of the Compensation and Nominating Committees and a Member of the Audit Committee.

### **H. DE RUITER (DUTCH) – VICE-CHAIRMAN**

**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 2004. He is a Member of the Audit, Compensation and Nominating Committees.



### **D.G. EUSTACE (BRITISH)**

**Chairman of Smith+Nephew plc (London, UK) and former**

**Vice-Chairman of Royal Philips Electronics N.V.**

He joined the Board in 1997; his current term will end in 2005. He is Chairman of the Audit Committee.

### **O.J. OLÇAY (AMERICAN)**

**Vice-Chairman and Managing Director of Fischer, Francis,**

**Trees & Watts, Inc. (New York, USA)**

He joined the Board in 1993; his current term will end in 2004. He is a Member of the Nominating Committee.



### **K.M.H. PEIJS (DUTCH)**

**A Member of the European Parliament**

She was appointed in 1992; her current term expires in 2004. She is a Member of the Nominating Committee.

### **G.A. POSTHUMUS (DUTCH)**

**A Member of the Council of State in the Netherlands**

He joined the Supervisory Board in 1997; his current term expires in 2003, when he will reach the statutory retirement age of 70.

### **T. REMBE (AMERICAN)**

**A Partner of Pillsbury Winthrop LLP (San Francisco, USA)**

She joined the Board in 2000; her current term will end in 2004.



### **W.F.C. STEVENS (DUTCH)**

**A Senior Partner of Baker & McKenzie; a Member of the Dutch Senate.**

He joined the Board in 1997; his current term will end in 2005.

### **F.J. DE WIT (DUTCH)**

**Former Chairman of the Executive Board of N.V. Koninklijke KNP BT**

He was appointed in 1990; his current term will end in 2004. He is a Member of the Compensation Committee.

Further details are available on page 100.

## ROLE OF SUPERVISORY BOARD

The main duties of the Supervisory Board are supervising the Executive Board's management and advising the Executive Board. According to Dutch corporate law the Supervisory Board, through their three specialized committees, decides on Executive Board nominations, resignations and compensation. The Board also approves the quarterly and annual accounts and supervises internal control procedures and accounting principles. In the year under

**It is with satisfaction that we report on yet another positive year for AEGON, with growth delivered successfully despite global economic deterioration and financial market volatility. In a year of continuous challenges, we applaud the achievements of Group management and staff worldwide.**

During 2001 the Supervisory Board occupied itself with the fundamental responsibilities with which it is charged under Dutch corporate law, including, in particular, the composition of the Executive Board, corporate governance and group strategy. In our deliberations we worked closely with the Executive Board and Group staff, with the Central Works Council of the Netherlands and with external parties including the auditors. A formal report of the Supervisory Board's activities will be found on pages 96 and 97.

Over the course of the year we reviewed and supported the Executive Board's active decisions on acquisitions and divestitures. These included the acquisition of JC Penney's direct marketing operations and the subsequent share issue, as well as the acquisition of the World Financial Group in the USA and the insurance portfolio of AXA Life Taiwan. We also approved the disposal of the joint ventures in Mexico, after AEGON's partner Banamex was acquired by Citigroup.

## CORPORATE GOVERNANCE

The pending changes in Dutch corporate law, which would amend the basis for 'structure companies' and affect the responsibilities of the Supervisory Board, led to active discussions about AEGON N.V.'s position. As a result, alterations to the company by-laws are being considered to further advance the transition of the company to truly international status. We took active interest in development of AEGON policies on fair value, embedded value, dividends provisioning and the group-wide risk management report. The Audit Committee also reviewed Ernst & Young's fee and independence, prior to advising on the firm's reappointment as external auditor for another year. See also pages 98 and 99.

## EXECUTIVE BOARD CHANGES

On 18 April 2002, Kees J. Storm will step down as Chairman of the Executive Board and retire on 1 July 2002. AEGON has benefited from his strong and charismatic leadership for

review, the decision was made to establish a fourth committee to focus on issues relating to corporate strategy.

## COMMITTEES

The Supervisory Board has three separate committees from among its nine members. These are the Nominating, Audit and Compensation Committees. In 2002 a fourth committee, the Strategic Committee, will be established. Further details are available on page 96.

nine years, in which time the company has grown into one of the world's largest and most profitable life insurers. We are deeply grateful for his involvement with AEGON and its precursor companies dating back to 1978 and for the strong values he has fostered within the business: team spirit, striving for excellence, and dedication. We look forward to working with him as a colleague on the Supervisory Board.

Donald J. Shepard will take over as Chairman of the Executive Board. He began his life-long career in insurance at one of the AEGON USA predecessor companies, has built AEGON USA into AEGON's largest contributor and has been a member of the Executive Board since 1992. We are convinced that AEGON will be in good hands under his chairmanship, while the appointment of the first non-Dutch CEO confirms the status of an international company. We are confident this smooth handover of leadership guarantees a continuity in management style and strategy, ensuring that AEGON's highly successful core values remain unchanged.

To fill the vacancy that will result from the stepping down of Kees J. Storm, the Supervisory Board intends to appoint Johan G. van der Werf as a member of the Executive Board as of 18 April 2002.

## SUPERVISORY BOARD CHANGES

The year also saw changes to the Supervisory Board with the retirement of Jaap Peters, the former AEGON Executive Board Chairman, and the resignation in December of Sir Michael Jenkins. We thank these gentlemen for their long and excellent service. As stated, the Board intends to appoint Kees J. Storm on 1 July 2002.

In order to strengthen our Board's support to the AEGON Executive Board, we are establishing a fourth committee, alongside the existing Nominating, Audit, and Compensation Committees, to focus specifically on issues relating to corporate strategy.

In the current year, AEGON will face further challenges posed by an unpredictable business climate. We are confident that the Group remains strong and well-positioned to extend its unbroken record of growth and achievement.

The Hague, 7 March 2002  
On behalf of the Supervisory Board,  
Morris Tabaksblat, Chairman

## Report of the Executive Board



The AEGON Executive Board from top:  
Donald J. Shepard, 55 (American),  
Kees J. Storm, Chairman, 59 (Dutch),  
Paul van de Geijn, 55 (Dutch),  
Joseph B.M. Streppel, 52 (Dutch)



### Strategy

#### COMMITMENT TO CORE BUSINESS

Insurance, with a strong emphasis on life insurance, 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.

### MISSION

AEGON touches the lives of millions of people around the world in many different ways. Our goal is to help them all create better futures. Our actions in doing so are driven by: respect, responsibility, ambition and clarity.

For our **customers** this means delivering products that provide financial protection and asset accumulation and a service level that is the best practice among our peers.

For **stockholders** the emphasis must be on achieving attractive shareholder returns and high levels of security and reassurance through the clarity of our strategy, the quality of our management and our strong financial track record.

For our **employees**, the people who make our business the unique story it is today, we strive to create a thriving, energetic business culture in which personal respect is encouraged, performance rewarded, training of staff is encouraged and the human side of our business comes first.

For the **intermediaries and agents** who sell our products in the market, creating better futures means giving them the market information, low operating costs and flexible administrative systems they need to deliver the best service to their customers.

For the many other trusted AEGON **partners**, it means generating new ideas and services that provide mutual benefit and creating partnerships based on clarity, honesty and integrity.

For all of the **other stakeholders** in our business, we want to work hard to recognize and accept our wider responsibilities to the communities and environments in which we do business. We believe that a constructive approach to assure sustainable performance is essential in creating better futures for us all.

**AEGON's strategy and structures, which have been successful in good times, proved their worth under decidedly less favorable circumstances last year in an adverse environment characterized by weak economic growth and a negative investment climate worldwide. Though not immune to these influences, we delivered a 16% increase in net earnings and a 12% rise in net earnings per share, so ensuring a nineteenth consecutive year of earnings growth.**

This continuing growth and outperformance is attributable to AEGON's disciplined focus on life and pension products, its financial strength and its decentralized organization's ability to adapt and innovate. Now one of the world's largest life insurance companies measured by premium income, and one of the top five insurers by market capitalization, AEGON is reaping the rewards of its clear strategy, successful entrepreneurial approach and cohesive, empowering culture. With 85% of premium income now derived from life and pension products, AEGON has built its success in countries and markets it knows well, where our local companies enjoy or are on their way to achieving top five positions based on their ability to attract and satisfy customers. In our chosen markets, companies in the AEGON Group are increasingly identified as the life and pension providers of choice, providing a solid base on which to build our future.

2001 also underlined the strengths of a highly distinctive group culture. Sharing expertise and information on core products and markets, AEGON professionals showed the benefits of cohesion within their decentralized environment. For a people-based business such as ours, intangibles such as the AEGON culture and values – above all our commitment to respectful entrepreneurship – are tangible elements of our Group. AEGON's commitment to the 'three Ps' – people, planet and profit – was confirmed by our inclusion in the Dow Jones Sustainability Index of listed companies. The Index is used as a benchmark for financial products based on the concept of corporate sustainability. The initiative for a multi-disciplinary research program on sustainable corporate performance (see page 19) to analyze and quantify the implications of sustainability, underscores the importance that we place on being an exemplary corporation.

The theme of this year's Report – creating better futures – is especially appropriate for an Executive Board whose leadership is changing, yet firmly committed to the continuity of AEGON's core values and direction, as we have done for many years. The Report also contains discussion of six core contributors to our 2001 results: our decentralized

organization; balanced product lines; emphasis on value; multi-branded/multi-channel distribution; technology and corporate responsibility. These strengths will enable the Executive Board and their new chairman to embrace growth opportunities.

There have been two consecutive years of world economic weakness – exacerbated by the effects of the terrorist attacks of 11 September and the difficult investment climate – and ongoing industry-wide challenges such as pressure on margins, regulatory burdens and credit quality. In all of our markets, we face an uncertain and difficult environment that weighs on our short-term growth prospects.

#### **STRONG UNDERLYING DEMAND**

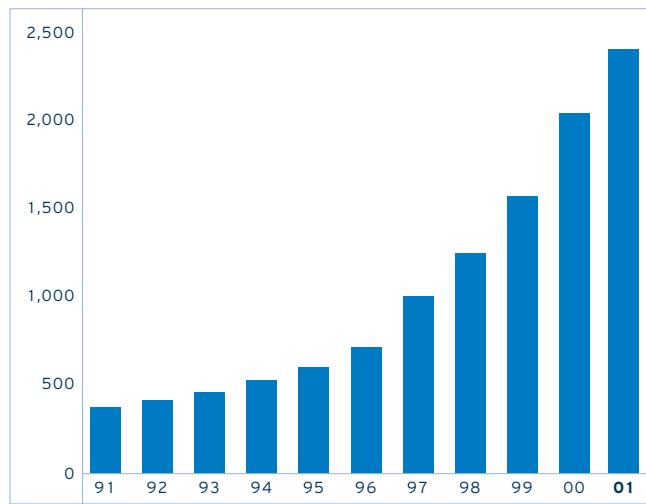
The macro-economic factors driving the life and pension markets we serve – demographic trends, changes in traditional social security systems and a reaffirmation of the value of insurance protection – continued to create opportunities, throughout the Group in 2001. The shift by customers toward more risk-averse fixed return instruments and away from unit-linked products was especially noteworthy. AEGON's well-balanced product portfolio and flexible, responsive marketing enabled it to adjust to and profit from these changes. Similarly, balance and flexibility should allow us to benefit from the underlying growth in life and pension demand, particularly with a return to better economic times.

#### **OPPORTUNITIES WORLDWIDE**

After a period of strong growth and several major acquisitions, AEGON Americas' companies are well placed to consolidate and exploit leadership positions while streamlining operations and realizing cost synergies. With the acquisition of JC Penney's direct marketing activities last year, AEGON is now the world's largest direct supplier and marketer of supplementary life and health insurance products. The integration of AEGON USA's and JC Penney's direct marketing activities into AEGON Direct Marketing Services marks a major step forward in direct sales technology that will be applied in the USA and other countries. The new organizational structure adopted by AEGON USA last year will facilitate cooperation among the various companies, while keeping decision-making close to the market. AEGON Canada is diversifying its distribution and product portfolio in the wealth accumulation market. Following the acquisition of Banamex by Citigroup in 2001, AEGON sold its joint venture interests back to Banamex, yielding a substantial capital gain. The economics and overall experience in

## Report of the Executive Board

**Net Income** in EUR million



Mexico were extremely positive, and AEGON continues to be attracted to prospects in the Mexican insurance and pension market.

The migration toward private pension systems and greater investment awareness of populations in the core EU economies hold significant promise. Acquisition opportunities are expected to arise from consolidation and, in certain cases, eventual demutualization. Here AEGON's specialized expertise, careful acquisition approach and balance sheet strength makes it an ideal partner. Innovative savings products such as those being developed in the collaboration between AEGON The Netherlands and food retailer Albert Heijn – or offered by Spaarbeleg/MoneyMaxx will help further expansion in European markets. AEGON UK continues to broaden its business base, leveraging its leadership position in pensions. While there is still uncertainty about the effects of potential regulatory change, AEGON UK will be ready to respond to new challenges in the British financial services industry. With AEGON Hungary we have a solid base for expansion in Central Europe as these new European economies develop. Finally, the positioning of AEGON Asset Management in the Netherlands and the UK offers further opportunity for growth. In Asia, operations in Taiwan are growing quickly. In mainland China AEGON was awarded a license during 2001 and is negotiating with a local partner as a prelude to opening up operations in a leading city within this highly promising new market.

This will be my final report as Chairman of the Executive Board, as Donald J. Shepard – member of the Executive Board and President, Chairman and CEO of AEGON USA – will take over as Chairman of AEGON N.V. effective 18 April 2002. Though our core values remain constant, AEGON has

undergone extraordinary change over the last nine years, and Don Shepard's appointment is a fitting symbol of our transition from a Dutch insurer to an international Group. As of 18 April 2002, the date of the Annual General Meeting of Shareholders, a new colleague will join the Executive Board, Johan G. van der Werf, currently a member of the Management Team of AEGON The Netherlands. He is a person with great expertise and experience in the insurance industry and he will be an excellent addition to the team.

I am proud of the changes we have seen: an eight-fold increase in market capitalization; a continuous renewal of the product offering so that three quarters of our 2001 sales came from products that did not exist when I became Chairman in 1993; a series of successful and sometimes record-breaking acquisitions, along with the divestitures of businesses that no longer fitted with our strategy.

But I am equally proud of the things that have not changed: a decentralized, restless organization with a bias towards action, focused and dedicated employees with great initiatives; a sound growth record; long, mutually beneficial relationships with our key distribution partners; excellent ratings and disciplined financial management; and most importantly, an increasingly self-confident culture of shared success reflected in our motto: 'Respect People, Make Money, Have Fun'.

### CHALLENGES AND PRIORITIES

Notwithstanding our many successes to date, a host of challenges await AEGON's management team, notably in the form of margin pressures, increased regulatory burdens, risk management related issues, but also new opportunities. I am confident our leadership is equipped to address these challenges.

Maintaining and managing a high quality investment portfolio is more difficult in today's volatile economic environment, as evidenced by the unexpected collapse of Enron, a highly rated company ranking among the ten largest US companies. Despite our high quality investment grade bond portfolio at AEGON USA, we are not immune to the market-wide increase in corporate default losses. Greater coordination of asset management operations and information sharing has become a higher priority in this volatile investment climate.

Due to continual regulatory changes impacting many facets of our business, the cost of compliance remains an ongoing issue. Policyholder information requirements, litigation liability and the gradual emergence of new accounting standards for the European market all make increasing demands on time and company budgets. New Dutch legislation has been proposed which would

require changes in our revaluation reserve and corporate governance. In addition, the introduction of the euro, though faultlessly implemented and no doubt a positive development over the long term, has proved costly in the short term.

A more structural problem is the generalized decline in margins due to increased competition affecting the financial services industry. To cope with this, resourceful marketing, disciplined cost control and continually staying alert to underperforming activities will all remain priorities in 2002. In regional terms, AEGON USA's priority for 2002 is to streamline its activities, to increase efficiency and lower costs, while keeping alert to potential acquisitions. AEGON Canada will develop broker/dealer networks and expand distribution capabilities. AEGON The Netherlands will concentrate on continued product development and innovation. AEGON UK's main challenge is full integration of its new IT system and reducing expenses. AEGON Hungary will focus on extending its sales channels and retaining sales leadership. AEGON Spain's efforts will focus on building scale, especially in life insurance. In Asia, AEGON Taiwan expects to move into profit while the greenfield China operation will work to launch commercial activities.

#### OUTLOOK

Due to economic uncertainty and volatile financial markets, a wide range of earnings forecasts for 2002 is possible. However, we have a positive outlook for the underlying growth of our core business. Therefore, barring unforeseen circumstances, net income and net income per share for 2002 are expected to be at least equal to the 2001 earnings.

On behalf of the Executive Board

Kees J. Storm, Chairman

#### ON STEPPING DOWN

Working with people is great. Within AEGON I had the opportunity to enjoy that on a daily basis. Not in an ivory tower and distanced from the shop floor, but from up-close. It all contributed to building a fantastic Group and creating better futures for all stakeholders involved.

I found it a privilege to know a lot of people within the AEGON organization personally, thanks in part to the yearly Optiek meetings, which gave us on the Executive Board the opportunity to meet our employees worldwide. These events allow us to successfully share the AEGON culture and strategy around the world.

Don Shepard, who has been a friend and colleague for over twenty years, will take over. Don is a professional with over thirty years of experience and enjoys working with people. With great confidence, I hand over the 'conductor's baton' of our AEGON (jazz)band to him. There will be ample challenges for him and for the entire AEGON Group to meet and resolve.

My own challenges will concentrate on a new era in my life, yet I will remain closely connected with the developments of the AEGON Group.

Kees J. Storm

# decentralized organization

Though propelled by global trends and universal needs, insurance and pensions remain essentially local businesses, shaped by local regulations, taxes, customs and market forces. This requires local management and local expertise. AEGON's decentralized organization is designed to provide this, while fostering a free exchange of ideas and information throughout the Group.

## 6

### Second average response time at call centers



Throughout the Group customer service and effectiveness of sales staff were reviewed and initiatives were made to improve effectiveness, based on the principle that customers must be able to fulfill their demands quickly and easily and at the appropriate cost levels.

This meant that AEGON companies in some cases partnered with distribution channels that have made the decision to outsource their administrative activities or, in other cases, drew on available resources or were taken in-house such as various call center facilities.

In addition to this, new web-based information serviced the Group's customers. Both more efficient administration and a skilful application of outsourcing have cut error rates and response times.



The traditional model of insurance was built around a limited product range and strongly centralized administration. As consumers have become increasingly knowledgeable and demanding, AEGON's ability to provide informed advice and responsive service tailored to each individual client's situation proved an essential ingredient in its success. Customers in different regions or economic strata require different products and prefer different distribution channels. AEGON's decentralized organization is built to satisfy all these needs.

The decentralized organization must also deliver economies of scale to win market share as lowest cost producer. Therefore, to optimize efficiency and control costs, all of AEGON's country units are looking for opportunities to localize the front-office where agent or other intermediary interaction take place with the customer, yet standardize and concentrate policy and back-office systems where IT, communications, internal reporting, regulatory compliance and other management support functions are overseen. This approach affords efficiency, quality and cost effectiveness in a customer-responsive, decentralized organization.

# 15.5

## US Enterprise Client System



AEGON USA's Enterprise Client System is an ambitious program to create an integrated, company-wide database to provide a comprehensive overview of each client's relationships with all AEGON entities.

This is a strategic priority focused on integrating technology and delivery channels to provide customer services when and where it is most convenient. Building a common customer database enables AEGON USA to organize the vast amount of information it has on its customers, access it more efficiently and use it to improve service in all customer transactions. The project, which includes important privacy and security safeguards, is an important step in AEGON USA's ability to deliver services seamlessly to 15.5 million customers across multiple platforms.

Furthering cooperation within the decentralized organizational structure is a growing willingness to share information, expertise and resources in pursuit of common objectives; an outgrowth of the developing web of personal relationships developed whenever AEGON professionals gather to reinforce a culture of cohesiveness and shared values. Besides exchanging ideas and information this internal cooperation is increasingly important as a driver of new business.

With the continuous development of new products, services and distribution models, and with the steady strengthening of relationships within the AEGON organization, the outlook is for further cooperation based on shared objectives and natural synergies.

## AEGON Bank

A number of business units of AEGON The Netherlands have developed banking and investment products for both private and corporate markets. In order to support and accelerate these activities, AEGON Bank has been established to accommodate product development, administration, reporting and risk management processes and to facilitate multi-currency and multi-lingual options. AEGON Bank enables the business units to focus on marketing, sales and client services from a central platform. The business units retain the benefits of a decentralized operation, while working closely with their customers in all their different market segments.

AH Geldzaken, the collaboration between Albert Heijn and AEGON The Netherlands, with more than 200,000 customers, also uses the infrastructure of AEGON Bank. The most recent example – introduced in the beginning of 2002 – is an investment product developed by AEGON Pensioen en Advies, which provides the opportunity for employees of large group pension contracts to invest their pension premiums in a number of AEGON funds according to their own preference.





# 50%

## Traditional products balance the portfolio

Traditional insurance products regained leadership in 2001, in sharp contrast to the trend of recent years that has increasingly favored variable universal life and variable annuities.

The shift back in the direction of traditional policies reflected the needs of consumers seeking to lower risk while meeting their capital preservation needs. The AEGON USA companies saw a near 50% upturn in fixed annuity deposits and synthetic GIC production nearly doubled. The story was repeated in the Netherlands, where gross savings deposits rose 21%. Even the UK, where equity investments have traditionally dominated, there was a shift toward products with a lower risk element – a trend that AEGON Asset Management UK was able to anticipate.



For most of the past decade, positive 'Baby Boomer' demographics coincided with a prolonged rise in global equity markets, prompting record numbers of consumers to favor variable products, where the investment risk remains with the client, as opposed to traditional fixed insurance products.

With its close focus on the customer, AEGON kept abreast of this trend to become one of the leading variable life providers in all of its markets. However, AEGON always recognized that no single product type could satisfy demand or be suitable for all economic conditions. So while adding new variable products to their range, AEGON companies also offered traditional term, whole and universal life products to those clients more interested in protection than investment.

And in a year of economic downturn, when the mood of financial markets swung sharply so that performance became less of a priority than capital preservation, the AEGON product strategy again proved its worth. For years, variable products have been favored, last year sales of traditional products moved ahead well as customers became more risk averse.

Backed by a diversity of distribution channels, AEGON's broad product mix ensured that virtually all operating units were competitively positioned to exploit this shift in sales towards lower risk products. AEGON's balanced product mix remains a key advantage in changing market conditions.

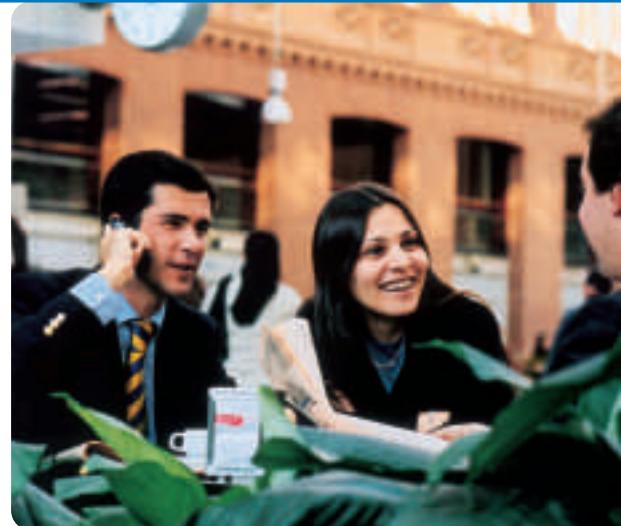
In the Americas, sales of fixed annuities, guaranteed investment contracts (GICs) and funding agreement deposits hit record levels. New annualized premium declined 16%. In the UK AEGON Asset Management UK added a range of fixed income investment capabilities, garnering several industry awards and new mandates that justify the ambitions in this area. Likewise in the Netherlands, AEGON saw a growth in market share for savings products, while sales of pension products also benefited strongly.

This balanced product portfolio is mirrored by AEGON's balanced approach to portfolio investment. Investment strategy is geared toward long term and relatively stable returns based on careful matching of

# through balanced products

assets and liabilities. Nearly half the EUR 251 billion of investments shown on AEGON's balance sheet is self-directed by the clients, making use of a wide variety of available investment options according to individual risk-reward profiles. EUR 131 billion is managed by AEGON for its general account, largely by means of a high quality investment grade fixed income portfolio.

The portfolio for general account felt the effects of the highly volatile economic environment of 2001, characterized by unexpected corporate failures and rapid depreciation of credit ratings resulting in EUR 608 million (USD 545 million) in charges against the provisions for asset impairments in AEGON USA. Measured over the longer term, AEGON's credit quality experience remains good, with an average of just 20-30 basis points of default exposure.



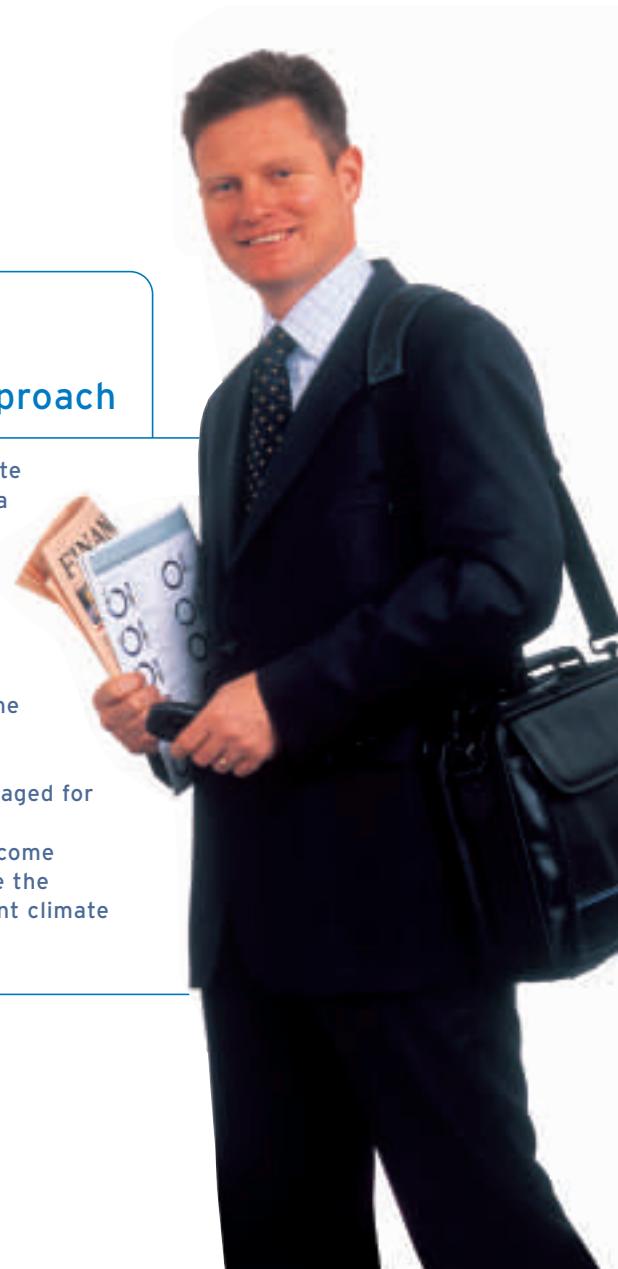
# 251

## Balanced investment approach

Notwithstanding the effects of corporate bankruptcies, increased volatility, and a general decline in credit quality during the year, AEGON's investment approach continues to be geared towards generating stable long-term returns.

This applies to all asset categories managed by AEGON: investments for the account of policyholders, investments linked to AEGON's long term product liabilities, and increasingly, assets managed for third parties.

By focusing on high quality fixed income assets, AEGON worked hard to mitigate the worst effects of the negative investment climate last year.



# through emphasis on value

## 1

### Creating value for financial intermediaries



AEGON UK has been a key respondent in the ongoing dialogue with government over proposals to restructure the UK

retirement savings market both at group and individual level through the introduction of stakeholders pensions.

While active debate continues over how best to distribute these mass-market pension and savings products, Scottish Equitable – the largest company within AEGON UK – has focused on helping its independent financial advisor partners to serve the corporate stakeholders market, taking advantage of a need for quality advice.

In addition, AEGON UK will position its operations to succeed ahead of regulatory and other industry changes and will deliver technology-based solutions to improve efficiency and accessibility.



Nineteen unbroken years of profit growth underline AEGON's commitment to long-term value creation. AEGON delivers value through the implementation of a clear and consistent strategy that is focused on meeting the financial protection and asset accumulation needs of its clients.

Commitment to this core business, together with a decentralized approach giving a high degree of autonomy to country and business units, is matched by unyielding emphasis on profitability and capital strength. AEGON supplements autonomous growth with selective acquisitions that meet strict performance criteria and methodically divests underperforming or non-core assets.

The drive to create better futures – for customers, for shareholders, for the company, and for all those working for it – lies at the heart of AEGON management philosophy.

For shareholders, the target is above-average growth in earnings per share through disciplined adherence to a clear strategy. Consistency and reliability in earnings forecasting is a particular source of pride. Investor and Group communications was strengthened and broadened

through expanded web-based distribution of information, including the publication of all Group press releases, the possibility to view press and analyst meetings real time and the opportunity to download various presentations. Recently independent research into 200 large European companies showed that 50% of private investors use the company's web site to satisfy their information needs.

For customers, the AEGON commitment to providing value means that both individuals and groups should be able to fulfill their needs for protection, savings, pensions or investments at the desired level of cost and service. Multiple brands and distribution channels ensure every customer has access to the most appropriate products delivered in the most convenient manner.

Intermediaries and agents also benefit from the AEGON value commitment, which supports them in serving their clients with the aid of flexible administrative systems, low cost products and training to improve market insight.



AEGON supports these and other partners by generating ideas that offer real mutual benefit and clarity.

For AEGON staff, the chance to thrive in an organization committed to excellence and professionalism is clearly valued, as is a stock option program covering virtually all employees. Through a range of informal and formal programs, including the company's own Inner Circles, AEGON University and international (management) conferences, managers and key staff come together to share ideas and learn from each other. As personal relationships develop, so do business dealings across divisional borders.

AEGON is a dynamic and driving group of companies that actively rewards value creation and product innovation. Business units develop new products and service initiatives, maintaining close contact with customers, partners, intermediaries and distributors, to respond to their needs.

As retirement planning and life insurance are by definition long-term activities, the AEGON emphasis on value includes the assurance that whatever structural changes markets may experience, customers benefit from products offering maximum flexibility and reliability.

AEGON's commitment is to offer innovative, flexible, and high quality products that are backed by a Group with a reputation for quality, reliability, and performance.



## Embedded Value

Embedded Value has long been used by AEGON to monitor the performance of insurance contracts and as an important internal aid to pricing and cost structure management. AEGON believes Embedded Value to be an important management tool. Embedded Value is defined as the present value of future distributable earnings of the existing book of business, after taking into account solvency requirements and tax liability.

Many insurers, including AEGON, do not disclose their Embedded Value results. AEGON believes a better set of ground rules is needed if this is to become a generalized tool for measuring insurance industry profitability. So, AEGON is working to achieve industry-wide guidelines to permit meaningful benchmarking, similarly, to ensure that International Accounting Standards, under discussion, will arrive at a consistent and transparent reporting standard for financial institutions. Such a standard should enhance comparability amongst insurance companies and should result in a level playing field with other financial institutions like banks.

# multi-branded distribution channels

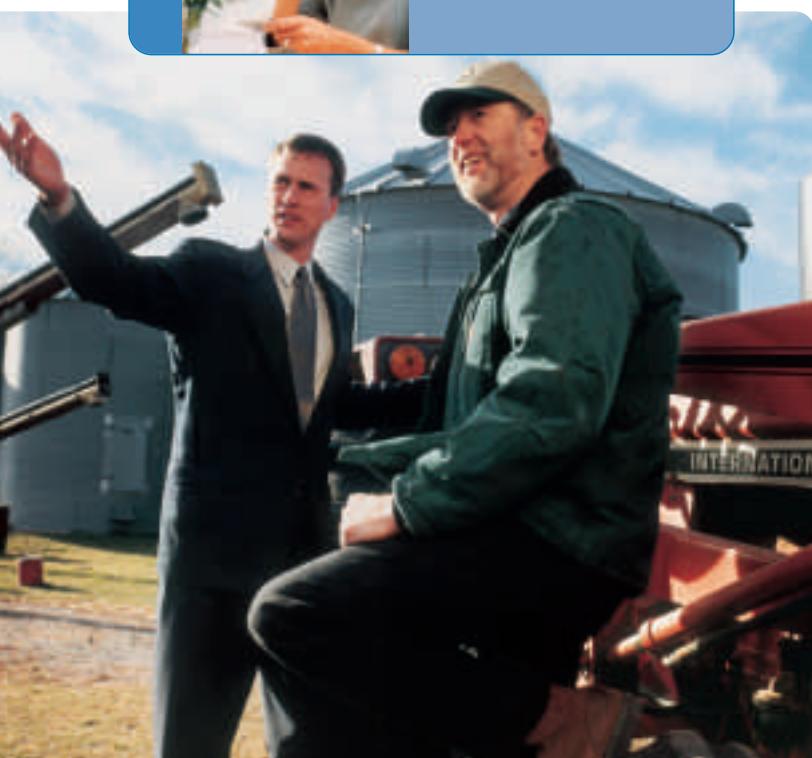
# 18,000

## Growing our presence in Canada

In 2001 AEGON took another step in growing its presence in the Canadian market through its acquisition of National Financial Corporation, parent company of Money Concepts (Canada) Ltd., a national network of franchisees and representatives offering mutual and segregated funds and several life insurance products.

Money Concepts is the largest franchised financial planning company in Canada.

Money Concepts is an excellent fit. It provides AEGON Canada with a mutual fund dealer that can be leveraged to meet the needs of Money Concepts franchise owners and their representatives, while at the same time extending the availability of these dealership services to Transamerica Life Canada's 18,000 independent distributors across Canada.



The steady growth of AEGON's core business, together with new activities resulting from acquisitions, has created an organization over the years that is broadly diversified in terms of products, brands, and distribution channels.

Notwithstanding the emergence of e-commerce in some sectors of our business, life insurance, pensions and investments are mostly sold and serviced through professional intermediaries. They remain the traditional preferred distribution channel thanks to their thorough understanding of these sophisticated products and long-standing client relationships and continue to be the leading distribution channel for AEGON's core products in all of its national markets.

Associating different brands with particular market segments served by particular distribution channels, AEGON uses its brand diversity as a way of growing and serving new and attractive niches in every market. This increases customer choice, while ensuring steady expansion of the business in each country or market. The Group's companies offer life and investment products at various steps in the value chain, from wholesale investment contracts and reinsurance to private label products sold by independent financial institutions, through affinity groups and pension plan sponsors, and directly to individual clients via intermediaries or direct marketing. Market segments are served by specifically designed product lines and distribution that match the level of cost and service required by customers to fulfill their insurance, pension or investment needs.

Companies joining the AEGON Group typically retain their own distinctive brand appeal with customers, while benefiting from the parent's reach and scale. So in the United States, for instance, AEGON USA companies offer products using a host of niche brands, including Monumental and Life Investors.

Transamerica is the name that generates widest recognition among consumers for insurance protection, savings and mutual funds, while the AEGON name and rating resonate well in wholesale and financial markets. A multi-brand approach allows AEGON to penetrate existing markets better with competing distribution channels than a single brand approach.

AEGON has undertaken a wide variety of initiatives to support its distribution partners, ranging from training and technology to outright investment when appropriate. But marketing support has been key in keeping the agent networks strong and competitive.



# 200,000+

## Innovative platforms capture savings

Supermarkets have for many years experimented with savings stamps, in-store banks and various financial services. But now AEGON The Netherlands has teamed up with Albert Heijn, Holland's leading supermarket chain and the flagship of global food retailer Royal Ahold, to take this practice to a new level.

As specialized equal partners, the two companies have developed a flexible, economical in-store system that allows customers to accumulate cash savings conveniently and privately at the check-out counter using the customer's loyalty card. In its first year, the system has attracted more than 200,000 savers, and additional easy to use banking and investment products are scheduled to be introduced through this highly innovative format. A Dutch business magazine ranked the Albert Heijn Spaarrekening as 'product of the year', a rare praise for a financial product.





# O sec

## Real-time information for group plan members

Group pension plans are changing rapidly. Participants are increasingly directing the investments and demanding real-time information and financial modelling, now vital components of any offering.

Across AEGON, the pension units have adopted internet information delivery and web-based solutions for plan members and sales personnel. In the UK, Scottish Equitable's 'SmartScheme' serves intermediaries, plan sponsors and individual participants.

Group plan members in the Netherlands used Pensioen Kompas, a similar on-line information resource which is supported by AEGON The Netherlands' Financieel Compleet advisors, allowing franchisees who call on individual members of group plans insured by AEGON to offer personalized financial planning advice and supplementary services.

In the US, participants have access to Retiretek®, an interactive, on-line investment modeling and retirement planning tool that can help participants develop a customized asset allocation strategy.

Within the AEGON structure, each company determines how to harness or leverage the power of technology to help create a better future for its customers. Thus, the multitude of new technologies and the opportunities these create are exploited in different ways across the organization. Yet, all the AEGON companies recognize the unifying power of technology to bring down costs, to support more effective distribution and to improve quality and customer service.

Technology plays a key role in harmonizing production platforms and aligning administrative systems to complete the integration process, as instanced in the USA by the Cedar Rapids processing facility and in the UK by the involvement of Guardian in AEGON UK's common operating environment project. New technology may also be installed on a stand-alone basis to cut costs or increase effectiveness. In recent years, for example, many units have equipped their sales teams with powerful application programs on their laptop computers, allowing them to access marketing and administrative information anywhere and any time. Similarly, telecommuting has been encouraged by a number of AEGON units to retain key employees and control costs.

In 2001 AEGON made significant progress leveraging technology to improve distribution and customer service and bring down cost. Centralized technology services give AEGON USA a tremendous competitive advantage. Successfully integrating AEGON USA's data center with Transamerica's, for example, allows it to reduce its annual expenses by more than USD 34 million. Ultimately, this results in lower unit costs, increased flexibility and improved service delivery.



## with more flexible technology

Likewise, AEGON UK's center in Lytham St Anne's engaged in initiatives to build multi-brand production platforms and databases. In the Netherlands, the centralized production platform was outsourced and this set-up further improved AEGON The Netherlands cost/revenue ratio. Another important result of this approach was the cutting of policy issuance time and a decline in error rates.

The approach adopted by AEGON business units to the internet and web-based services proved to be the correct course in 2001. All units use the internet in a variety of ways, from providing customers and intermediaires with convenient, on-line account information to facilitating the sales and policy issue process.



# 2.3bn

### A leader in US direct sales



In 2001 the AEGON USA companies took a major step to extend expertise in direct marketing and database management with the acquisition of JC Penney's direct marketing insurance operations. With the acquisition, AEGON Direct Marketing Services (ADMS) is now the leading player in its market. Direct marketing is well suited to the life and supplementary insurance products that this marketing and distribution powerhouse is ideally positioned to offer.

By phone, mail or broadcast, ADMS has the ability to reach every home in America and is developing a capability, which is not easy to match. Besides generating USD 2.3 billion in sales, it is also building a powerful database with 15.5 million customers.



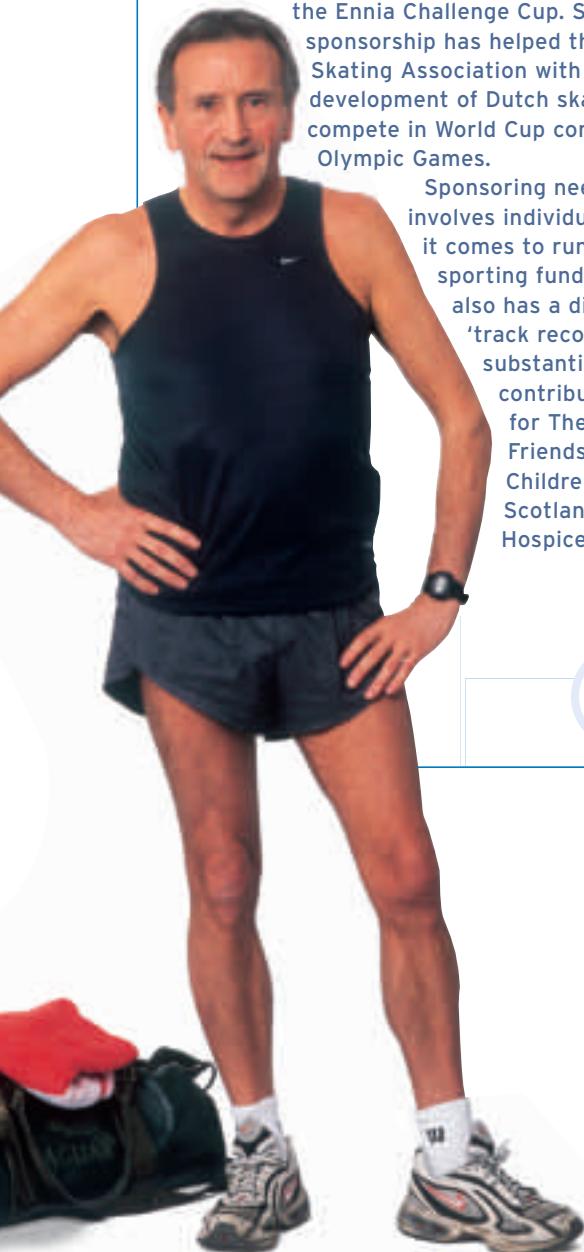
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## Creating better futures for the community

At AEGON, striving for excellence goes beyond the world of business. We have a long tradition of supporting excellence in sport, such as our speed skating sponsorship.

2001 marked AEGON The Netherlands' 25th anniversary as sponsor of the speed skating – a partnership that began in 1976 with the Ennia Challenge Cup. Since 1984 company sponsorship has helped the Royal Dutch Skating Association with the training and development of Dutch skaters who go on to compete in World Cup competitions and the Olympic Games.

Sponsoring needy projects involves individual effort too: when it comes to running and other sporting fundraisers, AEGON also has a distinguished 'track record.' During 2001 substantial charitable contributions were raised for The Sick Children's Friends Foundation, Children's Hospice Appeal Scotland and St Columba's Hospice by AEGON UK.



As a responsive member of the global business community, AEGON supports initiatives designed to create better futures for all our stakeholders.

AEGON culture – which fosters initiative, values clarity and integrity, and encourages contribution to the community – is one of our defining characteristics. We seek to do business in a responsible fashion where respect, responsibility, ambition and clarity play an important part.

It is therefore natural for AEGON to support social, cultural and environmental initiatives that encourage the principle of sustainability in its broadest sense. Because of the long-term nature of our activities, creating better futures for our clients, partners and stakeholders makes sound business sense.

For instance AEGON has extended its commitment to environment and sustainability issues by taking a leading role in the sponsorship of a research and education program to be coordinated at the University of Groningen. This chair is established in collaboration with two other

major listed companies: Ahold and ABN AMRO. Its inspiration can be summed up by the 'three Ps': people – planet – profit. This independent and multi-disciplinary program will concentrate on developing standards for international corporate sustainability and on creating methods to measure and assess the added economic and environmental value. This includes the performance of companies in the context of socially responsible investment. Corporate performance will be reviewed in the broader context of employment opportunities and investments in infrastructure, while corporate responsibility will also be measured against eco-efficiency benchmarks.

Within AEGON careful attention is paid to our own progress in these fields by means of an Inner Circle devoted to corporate responsibility. Prepared in

# through social responsibility

2001 and launched in early 2002, this informal network of AEGON officers from various countries meets to exchange expertise and know-how, acting as a platform to exchange ideas and the best practices in this field. They will channel awareness within the Group, contribute to AEGON's corporate code of conduct and will monitor the progress of implementations.

The environment in which AEGON operates can, of course, be much more broadly defined: we seek to nurture our reputation as well as the planet we inhabit. So responsibility and integrity are highly prized values.

Western Reserve Life, part of AEGON USA, for instance, won top honors along with two other insurance companies in the second annual American Council of Life Insurers (ACLI) Integrity First Competition. The award program recognizes companies that have demonstrated successful initiatives to increase public confidence in life insurers and promote integrity in their business operations or product marketing. This award recognized the exceptional Compliance Field Advisor Program, which provides important educational compliance support to an independent field force and improves customer understanding of the company's products. IDEX, another AEGON USA unit, won the Dalbar Seal for Communications for its 2001 Quarterly Statements, which symbolizes the achievement of the highest tier of service provided to the financial advisors within the financial services industry.

2

## Creating better futures through health



AEGON has long been involved in the fight to improve everyone's quality of life by supporting a program of research into prostate and breast cancer run jointly by the Johns Hopkins Oncology Center, School of Medicine in

Baltimore, USA and the University Hospital of Vrije Universiteit, Amsterdam, the Netherlands.

In 2001 AEGON continued this support, through which two researchers were appointed, who helped develop new research methods into cancer cells. The program contributed to the understanding of cancer through publication of articles in prestigious international medical journals.

Results of the extended research program were also presented at the prominent American Association for Cancer Research (AACR). One participant has been included in the prestigious Innovators in Breast Cancer Research Program and exchange meetings between the two institutes were organized.



## through social responsibility

11

Creating better  
futures through  
caring support

The aftermath of tragic events in the United States on 11 September drew members of the AEGON community together to express their solidarity and social commitment.

AEGON staff gave generously to support the families of victims and firemen. A special education fund was created within AEGON USA to aid children of terrorist victims.

The fund is to assist families of firefighters, police and military personnel who lost their lives serving others. Employee donations to the fund were matched on a two for one basis and donations from employees have been generous.

AEGON USA staff also supported Habitat for Humanity, a charitable program providing housing for people in destitute circumstances the world over. At Cedar Rapids, AEGON volunteers completed three Habitat projects. Elsewhere in the Group, employees volunteered to maintain homes for limited income seniors and disabled homeowners.

Within the business environment, AEGON actively contributes to the discussion on International Accounting Standards (IAS). AEGON has made proposals in order to come to a workable solution to the issues which confront the insurance industry in the conversion to IAS. AEGON supports consistent and transparent reporting standards for financial institutions which practically can be applied. Such a standard should enhance comparability amongst insurance companies and result in a level playing field.

The discussion on respectful entrepreneurship was carried forward throughout the AEGON Group and employees contributed to projects both inside and outside the companies. AEGON UK, for instance, was recognized as being one of Great Britain's Top 100 Employers. The company also won a prestigious award for the Staff Flexible Benefits Scheme at the recent Pension Scheme of the Year Awards, held by the leading financial publication Professional Pensions. Staff are allocated a number of credits which reflect the price of benefits the company pays for and staff can 'spend' these credits on the benefits that best suit their requirements.

AEGON UK was one of only 40 organizations worldwide to have been presented – for the second year in a row – with the British Safety Council's highest award, the Sword of Honour. This award recognizes organizations that have implemented safety systems that are among the best in the world.



## Product line overview

### GENERAL ACCOUNT

On general account life products, AEGON carries the investment risk and earns a spread (difference between investment performance and crediting rates to customers) and/or realizes mortality results.

#### Traditional life

Comprises permanent and term life insurance. Permanent life insurance provides life-long financial protection. Most permanent policies have a cash value feature with minimum rate guarantee that accumulates tax-deferred, over the life of the policy and can be used to help fund financial goals particularly in retirement. Whole life insurance is a common form of policy where premiums remain constant over the life of the policy.

Universal life insurance is a flexible premium, adjustable benefit contract that allows the customer to pay premiums at any time, in virtually any amount, subject to a minimum and a maximum. The interest rate at which the cash value accumulates adjusts periodically.

Term insurance covers the insured for a specific period of time. The policy pays death benefits only if the insured dies during the term. Policies can usually be renewed upon expiration and premiums normally increase upon renewal. This category also includes life insurance sold as part of defined benefit pension plans, endowment policies and post-retirement annuity products. Bank- or company-owned life insurance (BOLI/COLI) funds the costs of employee benefits, usually with key employees of the company as the insured persons.

CUSTOMERS	
individuals	
pension funds	
companies	
banks	

DISTRIBUTION	
(independent) agents	
brokers	
direct response	
worksite marketing	
financial institutions	

### Fixed annuities

Annuities allow the client to save for the future on a tax-deferred basis and allow payout options that meet the client's need for income upon maturity. This can be in the form of a lump sum, income for life or income for a period of time.

A fixed annuity is a contract upon which the client is guaranteed a fixed minimum payout. Payments can either start immediately or be deferred to start later. Should the insured die prior to annuitizing the policy, the beneficiary receives the accumulated cash value death benefit. Fixed annuities have a specified rate of interest that can be reset periodically.

#### CUSTOMERS

individuals

#### DISTRIBUTION

(independent) agents  
financial institutions  
brokers

### GICs and funding agreements

GICs are contracts issued to tax-qualified investors, guaranteeing a rate of return on assets for a fixed period and payment of principal and accumulated interest at the end of the period (usually between three and five years). GICs are sometimes used to fund the fixed-income plan in defined contribution plans, e.g. 401(k) plans.

Funding agreements are issued to non-tax qualified clients. These are usually perpetual with no stated final maturity and liquidity option. The contract is terminated at the notification of the client; notice provisions range from three months to 13 months in advance of the payout date.

#### CUSTOMERS

pension funds\*  
financial institutions\*  
money market funds\*\*  
municipalities\*\*  
oversees investors\*\*  
individuals\*\*

#### DISTRIBUTION

(independent) agents  
brokers  
direct

\* tax-qualified

\*\*non-tax qualified

## Product line overview

### ACCOUNT OF POLICYHOLDERS

On account of policyholder products the policyholders carry the investment risk. AEGON earns management and administration fees and mortality results.

#### Life for account of policyholders

Represents several forms of life insurance and pension products whereby death benefits and cash values vary with the performance of a portfolio of investments. Premiums can be allocated among a variety of investments that offer different degrees of risk and reward including stocks, bonds, combinations of both, or investment products that guarantee interest and principal.

Includes variable universal life (North-America), tontine plans (the Netherlands) and unit-linked life insurance (Europe).

#### CUSTOMERS

individuals

#### DISTRIBUTION

(independent) agents  
marketing organizations  
financial institutions  
worksite marketing  
franchise organizations

### Variable annuities

Annuities allow the client to save for the future on a tax-deferred basis and allow payout options that meet the client's need for income upon maturity. This can be in the form of a lump sum, income for life or income for a period of time.

Premiums paid on variable annuity contracts are invested in funds offered by the insurance company, including bond and stock funds. Selection of funds is dependent upon client's chosen level of risk. Account value reflects the performance of the funds. This category includes segregated funds (Canada).

#### CUSTOMERS

individuals

#### DISTRIBUTION

(independent) agents  
marketing organizations  
brokers  
financial institutions

### Fee business

Includes products that generate fee income for AEGON by providing management, administrative or risk services related to off balance sheet assets (i.e. equity or bond funds, third-party managed assets and collective investment trusts). Much of this income is generated by synthetic GICs which differ from traditional GICs in that the client owns the assets. The contract defines a crediting rate based on a formula that is inclusive of portfolio gains and losses. The crediting rate is reset regularly and based on an analysis of the assets; AEGON guarantees that it will not fall below 0% for a specific period of time.

#### CUSTOMERS

individuals  
pension funds  
asset managers

#### DISTRIBUTION

(independent) agents  
marketing organizations  
financial institutions

### Banking

Includes savings accounts and investment contracts (i.e. security lease products). Both products generate investment spread income for AEGON.

Savings accounts offer attractive interest rates whilst retaining flexibility.

Security lease products provide a convenient combination of monthly interest payments on a loan and a final payout based on the performance of the investments.

This category also includes investment products, which offer index-linked returns and generate fee income.

#### CUSTOMERS

individuals

#### DISTRIBUTION

(independent) agents  
direct marketing  
supermarkets  
franchise organizations

### Accident and health insurance

Limited forms of health insurance, including disability insurance and accidental health, are offered. AEGON offers no major medical coverage.

Supplemental health insurance normally pays a specified amount for a covered occurrence, or a deductible or coinsurance amount not paid by primary coverage.

Long-term care insurance protects the insured's income and retirement savings from the costs of long-term nursing home or home health care.

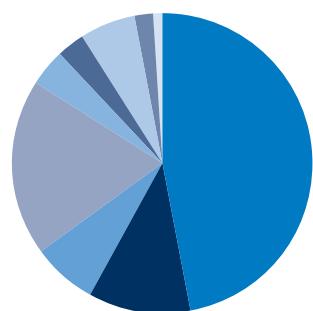


### General insurance

Limited forms of general insurance offered in selected markets, i.e. automobile insurance, liability insurance, household insurance and fire protection.



### Earnings contribution\*



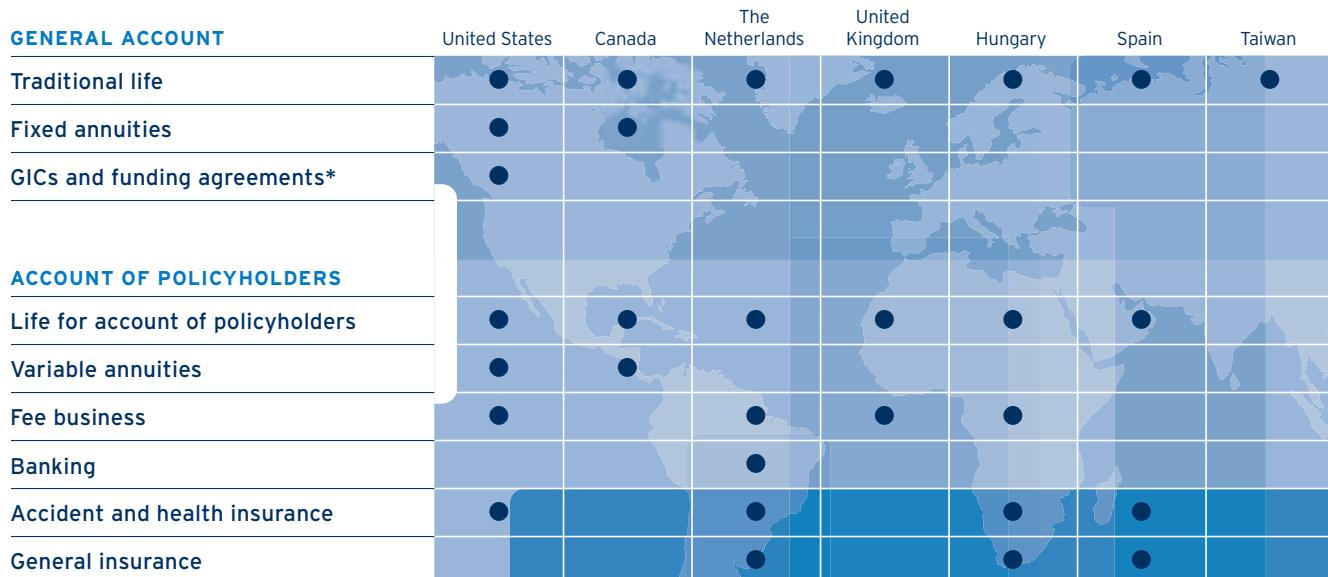
#### General account

- Traditional life 47%
- Fixed annuities 11%
- GICs and funding agreements 7%

#### Account of policyholders

- Life for account of policyholders 19%
- Variable annuities 4%
- Fee business 3%
- Accident and health insurance 6%
- General insurance 2%
- Banking 1%

\* excl. bookprofit Mexico



\*Also distributed internationally from the US.

## The Americas

United States, Canada and Mexico



**AEGON** Americas maintained its balance and forward momentum in an unsettled market climate. Its group-wide focus on profitable growth, coupled with the acquisition of the JC Penney direct marketing operations, and the gain on the sale of the Mexico joint ventures, led to double-digit net income growth.

Consistent performance and income growth was achieved despite a weak economy, declining equity markets and consumer uncertainty over the repeal of an important estate tax change. The AEGON Group was deeply saddened by the tragic events of 11 September, but we are thankful not to have lost any of our employees. AEGON USA acted swiftly and responsibly, taking care to verify the safety of its employees and working to ensure continuity of service throughout the market interruption. Financially, AEGON weathered the effects better than many of its peers, due to the fact that the company does not offer property and casualty products and insurance and investment losses were moderate. The pre-tax amount reported for all insurance claims, net of reinsurance, was EUR 34 million, with the majority of claims attributable to reinsurance losses.

During the following days and weeks, AEGON USA pulled together to respond to the tragedies in a number of ways, including participating in industry-wide initiatives to assist victims and beneficiaries, reviewing business continuity procedures and strengthening policies protecting workplace security.

Despite these testing circumstances, AEGON USA showed its true resilience thanks to its balanced product offerings and diverse channels of distribution. In 2001 demographic trends continued to drive strong growth in the insurance, savings and pension markets, spurred by

### AGENCY GROUP

EQUITY GROUP  
INDIVIDUAL DIVISION  
MONUMENTAL DIVISION  
TRANSAMERICA INSURANCE & INVESTMENTS GROUP

### ALTERNATIVE MARKETS GROUP

AEGON DIRECT MARKETING SERVICES  
WORKSITE MARKETING

### FINANCIAL MARKETS GROUP

TRANSAMERICA CAPITAL  
TRANSAMERICA FINANCIAL INSTITUTIONS  
TRANSAMERICA INVESTMENT MANAGEMENT

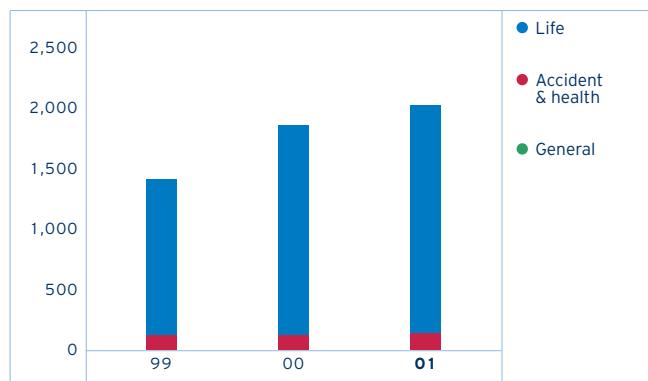
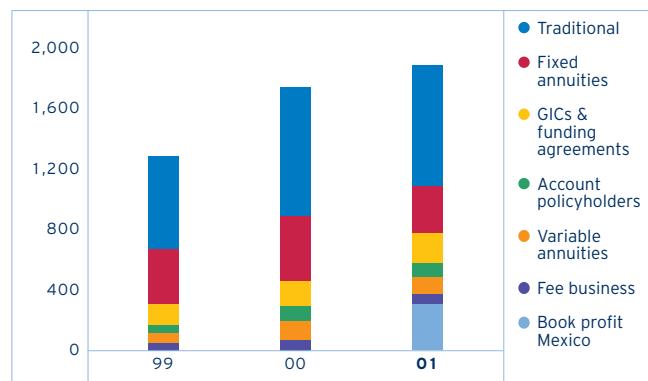
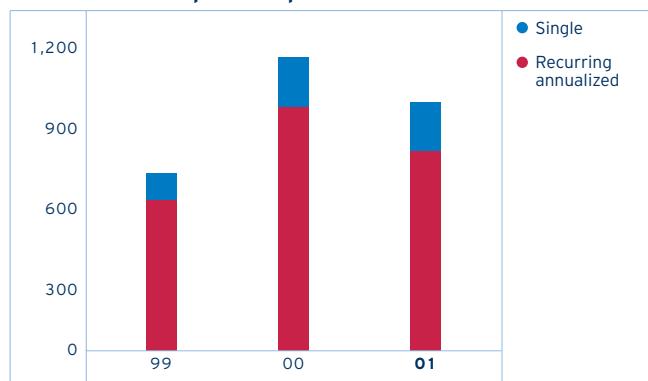
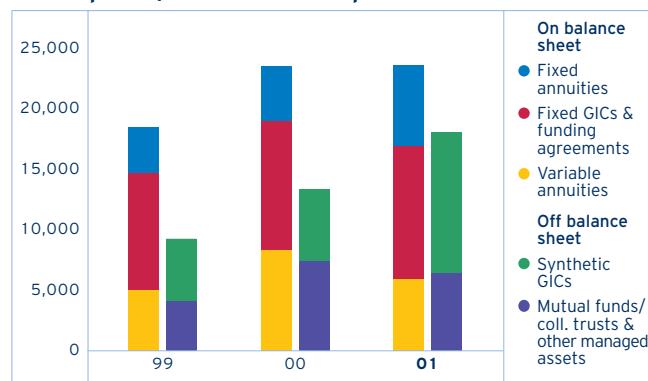
### INSTITUTIONAL PRODUCTS AND SERVICES GROUP

INSTITUTIONAL MARKETS  
TRANSAMERICA REINSURANCE

### PENSION GROUP

DIVERSIFIED INVESTMENT ADVISORS  
TRANSAMERICA RETIREMENT SERVICES

### AEGON USA INVESTMENT MANAGEMENT

**Income before tax** in USD million**Income before tax life insurance** in USD million**Standardized new premium production** in USD million**Total deposits / off balance sheet production** in USD million

additional demand for protection products following the events in the fall.

After successfully integrating several major acquisitions in recent years, AEGON USA's decentralized operating structure has allowed it to effectively manage the complexity that can often accompany size. Key to its success has been creating an infrastructure that gives distinct business groups the autonomy to fully capitalize on market opportunities and customer needs. To this end, AEGON USA made tremendous progress in 2001 expanding its channels of distribution, improving services to customers, and capitalizing on internal synergies. In 2002 AEGON USA will take additional steps to improve its flexibility for growth by streamlining operations and leveraging scale. Overall, AEGON's multi-branded, multi-channel distribution strategy proved well-suited to the volatile environment. Activities were reorganized into five groups last year: Agency; Alternative Markets; Financial Markets; Institutional Products and Services and Pension.

#### AGENCY GROUP

Offering a broad range of insurance and investment products through independent agents, financial advisors, marketing companies and registered representatives, the Agency Group

and its four divisions continued to be major contributors to revenues. Each channel serves distinct market segments, from home service to high net worth individuals. Products offered through professional agents and intermediaries remains the Agency Group's dominant method of delivery.

Monumental achieved steady growth and excellent profitability in 2001, reaffirming its role as one of the leaders in the home service market. Known for its operational efficiency, Monumental is now extending this same discipline to the field, where agents are strengthening their sales skills and overall consistency of service.

Strong recruiting and sales efforts in 2001 contributed to solid growth for the Individual Division. The year saw substantial production in its bank and corporate-owned life insurance markets. Transamerica Insurance & Investments Group continues to be a strong contributor to the Agency Group's performance. Sales were positive, and two new variable universal life products were added to its slate of product offerings in 2001.

The Equity Group, suffering its first downturn in variable life sales in over a decade because of the decline in the financial market, focused on helping clients understand the long term aspects of their investment alternatives and positioning their investment strategies to meet their

## The Americas

### United States, Canada and Mexico

personal financial goals. With financial markets stabilizing and additional attention directed to marketing priorities in 2002, variable product sales should rebound modestly provided there are no major market disruptions.

#### ALTERNATIVE MARKETS GROUP

This group is led by AEGON Direct Marketing Services (ADMS), which markets life insurance and supplemental products to consumers through direct channels. The acquisition of JC Penney's direct marketing insurance operations in June 2001 has made AEGON USA the largest direct marketing organization of life and supplemental insurance in the United States, with USD 2.3 billion in revenues and 15.5 million customers. Customers who might not be reached through AEGON USA's other channels - such as the underserved middle market or customers who prefer to buy direct - can purchase ADMS's comprehensive product portfolio through direct mail, point-of-service, the internet, telemarketing or direct response advertising. Products are marketed through the endorsement of sponsoring organizations, such as financial institutions, associations, credit unions or car dealers, as well as directly to consumers.

The Worksite Marketing division enjoyed more of the growth initiated in 2000 with its re-branding as Transamerica Worksite Marketing. This unit offers employees a wide variety of voluntary programs to supplement existing benefits offered through employers.

#### FINANCIAL MARKETS GROUP

The Financial Markets Group enjoyed a record year in 2001. Partnerships with large banks through its Transamerica Financial Institutions division benefited from conservative investors' flight to guaranteed fixed interest rate annuities. Investor concerns over the equity market also contributed to record sales of structured settlement annuities during the year. Transamerica Capital also bucked the industry's weak equity sales trend in the brokerage channel through strong wholesaling efforts, quality products and a highly recognizable brand. Finally, Transamerica Investment Management realized record sales of its equity funds.

#### INSTITUTIONAL PRODUCTS AND SERVICES GROUP

AEGON Institutional Markets enjoyed another year of solid growth, with product balances increasing by 24% over 2000. This business, which provides a range of guaranteed savings and investment products to institutional retirement and savings clients, continued to expand an already diversified product and market base by more than doubling balances in its Euro and Global medium term note program, as well as adding USD 6.5 billion in fee-based synthetic GICs sold to retirement plans.

Transamerica Reinsurance maintained its strong position in life reinsurance, though this division bore the brunt of the company's direct losses from 11 September. The year's extraordinary circumstances demonstrated Transamerica Reinsurance's resilience. The company quickly adapted standard claims processing procedures to meet exceptional client needs created by the tragic events.

In 2001 Transamerica Reinsurance focused on growth and profitability through product innovation, developing new markets and disciplined risk analysis. During the year Transamerica Reinsurance advanced a number of initiatives to position it for growth, including web-based distribution capability for private label business needs, and an Irish reinsurance facility. Transamerica Reinsurance continued its thoughtful international expansion efforts, opening offices in Santiago, Chile and building its presence in the Asia-Pacific region (see page 35).

#### PENSION GROUP

Both Diversified Investment Advisors, serving medium and large pension sponsors, and Transamerica Retirement Services, serving the smaller corporate market, achieved good results despite the challenges of the volatile equity markets and an unsettled climate. Both are well-positioned to take advantage of the long-term, sustainable growth opportunities in the retirement market. Diversified, for example, is one of the few organizations of its kind making the necessary investment in technology to address the growth that lies ahead. This allows Diversified to partner with many other distribution channels that have made the decision to outsource their pension activities. New web-based information platforms for personalized advice, including Retiretek®, were welcomed by agents, intermediaries and pension plan holders alike.

#### AEGON USA INVESTMENT MANAGEMENT

AEGON USA Investment Management is responsible for managing over 96% of AEGON USA's USD 94.9 billion of invested assets. Bonds constitute the great majority of invested assets. Commercial mortgage loans, alternative investments, and equities comprise the balance.

Despite the high quality investment grade bond portfolio held in the US, an expected level of credit losses is anticipated and priced for in all products. Due to the current poor credit cycle, EUR 631 million was added to default provisions during 2001, while impairments totaling EUR 408 million were charged against these provisions. However, AEGON USA ended the year with less than 0.5% non-performing assets as a percent of total assets. Moreover, the portfolio achieved a total return of 7.96%, which exceeded comparable benchmarks.

## PRIORITIES

In 2002 AEGON USA will continue to pursue operational synergies across its companies. All units will be working to identify new markets and opportunities to achieve budgeted sales growth in a challenging economic environment. Priorities are to increase sales revenues through more focused support to the distribution channels, while leveraging size and scale to improve operating efficiency and service. Continued emphasis on refining 'asset liability management practices' will strengthen risk selection.

## MEXICO

AEGON's highly successful joint insurance and pension fund management ventures with Seguros Banamex AEGON and Afore Banamex AEGON came to a close in 2001 following Citigroup's acquisition of parent company Grupo Financiero Banamex (Banacci).

In 2001, AEGON agreed to the sale of its 48% partnership interests for USD 1.24 billion, plus USD 40 million in dividends on the companies' 2001 profits. For AEGON the venture was a positive experience.

## AEGON CANADA

Transamerica Life Canada, AEGON Canada's key operating subsidiary, succeeded in maintaining a leadership position in the sales of life insurance and segregated fund products. Through 18,000 independent distributors, representing the largest independent network for the distribution of life and savings products, Transamerica Life Canada performed well and aggressively pursued growth in a challenging marketplace. Product innovation formed the cornerstone of growth in 2001, with the launch of a new universal life product and the introduction of a 'best-of-breed' segregated fund offering.

AEGON Canada fulfilled its growth mandate throughout 2001 with the acquisition of Money Concepts (Canada) Ltd., a financial planning franchisee with 97 offices and 348 franchisees, to expand its distribution capabilities.

November 2001 heralded the successful launch of AEGON Dealer Services Canada Inc, a broker/dealer network to bolster the expanded distribution capability of AEGON products and services for distributors across all AEGON Canada businesses. On the investment side, AEGON Canada transformed the investment division of Transamerica Life Canada into AEGON Capital Management Inc, an investment management company positioned to compete in the Canadian marketplace for pension funds, third-party mandates and high net-worth clients.

## PRIORITIES

Throughout 2002, AEGON Canada will position itself as a wealth management and protection provider and continue to expand distribution capabilities. Customer service will continue to be enhanced through improvements in back-office functionality. Sustained focus will be on leveraging core competencies: development of the distributor network and enhancing distribution capabilities; product innovation; investment management expertise; development of quality insurance and investment solutions; and delivery of cost-effective administration.

## TRANSAMERICA FINANCE CORPORATION

Transamerica Finance Corporation is a non-core operation. Management has spent the last year concentrating the business on market segments where there is a clear competency and strategic advantage in terms of market position. Nearly a dozen smaller businesses representing approximately 15% of total assets have been sold or liquidated. The operations are now clearly directed towards three key segments: commercial finance, leasing activities, and real estate information services.

During 2001 the operating results were negatively affected by the exiting business lines, the slowing economy and the events of 11 September. Yet, the remaining clearly focused businesses are expected to profit from fundamental improvement and developments.

## The Netherlands



The management team of AEGON The Netherlands from top:

Paul van de Geijn  
Chairman  
Edgar W. Koning  
Johan G. van der Werf  
Theo E.M.J. Bouts  
Jan M. Overmeer



**AEGON The Netherlands** once again increased market share and achieved its profit growth targets.

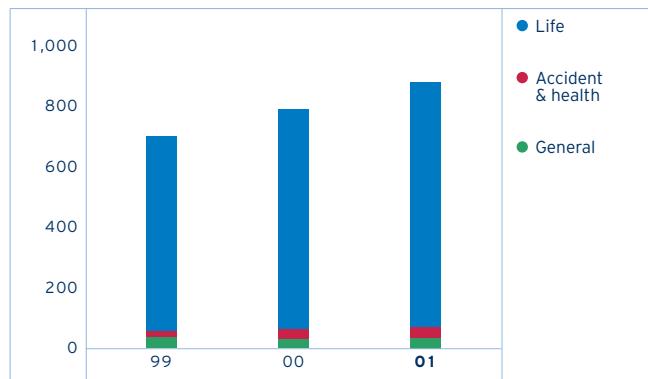
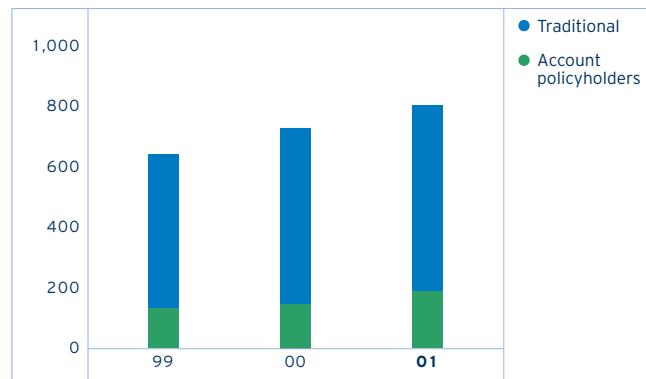
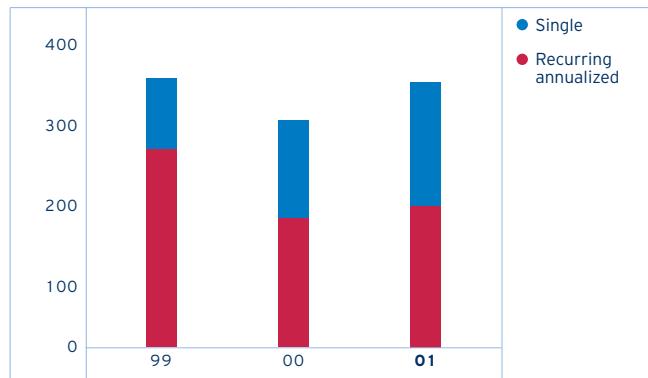
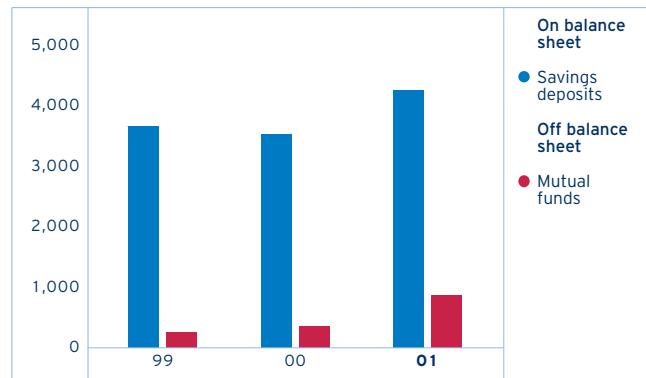
The strongest performers were the group pension units, of which Pensioen en Advies, a traditional flagship division, has undergone extensive reorganization and revitalization. As a result of significant improvements in competitiveness and customer service, AEGON The Netherlands is experiencing strong growth and renewals by plan sponsors. More efficient administration and a skilful use of outsourcing have cut error rates and response times, while a broad portfolio of supplementary financial and investment products and the close support that corporate pension customers receive from Financieel Compleet's worksite marketing specialists, have all contributed to revenue growth.

On-line information and communications tools such as Pensioen Kompas also help group plan members and agents to receive on-the-spot-advice. Facing increasing regulatory and technological burdens, large plan sponsors and industry organizations that have traditionally self-insured and managed their pensions in-house, are now looking to AEGON The Netherlands to deliver bundled or unbundled packages, supported with individual attention for their employees. These packages, backed by IT resources, are increasingly helping to provide self-directed solutions for group plan members.

The individual insurance market, served by AEGON Personal Lines, AEGON Nabestaandenzorg, Spaarbeleg, AXENT/AEGON and Van Nierop, continued to adjust to recent tax reforms. Emphasis has shifted from the traditional life insurance products to more sophisticated products, leading to a series of new product introductions.

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**AEGON ASSET MANAGEMENT NEDERLAND**  
**AEGON BEDRIJFSPENSIOENEN**  
**AEGON NABESTAANDENZORG**  
**AEGON PARTICULIEREN**  
**AEGON PENSIOEN EN ADVIES**  
**AEGON SCHADE BEDRIJVEN**  
**AEGON VERMOGENSPERSPECTIEF**  
**AXENT/AEGON**  
**SPAARBELEG**  
**VAN NIEROP ASSURADEUREN**  
**MONEYMAXX BELGIË**  
**MONEYMAXX DUITSLAND**  
**MONEYMAXX ITALIË**

**Income before tax** in EUR million**Income before tax life insurance** in EUR million**Standardized new premium production** in EUR million**Total deposits / off balance sheet production** in EUR million

Among the more successful new offerings were a unit linked mortgage/life product, AEGON Beleggingshypotheek, ToekomstPlan, RenteRetourVliegwiel and long-term investment contracts, which allow customers to acquire a stock portfolio through installment purchasing. Consumers of AEGON Personal Lines products widely demand advice from independent intermediaries. During the first two quarters of the year activity was somewhat depressed as both customers and agents adjusted to the changes in the tax laws. AEGON The Netherlands cooperated closely to educate agents and intermediaries about newly-introduced products designed to create better futures for customers, within the new taxation framework. As a consequence of the new tax legislation, insurers and intermediaries also had to amend existing policies, a major operation for AEGON The Netherlands that was concluded within a relatively short period.

An important innovation was the expanded contribution of Adfis, an internal consultancy providing sophisticated tax and legal advice to distribution partners and high net worth individuals.

The sales force of NVG was merged into AXENT/AEGON. AEGON Nabestaandenzorg is the new unit into which the funeral insurance portfolios of AEGON Personal Lines, NVG

and AXENT/AEGON will be merged. Non-life lines, such as the motor portfolio, again produced good profit growth, as the focus on loss prevention and careful risk acceptance continued to pay off. Such strong profit growth is exceptional for this market.

The satellite activities in Germany and Belgium, which both use direct marketing to offer simple variable insurance and savings products under the MoneyMaxx name, had contrasting results. While MoneyMaxx Germany increased its sales sharply and reinforced its position as one of the top five firms in its segment, MoneyMaxx Belgium is re-evaluating its direct marketing strategy.

Preparations for the introduction of the euro were skillfully managed and completed well before the end of the year. This substantial and complex project not only aimed to safeguard business continuity but also to strengthen relationships with independent intermediaries across the country, providing expertise and support. Smooth introduction of the euro within the company was achieved thanks to the dedication of all those involved in the implementation project.

The growing appeal of savings products was reflected in a 24% increase of entrusted savings at Spaarbeleg Bank, which provides a convenient savings system. Another asset-

## The Netherlands

accumulating success was the innovative collaboration with Albert Heijn, the Netherlands' leading supermarket chain (see page 15). Products such as MoneyMaxx are ideally suited to web-based distribution and marketing. AEGON The Netherlands resources help establish and develop MoneyMaxx activities in a number of countries.

The cost/revenue ratio again improved in 2001, thanks to the streamlining of the back-office system, outsourcing and integration of IT and internet into the business activities of all business units. To help improve efficiency and reduce costs, AEGON The Netherlands business units make increasing use of centralized back-office support for IT, administration and policy issuance.

### AEGON ASSET MANAGEMENT THE NETHERLANDS

In the asset management field AEGON The Netherlands was, like all other investment institutions, affected by depressed equity markets. But its relative performance was strong and AEGON Asset Management The Netherlands continued to increase the volume of internal and third party funds under management. It entered the retail investment market with the launch of six mutual funds. The proven track record of its fixed income department over the years has increasingly become a marketing point with institutions.

### PRIORITIES

AEGON The Netherlands will continue to consolidate common activities on production platforms to achieve cost leadership and improved customer service. IT and on-line services will be standardized and utilized to extend and develop the agent network. Domestically, the product line will be expanded with emphasis on savings, specialized insurance and pension products.

## United Kingdom



The management team of AEGON UK from top:

David Henderson  
Group Chief Executive  
Graham Dumble  
Roy Patrick  
Peter Dornan  
Gavin Stewart  
David Bradley  
Bill Robertson  
Otto Thoresen



**AEGON UK performed well in challenging markets.**  
Although there was a decline in asset gathering and though margins were under pressure, profitability remained good.

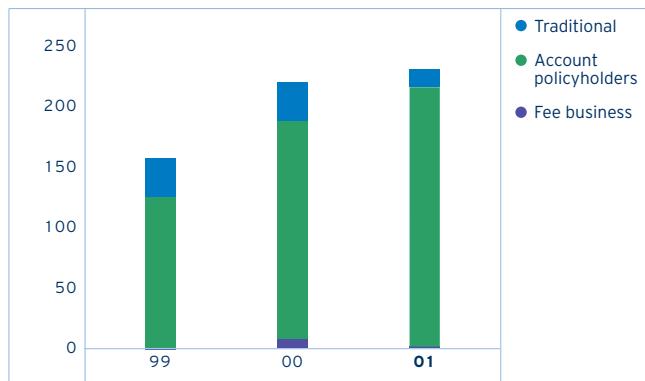
In 2001, a year of market uncertainty in which the number of major players again declined, the strong reputation of AEGON UK's largest company - Scottish Equitable - with Independent Financial Advisors (IFAs) bore fruit. With a flight to quality stimulated by some well-publicized insurance failures, and with the stakeholder pensions program off to an uncertain start, Scottish Equitable emerged as just one of a handful of providers in the UK corporate pensions market perceived as offering top quality products and services, a reliable commitment to its business partners and superior financial strength. Scottish Equitable's commitment to being at the forefront of industry developments was reinforced when it was one of the first five companies to have succeeded in achieving accreditation under the Association of British Insurers 'Raising Standards' initiative - an industry initiative that intends to increase consumer confidence by addressing the industry's poor image. As Britain enters a period of regulatory change, AEGON UK contributed actively to the ongoing debate about the future shape of the pensions and investment industry.



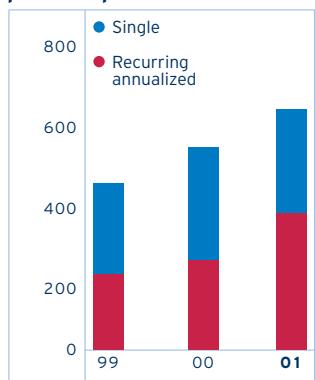
**AEGON ASSET MANAGEMENT UK**  
**AEGON INDIVIDUAL PROTECTION**  
**AEGON UK SERVICES**  
**HS ADMINISTRATIVE SERVICES**  
**SCOTTISH EQUITABLE**  
**SCOTTISH EQUITABLE INTERNATIONAL**

## United Kingdom

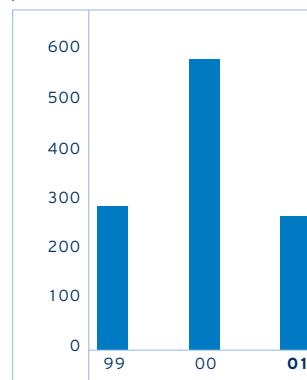
### Income before tax life insurance in GBP million



### Standardized new premium production in GBP million



### Off balance sheet production in GBP million



Scottish Equitable continued to focus on IFAs as its preferred distribution channel for investment and protection sales. Despite a slow start and tight controls on charges, the stakeholders pension initiative provided a strong stimulus for group pension market.

Group risk or employee benefits emerged as an important activity following the integration of the Guardian Employee Benefits business and re-branding under the Scottish Equitable banner. Parallel to the group protection activities, AEGON Individual Protection – selling individual lines – was formed in the beginning of 2001 and achieved early success, with results more than doubling the sales forecast. The objective is to build a top five positioning in this GBP 1 billion a year market segment.

Following the full integration of Guardian, AEGON UK began a process of increased utilization of the low cost administrative capabilities of Lytham St Anne's, renaming the unit AEGON UK Services. The complementary business HS Administrative Services, acquired in 2000, is one of the largest third party pension scheme administrators, and opens the door to many new business opportunities for AEGON UK.

Scottish Equitable International, the unit responsible for marketing overseas products to UK customers, experienced a difficult year due to the slowdown in single premium investment products.

### AEGON ASSET MANAGEMENT UK

Under government encouragement, defined benefit plan sponsors began to reduce the traditionally high exposure to equities in favor of more risk-averse assets with higher yields. A surge in pension fund demand for corporate bonds has been fuelled by fears of a slowdown, impending regulation and demographic shifts.

AEGON Asset Management UK won the Fixed Interest Manager of the Year award from a prestigious trade publication. This enhanced its established reputation as a manager of balanced investment mandates. Over 65 professional portfolio managers oversee GBP 33 billion in assets for a variety of institutions and individual investors, a five-fold increase since 1994.

### PRIORITIES

As the regulatory debate concerning pension and regulatory reform moves into higher gear with new proposals to liberalize the way pensions, investments and savings plans are sold in Britain, AEGON UK will continue to work with partners to ensure a healthy industry. The company will continue to grow and fully integrate the IT-systems to improve efficiency and accessibility of services and reduce expenses. As customers and advisors seek out strong, well-capitalized providers in anticipation of these changes, AEGON UK will take full advantage of growth opportunities. Finally, continued focus on cost control during a period of further growth will enhance our cost competitiveness.

## Other countries

### Hungary

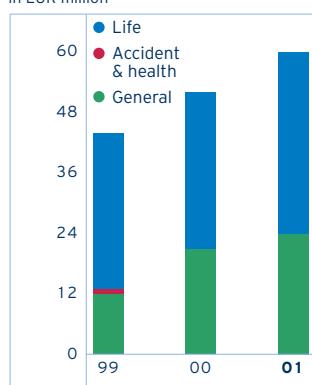


The management team of AEGON Hungary from top:  
 Gábor Kepcs  
 Chairman  
 János Bártok  
 Attila Kéri  
 Andrea Horváth  
 Róbert Kovács



ÁB-AEGON  
 MONEYMAXX HUNGARY

#### Income before tax in EUR million



#### Standardized new premium production in EUR million



In 2001 AEGON Hungary established itself as one of the country's top seller of new life policies and delivered good profits growth with the help of its stable, high-quality sales force. As a result of extensive investment and reorganization, AEGON Hungary has now consolidated a dominant market position in both the life and non-life sector.

In the life sector production rose as the rationale for private pensions continued to gain wider acceptance despite some backtracking on pension reform by the Government. The majority of life sales came through the Composite sales channel, focusing on the mass market.

With variable products selling strongly, AEGON Hungary launched a number of innovative products including a fast-growing endowment-type mortgage. AEGON Hungary is already the country's largest institutional investor and is, in partnership with a leading Austrian bank, playing an innovative role in local mortgage financing with the provision of tied insurance products. AEGON Hungary is well placed to expand market share in private sector group pensions once there is greater clarity in reforms to the social security system. In the meantime, it continues to acquire group pension customers including the 7,000-person group pension plan of a major European industrial group.

In the non-life sector, AEGON Hungary retained its market leading position in household insurance, and continued to scale back the motor portfolio to improve returns. Market share in the corporate non-life sector was maintained at nearly 50%.

During 2001, AEGON Hungary took a number of steps to boost profitability, including de-emphasizing low-margin single premium life and unprofitable general insurance segments. Notwithstanding substantial flood loss claims in 2001, AEGON Hungary now enjoys a dominant share of insurance industry profits in Hungary. To improve customer service and leverage the high morale and effectiveness of sales staff, the call center was taken in-house after extensive staff retraining.

#### PRIORITIES

For the coming year AEGON Hungary will continue to emphasize profitability while retaining sales leadership. One third of sales are expected to come through new distribution channels, while technology including internet access will be renewed and updated. AEGON Hungary continues to investigate growth opportunities elsewhere in the region.

## Other countries

### Spain



The management team of AEGON Spain from top:

Jesús Quintanal  
Chairman  
Simón Escudero  
Mercedez Vázquez  
Luis Tejero  
Vicente Fernández  
Enrique Marazuela  
Ramón Escobar



**AEGON INVERSION**  
**AEGON SALUD**  
**AEGON SEGUROS GENERALES**  
**MONEYMAXX SPAIN**

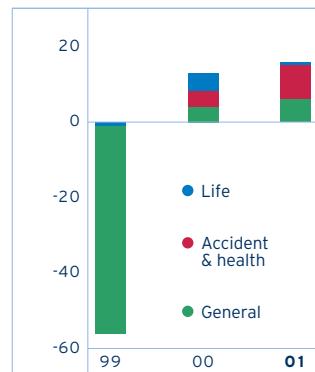
AEGON Spain's life insurance results declined due to a turbulent year caused by a shifting of assets away from falling equities; results in general and health were good in 2001. All units continued to focus on portfolio quality, more targeted sales and greater process efficiency. National market coverage was extended using the multi-channel strategy and by focusing on the quality of agent relationships.

As in other markets, unit-linked sales slowed sharply as consumers sought more traditional savings and investment products. This caused a dramatic fall-off in single premium sales volumes, especially through banks, which used the falling stock market to encourage clients to select other investment and savings alternatives.

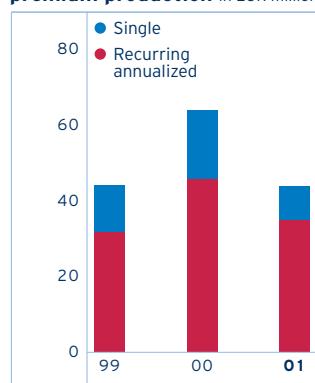
To offset this volume loss, AEGON Spain is emphasizing a targeted sales approach focused on generating recurring premium sales from three market segments: highly-educated urban professionals; owners and employees of small to medium enterprises and on the increasingly prosperous and relatively underserved rural sector.

Non-life activities exceeded the previous year's results, because of revamped property and casualty insurance. Vigorous efforts to improve the motor insurance portfolio is quality bore fruit, thanks to process efficiencies and upgraded IT systems. There is greater accountability of agents when writing policies and evaluating risks, while they enjoy much greater branch support. As a result, there was once again improved handling of routine functions at head office using powerful IT support.

**Income before tax**  
in EUR million



**Standardized new premium production** in EUR million



The health sector yielded good returns, benefiting from cross-selling by general insurance agents. Problems with the state-funded national health program did not, however, make matters easier for the private sector. For this sector to enjoy really rapid growth, tax laws will need to be changed, or compulsory health cover phased out.

During its first full year, MoneyMaxx Spain grew with around 1,000 new contracts per month.

## PRIORITIES

AEGON Spain will focus on educating consumers and growing life insurance sales. Significant energy will again be devoted to improving process efficiency through training and better customer risk profiling for agents. AEGON Spain will continue to support agents and financial advisors as they respond to customer needs for greater flexibility and performance.

## Asia



James Liu  
president and  
CEO of AEGON  
Life Insurance  
(Taiwan), Inc.

### TAIWAN

AEGON Taiwan, the Group's first 'greenfield' operation in Asia, enjoyed a productive year, increasing scale through organic growth and acquisition, while achieving industry-leading agent productivity.

During 2001 AEGON Taiwan life insurance completed the integration of Transamerica's local activities and acquired AXA's Taiwan life operations in a synergy-driven deal that expands the client base as well as the agency force and paves the way for significant future growth. The productivity of AEGON sales agents was well above the national average, thanks to training and strong back-office support. For the merged business, named AEGON Life Insurance (Taiwan), a new structure was created and the company moved to a new head office.

### PRIORITIES

AEGON Taiwan's priorities for 2002 are to expand the agency force and build up the broker distribution channel, which is expected to provide strong growth. New rules also permit the launch of variable products in the coming year.

The prime objective is to become one of the top three foreign insurers. AEGON Taiwan continues to review acquisition opportunities and will also provide support for developing activities in China.

### CHINA

Plans to tap the huge potential of mainland China's market received a welcome boost last 25th September, when AEGON received an operating license from Chinese government authorities. Subsequently, AEGON is negotiating with a local joint venture partner as a prelude to opening up operations in a leading city within this highly promising new market.

AEGON believes China's huge potential can best be realized by mobilizing the resources within the entire Group to create a distinctive offer and build significant market share in what is expected to become a competitive environment.

### JAPAN

During the year AEGON laid the groundwork for the introduction of MoneyMaxx activities in Japan, which are expected to begin operations in 2002.

Following Transamerica Reinsurance's major commitment to serve the Asia-Pacific life reinsurance markets, the company started preparations to increase its presence in the Asia-Pacific life reinsurance market and intends to establish a new liaison office in Tokyo, Japan. The office was opened early 2002. The reinsurer already had operations in Taipei, Taiwan, Seoul, Korea and Hong Kong, China.

**Financial Review**Financial highlights  
Amounts in millions

2001 USD	2000 USD	%		2001 EUR	2000 EUR	%
<b>Income by product segment</b>						
1,394	1,460	-5	Traditional life	1,557	1,581	-2
321	426	-25	Fixed annuities	358	461	-22
193	165	17	GICs and funding agreements	215	179	20
566	501	13	Life for account policyholders	632	543	16
107	130	-18	Variable annuities	120	141	-15
84	91	-8	Fee business	94	98	-4
307	-		Book profit Mexico	343	-	
2,972	2,773	7	Life insurance	3,319	3,003	11
187	159	18	Accident and health insurance	209	172	22
60	55	9	General insurance	67	60	12
<b>3,219</b>	<b>2,987</b>	<b>8</b>	<b>Total insurance</b>	<b>3,595</b>	<b>3,235</b>	<b>11</b>
<b>40</b>	<b>43</b>	<b>-7</b>	<b>Banking activities<sup>1</sup></b>	<b>45</b>	<b>47</b>	<b>-4</b>
<b>-355</b>	<b>-409</b>	<b>-13</b>	<b>Interest charges and Other</b>	<b>-397</b>	<b>-443</b>	<b>-10</b>
2,904	2,621	11	Income before tax	3,243	2,839	14
-822	-769	7	Corporation tax	-918	-833	10
64	27		Transamerica Finance Corporation	72	29	
-	29		Labouchere	-	31	
<b>2,146</b>	<b>1,908</b>	<b>12</b>	<b>Net income</b>	<b>2,397</b>	<b>2,066</b>	<b>16</b>
<b>Income geographically</b>						
2,034	1,870	9	Americas	2,272	2,025	12
827	776	7	The Netherlands	924	840	10
333	332	0	United Kingdom	372	360	3
65	52	25	Other countries	72	57	26
3,259	3,030	8	Income before tax business units	3,640	3,282	11
-355	-409	-13	Interest charges and Other	-397	-443	-10
2,904	2,621	11	Income before tax	3,243	2,839	14
-822	-769	7	Corporation tax	-918	-833	10
64	27		Transamerica Finance Corporation	72	29	
-	29		Labouchere	-	31	
<b>2,146</b>	<b>1,908</b>	<b>12</b>	<b>Net income</b>	<b>2,397</b>	<b>2,066</b>	<b>16</b>
7,000	6,407	9	Gross margin	7,817	6,939	13
4,096	3,786	8	Commissions and expenses	4,574	4,100	12
<b>Amounts per common share of EUR 0.12</b>						
1.58	1.45	9	Net income <sup>2</sup>	1.76	1.57	12
1.57	1.43	10	Net income fully diluted <sup>2</sup>	1.75	1.55	13
			Interim dividend	0.37	0.30	23
At 31 Dec. 2001	At 31 Dec. 2000			At 31 Dec. 2001	At 31 Dec. 2000	
9.65	9.03	7	Shareholders' equity <sup>3</sup>	10.95	9.70	13
10.11	9.57	6	Shareholders' equity after full conversion <sup>3</sup>	11.47	10.28	12
<b>Number of employees</b>						
				<b>25,663</b>	<b>24,109</b>	<b>6</b>
Outstanding common shares:						
			– Number of common shares (millions)	1,422	1,351	5
			– Weighted average number (millions)	1,357	1,315	3

<sup>1</sup> Labouchere in 2000 reclassified to unconsolidated group company.<sup>2</sup> Based on the weighted average number of common shares.<sup>3</sup> Based on the number of common shares outstanding at the end of the period.

## FINANCIAL RELATIONS

The expansion and internationalization of AEGON's business activities has seen a parallel broadening of its investor base. In the United States, AEGON's shares are traded on the New York Stock Exchange (NYSE) and in Europe, the shares are included in many major indices and are listed on the stock exchanges in London, Amsterdam, Frankfurt and Zurich.

An active investor relations program focuses on providing investors around the world with timely information and access to senior management, and on keeping AEGON attuned to changes in the markets. Along with periodic news releases and shareholder reports, investor and analyst briefing materials, financial interviews and a highly regarded corporate web site, mainstays of the program include management 'road shows' and investor days, and webcasts and teleconferencing. In addition, investor relations personnel in the Netherlands and the United States are available to answer questions and maintain the dialogue between AEGON and its key financial supporters.

## DISCLOSURE

AEGON's disclosure practices and accounting standards have been developed in accordance with generally accepted accounting principles over many years with due consideration of the needs of our stakeholders, including the various regulators and research analysts. In recent years, substantive supplemental information has been added to AEGON's annual and quarterly accounts, including new production and capital allocation information which supplements the expanded segment analysis of life insurance earnings by country unit and provides greater transparency of AEGON's results. AEGON remains committed to providing useful disclosure to its stakeholders, including future requirements which may be promulgated within the Dutch civil code and adoption of International Accounting Standards (IAS) currently targeted for 2005.

AEGON also provides estimates in this annual report on earnings sensitivity in the Financial Review section on page 40. In this financial review and in other parts of this annual report, information on AEGON's accounting principles and procedures in relevant areas in accordance with the recent SEC financial reporting release FR-60 has also been added.

## FINANCIAL RESULTS

### Key points 2001

- Net income per share increased 12% to EUR 1.76 reflecting the 16% increase in net income and the additional 55 million shares issued to acquire JC Penney's direct marketing insurance operations.
- Net income from AEGON's major country units, the Americas, the Netherlands and the UK increased in local currency 15%, 7%, and 3% respectively. Total gross margin increased 13% while commissions and expenses increased 12%.
- Due to increased bond default activity in the United States, an amount of EUR 631 million (USD 565 million) was added to the provision. The default provision balance at year-end was EUR 338 million (USD 298 million) for the USA investment portfolio.
- Net income of EUR 31 million from the divested Labouchere operations was included in 2000 results.
- The effect on net income growth of the JC Penney's direct marketing insurance operations acquisition, the removal of the cap on indirect return, and currency translation amounts to 4%, 3% and 2% respectively. On net income per share, the effect is 2% each.

### Net income

Net income increased 16% to EUR 2,397 million for 2001. The earnings comparison with the prior year has been positively influenced by the additional EUR 132 million of income before tax from the acquired JC Penney's direct marketing insurance operations and the EUR 343 million of income before tax (EUR 294 million after tax) from the sale of our joint ventures in Mexico. Earnings were adversely influenced by higher additions to the provisions for default losses, as well as the influence of depressed equity markets on sales, account balances and fees.

**Income by product line**

Standardized new life production increased 2% for the year, including 17% and 16% increases in the Netherlands and UK, respectively. Increased group life market share in the Netherlands and higher group personal pension sales in the UK contributed to this growth. The Americas was 13% lower due to expected lower term life and institutional single premium sales. The USA, however, reversed this trend and produced a 16% increase in standardized life production in the fourth quarter. This was more than offset in the fourth quarter totals for the Americas by a cumulative correction for life production in Mexico for the full year.

Lower traditional life results include EUR 28 million (USD 25 million) of acquired JC Penney's direct marketing insurance operations' earnings and an addition to the default provision of EUR 174 million for 2001 compared to EUR 19 million for 2000. Total 11 September WTC claims were EUR 34 million (USD 30 million), net of reinsurance.

Life for account of policyholders results reflect higher recurring premium revenues and an increase in in-force business. Earnings also benefited from the positive development of the equity market in the fourth quarter. Improved cost efficiency in the Netherlands also contributed to the earnings increase, while in the UK a contribution to the earnings increase arose through higher surrender charges as individuals reassessed their options for taking retirement income.

Lower fixed annuity results include an addition to the default provision of EUR 256 million for 2001 compared to EUR 30 million for 2000. The higher addition to the default provision more than offset higher account balance earnings. Deposits almost doubled in the fourth quarter as a result of strong production in the banking channel benefiting from the continued shift to fixed products.

Higher GIC and funding agreement results include an addition to the default provision of EUR 178 million for 2001 compared to EUR 32 million for 2000. The higher addition to the default provision was more than offset by income from higher balances and from increased investment spreads.

Lower variable annuity results are due to lower account balances which reduces fee income and increases amortization of acquisition costs. Variable annuity deposits decreased 28% but were up 12% in the fourth quarter in the United States reflecting strong production from new partnerships with financial institutions. In Canada segregated fund deposits continued to lag last year's sales substantially as a result of the depressed equity markets and changes in product design due to regulatory requirements.

Lower income before tax on fee business reflects lower fees on account balances.

Higher accident and health results include EUR 104 million of acquired JC Penney's direct marketing insurance operations' earnings and an addition to the default provision of EUR 23 million. There was no addition to the default provision in 2000.

Higher income before tax on general insurance is due to favorable claims levels.

Lower income before tax from banking activities is due to depressed equity market performance, lower interest spreads and additional risk provisions. The shift in consumer preference away from equity linked products continues to drive substantial increases in savings deposits at the expense of investment contract sales.

Reduced interest charges and other are due to the inclusion of EUR 40 million of profit from run-off UK general insurance as well as lower interest rates on debt allocated to insurance activities.

Corporation tax expense decreased to 28% from 29% in the prior year. The higher rates in the Netherlands and the United Kingdom were more than offset by a low tax rate on the gain from the sale of the Mexican operations.

The increase in Transamerica Finance Corporation (TFC) net income is due to inclusion of results for 12 months in 2001 and six months in 2000. Additionally, a lower allocation of interest on debt more than offset the lower net income from operations. TFCs lower operating income is due in part to a lower asset base due to asset sales, lower production of new receivables and increased credit losses.

**CAPITAL GAINS**

During 2001 EUR 723 million, including EUR 72 million from the removal of the cap, was recognized as indirect return in the Group's income before tax. This compares with EUR 595 million for the prior year. The revaluation account balance as of 31 December 2001 was EUR 4,640 million, including realized gains of EUR 3,901 million and unrealized gains of EUR 739 million.

**DIVIDENDS**

The Board has proposed an increased dividend for the 18th year in a row. Based on a pay-out ratio of 47%, a 12% higher dividend of EUR 0.83 per common share is proposed for the year 2001 (2000: EUR 0.74). The dividend proposal will be submitted at the Annual General Meeting of Shareholders (AGM) for approval on 18 April 2002. After taking into account the interim dividend of EUR 0.37, this represents a final dividend of EUR 0.46 per common share. The final dividend will be paid entirely in cash or stock at the

option of the shareholder. AEGON shares will be quoted ex-dividend on 22 April 2002. The selection period during which shareholders can express their preference will commence on that day and last up to and including 29 April 2002. The value of the share dividend will be based upon the average price of the AEGON share on the Euronext Amsterdam stock exchange for the four trading days from 30 April 2002 up to and including 6 May 2002. Cash or stock dividends will be payable as of 14 May 2002.

## INVESTMENTS

AEGON's general account investment assets increased 16% to EUR 131 billion (USD 115 billion) during 2001 and now represent 43% of total investments. This part of AEGON's investment portfolio represents assets accumulated related to products on which AEGON carries the investment risk and earns a spread. In the Americas and the Netherlands, the increase in mainly fixed income securities is for the largest part the result of increased new production. The general account portfolios in the Netherlands and the Americas, which comprise 98% of total general account investments, performed well compared to their relevant benchmarks. The investment portfolio was slightly re-balanced from equities towards fixed income during the year, partly driven by lower equity markets. At the end of 2001, 92% of the general account portfolio was invested in fixed income securities and 8% in equity securities and real estate.

The quality of the fixed income portfolio was stable partly as a result of write-downs following increased default activity in the US fixed income portfolios. There were no major adjustments to the credit profile or the diversity of the total portfolio.

Investments for the account of policyholders, which include unit linked products and separate accounts, decreased by EUR 1 billion to EUR 113 billion and represent 37% of total investments. On these assets the investment risk is borne by the policyholders, and the assets generate largely fee income for AEGON. The gradual shift from investments in fixed income securities to equity securities in this category continued during 2001. The largest part (62%) of the investments for the account of policyholders remains allocated to equities. The investment portfolio for banking activities increased in 2001 from EUR 5.5 billion to EUR 7.0 billion at year-end, as a result of strong production of savings products in the Netherlands.

Off-balance sheet investments, on which AEGON also earns fees, increased strongly to EUR 54 billion, representing 18% of the total investment portfolio. This category includes assets, which are related to third party

managed assets, mutual funds and synthetic GICs. Growth in this investment category was mainly driven by the strong growth of synthetic GIC-sales in the US.

## RISK MANAGEMENT POLICIES

As an international life insurance company, AEGON is exposed to currency fluctuations, changes in mortality, longevity and the market value of its investments, credit risk, and the impact of interest rate changes. The risk management framework AEGON applies is designed in line with the sources of income and the business processes of the Group. AEGON's decentralized organization emphasizes the autonomy of the local units. Each country unit applies strict risk management policies and procedures in the normal course of business. In addition, there are risks arising from the local businesses that potentially impact the AEGON Group as a whole. These risks are monitored at Group level in close cooperation with the various country units. Additionally, sensitivity analyses are performed to assess variability of various parameters. Some of the results are presented throughout this section to show the sensitivity of forecasted earnings and shareholders' equity in 2002. It should be noted however, that the results presented below are derived from static analyses which are performed without taking into account correlation between factors, assuming unchanged conditions for all other assets and liabilities and no management actions taken.

### Risk management framework

AEGON distinguishes between three major risk categories: underwriting risks, investment risks and operational risks. At the country unit level, risk management is an integral part of the business processes. Within each category AEGON monitors the key factors that impact earnings and the financial position. In general, underwriting risks and investment risks are risks that AEGON actively assumes. These risks are inherent to the business and are regarded as primary risks. Operational risks are risks that arise in business processes and are viewed as secondary risks. AEGON's policy is to minimize the financial impact of operational risks. All AEGON Group units report on these three major risk categories.

### Recent developments: 11 September

The direct effects of the 11 September attacks on AEGON were limited. Claims on life insurance policies following the attacks in New York and Washington were lower than originally estimated and the effect on earnings is confirmed at EUR 34 million (USD 30 million) net of reinsurance. The

## Financial Review

secondary effects, most notably the price changes in equity markets following the events, also had a negative impact on AEGON, both on its general account equity investments and on the fee income derived from unit-linked and variable products.

Even though the financial markets were closed in the US for several days, AEGON's liquidity position was not substantially affected during the aftermath of the terrorist attacks. AEGON's balance sheet liquidity is strongly supported by available committed credit lines. In the period shortly after 11 September, AEGON maintained excellent liquidity without accessing liquidity under these committed facilities.

### CURRENCY RISK

Currency risk is managed based on AEGON's currency risk policies. For investments, these policies are based on asset and liability matching 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. However, this may effect the level of AEGON's shareholders' equity. The remainder of AEGON's capital base (capital securities, subordinated and senior debt) is held in various currencies relative to the book value of AEGON's activities in those currencies. As a result, AEGON's debt-to-total-capital ratio is not materially affected by currency volatility. AEGON does have a translation risk on earnings generated by its various country units. AEGON does not hedge its income streams. As a result, earnings may fluctuate due to currency translation risk.

The sensitivity analysis table on this page shows the effect of movements in the exchange rates of AEGON's most important currencies relative to the euro on forecasted net income and shareholders' equity. The table shows that a decrease of 15% in non-euro currency rates would result in a negative impact on net income of around 11% and on shareholders' equity of approximately 13.5%, mainly as a result of currency translation. Conversely, an increase of 15% in these exchange rates would result in a positive impact on net income of 11% and on shareholders' equity of 13.5%. Movements of other currency exchange rates do not have a material impact on net income and shareholders' equity.

### ASSET AND LIABILITY MANAGEMENT

The starting point for risk management resides with the country units. The country units are responsible for their own asset and liability management.

### Underwriting risks

Actuarial assumptions and their sensitivities underlie the calculation of technical provisions, which are based upon generally accepted reserve valuation standards. In the normal course of business, assumptions regarding mortality, longevity, investment returns, lapses and other relevant parameters are reviewed annually and updated when appropriate.

The AEGON Group is exposed to mortality and longevity risk in its products. Annually AEGON performs sensitivity analyses, which quantify the effect of mortality and

### Sensitivity analysis

#### Of forecasted 2002 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 0.0% and -1.0%	-
Parallel yield curve shift down of 100 basis points	between 0.0% and 1.0%	-
<b>Currency markets<sup>3</sup></b>		
Increase versus the euro of USD, GBP and CAD of 15%	between 10.5% and 11.5%	between 13.0% and 14.0%
Decrease versus the euro of USD, GBP and CAD of 15%	between -10.5% and -11.5%	between -13.0% and -14.0%
<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 7.5% and 8.5%
Decrease of equity and real estate markets of 15%	between -4.0% and -5.0%	between -7.5% and -8.5%

#### Of technical reserves

##### Longevity

Increase in average life expectancy of one year

Effects on technical reserves

less than -0.5%

<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 2002.

<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 2002.

<sup>3</sup> The effect of currency movements is reflected as a one-time shift in value of the US dollar, the Canadian dollar and the UK pound up or down on 1 January 2002. 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 2002.

longevity developments on the portfolios and technical provisions. If life expectancy would increase by one year, compared to AEGON's 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 the strong reserving basis.

AEGON uses assumptions regarding future investment yields for pricing and for the assessment of profitability of both general account and separate account products. For both type of products assumed yields are intentionally prudent. Periodically, AEGON assesses the impact of fluctuations of investment yields on pricing and profitability. The long-term yields in all country units continue to be higher than the currently assumed yield in product pricing. For products where AEGON offers explicit return guarantees to its clients, product pricing reflects these guarantees and the assets are managed consistently with those pricing assumptions, while the technical provisions are set prudently with a sufficient margin for adverse deviation.

AEGON defers and amortizes a part of its acquisition costs. These costs are related to the sale of insurance products. Deferred policy acquisition costs (DPAC) are carried in the balance sheet as a negative reserve, within technical provisions. This DPAC reserve is established and maintained using similar underlying assumptions as applied to technical provisions. Every year AEGON tests, by product line, the recoverability of DPAC from the future profits and future premium loadings that are forecasted to emerge from in-force contracts. AEGON's appointed actuaries in the various countries prepare this analysis and its auditors review the DPAC valuation as part of their regular audit procedures. Because this analysis is performed on a regular annual basis, with the amortization schedule adjusted as appropriate (sometimes referred to as 'unlocking'), significant one-time adjustments have not occurred. Included in AEGON's DPAC reserve is a substantial amount of Value of Business Acquired (VOBA) resulting from acquisitions, which in its nature is the same as DPAC and is subject to the same recoverability testing. At year-end 2001, this amounted to approximately EUR 7.2 billion. For more detailed information, see page 60.

#### INVESTMENT RISK

AEGON country units are responsible for the management of their own investment portfolios. The asset and liability management policies employed in the units specify the level of risk and exposure that can be taken with respect to changes in interest rates, equity markets, counterparty

credit and exchange rates. Those policies are also monitored at group level.

#### Interest rate risk

The general account fixed income portfolios of AEGON USA and AEGON The Netherlands account for 98% of the total general account fixed income portfolio of the AEGON Group. AEGON USA and AEGON The Netherlands are the only country units that actively manage their duration mismatch. Presently, the other country units target the duration of the assets to be about equal to the duration of the liabilities. The maximum allowed duration mismatch between assets and liabilities is a deviation of plus or minus one year. The combined market value weighted duration mismatch of AEGON USA and AEGON The Netherlands was 0.21 years at 31 December 2001.

In line with the balance AEGON has between its books of interest sensitive and interest insensitive businesses and the relatively low duration mismatch of the AEGON Group, the sensitivity analysis shows that the potential effect of interest rate changes on forecasted 2002 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 0.5%. Conversely, an increase of worldwide interest rates of 1% would have a 0.5% negative influence on earnings.

#### Credit risk

AEGON is exposed to counterparty credit risk through exposure in corporate bonds, mortgages, over-the-counter derivatives and reinsurance contracts. Country units apply specific guidelines for the acceptable level of credit risk and consequent default provisions.

Most of the credit risk taken by the AEGON Group resides with AEGON USA. AEGON USA applies exposure limits, contingent upon the respective counterparty credit rating. Exposures include derivatives exposures as well. The exposure limits are as follows:

Rating category	Exposure limit on single name (in USD millions)	% of general account assets
AAA or AA	620	0.64%
A	465	0.48%
BBB	310	0.32%
BB	155	0.16%
B	93	0.10%
CCC	31	0.03%

The counterparty ratings used for assessing counterparty exposure within AEGON USA are internal ratings, based on both published ratings by rating agencies and in-house analysis. In general, the internal ratings tend to be in line with the ratings issued by the rating agencies.

If an exposure exceeds the stated limits as a result of a downgrade, positions have to be in line with the new limit within a specified period of time, which varies with the asset quality of the security. In all cases, exceptions to the aforementioned can only be made after explicit approval in advance from senior management. 97% of all general account securities rated BB or lower (below investment grade) are held within AEGON USA.

Under certain circumstances, AEGON takes credit exposure through credit derivatives. The total underlying amount of these credit derivatives is very small relative to the entire portfolio and amounted to around EUR 100 million at 31 December 2001 for the AEGON Group.

At Group level, the aggregated exposure to financial institutions is monitored. For that purpose AEGON aggregates exposures from various country units and instruments to assess overall credit risk with respect to counterparties.

AEGON establishes provisions for credit risk in the normal course of business. AEGON added EUR 804 million to its default provisions during the year, leaving a balance at year-end of EUR 489 million.

### Derivatives

AEGON uses derivative financial instruments such as interest rate swaps, options, credit derivatives, futures and foreign exchange contracts to manage its exposures related to investments and borrowings. AEGON does not hold or issue derivative instruments for speculative trading purposes. During 2001, AEGON established a subsidiary, which will act as external counterparty for all over-the-counter derivative transactions executed by AEGON Group units in future periods. This subsidiary enables centralized monitoring and netting of exposures with derivatives counterparties. During 2002, country units that trade OTC derivatives will transfer their existing derivatives positions to AEGON Derivatives NV. AEGON's exposure and use of the various derivatives contracts is explained in more numerical detail on pages 64 and 65. AEGON engages only in medium and long-term OTC derivatives contracts if the rating of the counterparty is at least double-A.

### Equity market risk

The general account equity portfolios of AEGON USA and AEGON The Netherlands account for 97% of the total general account equity portfolio of the AEGON Group. AEGON The Netherlands holds the largest investment in equities, both in absolute terms and expressed as a percentage of total general account investments of the country units. Details are given in the table below.

In EUR million at 31 Dec.	Size	% of total equity investment	% of countries general account	% of total general account
Americas	3,945	47.3%	3.6%	3.0%
The Netherlands	4,156	49.9%	23.5%	3.2%
United Kingdom	147	1.8%	10.0%	0.1%
Other countries	88	1.0%	5.7%	0.1%
<b>Total</b>	<b>8,336</b>	<b>100.0%</b>	–	<b>6.4%</b>

AEGON's shareholders equity is directly exposed to movements in the equity markets. AEGON's accounting policy of deferring and amortizing capital gains on equity and real estate investments in the general account portfolio makes net income less sensitive to the effects of volatile equity markets than it would otherwise be. However, as the allocation of investments held for account of policyholders is 62% in equity securities, net income is sensitive to the fees earned on these assets.

The sensitivity analysis shows that net income would be approximately 4.5% lower and shareholders' equity approximately 8% 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 8%. AEGON is not directly exposed to commodity markets.

### Operational risk

Most operational risks are very specific to the local business, which makes aggregation at Group level difficult. To assess the financial impact of the operational risks, AEGON translates these into their potential financial consequences. In some cases, AEGON buys insurance coverage as means of protection against operational risks. Where relevant, these coverages extend to the AEGON Group as a whole. All country units have business continuity programs and policies for information security in place.

Ratings	Standard & Poor's	Moody's
<b>Credit ratings</b>		
Commercial paper	A-1+	P-1
Senior debt	AA-	Aa3
Subordinated debt	A+	A1
<b>Insurance financial strength</b>		
AEGON The Netherlands	AA+	
AEGON USA	AA+	Aa3*
Scottish Equitable	AA+	Aa2

\* Outlook positive

#### CAPITAL MANAGEMENT

During 2001, the largest effects on AEGON's capital base were the issue of new shares to fund the acquisition of the insurance activities of JC Penney (EUR 1.7 billion) and the negative revaluation (balance of realized and unrealized results) of AEGON's equity and real estate investments for general account (EUR 1.5 billion). Other negative effects include goodwill charged to shareholders' equity (EUR 286 million), cash settlement of stock option plans (EUR 71 million) and the redemption of convertible subordinated loans (EUR 68 million). Positive effects on shareholders' equity include retained earnings (EUR 1.3 billion), currency exchange rate differences (EUR 386 million) and the return on capital upon the sale of AEGON's joint ventures in Mexico to Citigroup (EUR 602 million).

To facilitate the debt funding related to the Transamerica acquisition, AEGON founded AEGON Funding Corp. during 1999 and AEGON Funding Corp. II in 2000. Funding raised by these entities enjoys a full and unconditional guarantee from AEGON NV. AEGON Funding Corp. raises funds through a USD 4.5 billion Global Commercial Paper program. In addition, AEGON Funding Corp. II issued EUR 350 million of 4.75% bonds due in 2005. AEGON NV accessed the perpetual debt market in the Netherlands by increasing its EUR 450 million 6.875% Perpetual Subordinated Cumulative Bonds to EUR 700 million principal amount. With regard to other funding activities operational funding requirements were slightly higher in 2001 compared to preceding years as a result of the funding provided to Transamerica Finance Corp. (TFC). AEGON agreed to provide the long-term funding of the Transamerica non-insurance businesses internally, and to guarantee outstanding amounts under TFC's commercial paper program.

Capital base	2001 EUR million	%	2000 EUR million	%
Shareholders' equity	15,292	69.4	12,844	69.1
Capital securities	2,101	9.5	1,820	9.8
Subordinated (converted) debt	670	3.0	683	3.7
Senior debt related to insurance activities	3,982	18.1	3,245	17.4
<b>Total capital base</b>	<b>22.045</b>	<b>100.0</b>	<b>18,592</b>	<b>100.0</b>

AEGON has further employed its access to the capital markets through private placements issued under its USD 3 billion Euro Medium Term Notes Program. Additionally, a USD 2 billion 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. Its committed facilities, exceeding USD 3.2 billion, have been negotiated with banks of excellent standing and credit quality. In addition, AEGON enjoys an extensive amount of additional credit lines, while TFC has access to USD 4.5 billion of committed facilities. During the days immediately following 11 September 2001, AEGON maintained excellent access to liquidity through its outstanding name in worldwide money markets.

AEGON's capital base, as presented in the table on this page, reflects the capital employed in its core activities. The composition of the capital base was relatively stable during 2001 despite the marked decrease in worldwide equity markets. As a percentage of total capital, equity remained at 69%. AEGON will continue to target shareholders' equity to be at least 70% of total capital base, while limiting the portion of subordinated and senior debt to 25% of total capital. The remaining part – between 5% and 15% – consists of capital securities. Additionally, AEGON applies capital adequacy measures for its operating units, which are aimed at maintaining strong capitalization. These self-imposed standards substantially exceed those of regulatory bodies in the various countries. AEGON remains committed to a strategy which assures continued financial strength. In addition to strong credit ratings, this is reflected in the excellent insurance financial strength ratings assigned by both Standard & Poor's and Moody's to the operating units in the United States, the Netherlands, and the United Kingdom.

The Hague, 7 March 2002  
The Executive Board



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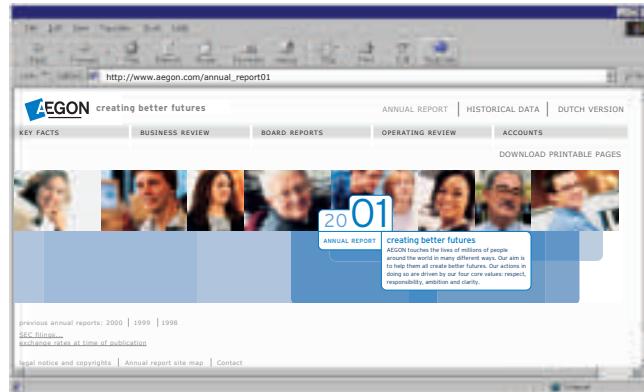
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The financial statements have been drawn up in euro as well as in dollars.

### 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 1991-2001, which provides further information and trend data over an 11-year period. Both these publications are now available on our corporate web site, which contains investor information and press releases in browsable and downloadable formats.



[www.aegon.com/annualreport\\_01](http://www.aegon.com/annualreport_01)

### EXCHANGE RATES AT 31 DECEMBER 2001

	EUR	USD	GBP	CAD	HUF
1 EUR	–	0.8813	0.6085	1.4077	246.330
1 USD	1.135	–	0.690	1.597	279.508
1 GBP	1.643	1.448	–	2.313	404.815
1 CAD	0.710	0.626	0.432	–	174.988
100 HUF	0.406	0.358	0.247	0.571	–

### WEIGHTED AVERAGE EXCHANGE RATES 2001

	EUR	USD	GBP	CAD	HUF
1 EUR	–	0.8954	0.6213	1.3885	257.300
1 USD	1.117	–	0.694	1.551	287.358
1 GBP	1.610	1.441	–	2.235	414.132
1 CAD	0.720	0.645	0.447	–	185.308
100 HUF	0.389	0.348	0.241	0.540	–

**Consolidated balance sheets at 31 December**(after profit appropriation) in accordance with Dutch Accounting Principles  
Amounts in millions

2001 USD	2000 USD		Note number	2001 EUR	2000 EUR
		<b>Investments</b>			
2,050	1,969	Real estate	1	2,326	2,116
2,891	2,140	Group companies and participations	2	3,280	2,300
119,688	109,142	Other financial investments	3	135,809	117,294
26	25	Deposits with ceding undertakings	4	30	27
<b>124,655</b>	<b>113,276</b>			<b>141,445</b>	<b>121,737</b>
<b>99,827</b>	<b>106,343</b>	<b>Investments for the account of policyholders</b>	5	<b>113,272</b>	<b>114,286</b>
		<b>Receivables</b>			
1,511	2,416	Receivables out of direct insurance	6	1,714	2,597
407	328	Receivables out of reinsurance		462	352
3,659	2,410	Other receivables	7	4,152	2,590
<b>5,577</b>	<b>5,154</b>			<b>6,328</b>	<b>5,539</b>
		<b>Other assets</b>			
316	236	Equipment	8	358	254
765	675	Liquid assets	9	868	725
59	57	Other assets		67	61
<b>1,140</b>	<b>968</b>			<b>1,293</b>	<b>1,040</b>
		<b>Prepayments and accrued income</b>			
1,386	1,322	Accrued interest and rent		1,573	1,421
132	180	Other prepayments and accrued income		150	193
<b>1,518</b>	<b>1,502</b>			<b>1,723</b>	<b>1,614</b>
<b>232,717</b>	<b>227,243</b>	<b>Total assets</b>		<b>264,061</b>	<b>244,216</b>

For notes: see page 54 and following.

2001 USD	2000 USD		Note number	2001 EUR	2000 EUR
<b>13,477</b>	<b>11,951</b>	<b>Capital and reserves</b>	10	<b>15,292</b>	<b>12,844</b>
<b>1,852</b>	<b>1,693</b>	<b>Capital securities</b>	11	<b>2,101</b>	<b>1,820</b>
<b>590</b>	<b>636</b>	<b>Subordinated (convertible) loans</b>	12	<b>670</b>	<b>683</b>
<b>15,919</b>	<b>14,280</b>	<b>Equity and subordinated loans</b>		<b>18,063</b>	<b>15,347</b>
		<b>Technical provisions</b>	13		
93,572	86,604	Life insurance		106,175	93,073
683	665	Unearned premiums and unexpired risks		775	715
2,113	2,240	Claims outstanding		2,398	2,407
251	204	Profit sharing and rebates		285	219
628	698	Other technical provisions		712	750
97,247	90,411	Gross		110,345	97,164
-2,727	-4,981	Reinsurers' share		-3,094	-5,353
<b>94,520</b>	<b>85,430</b>			<b>107,251</b>	<b>91,811</b>
		<b>Technical provisions with investments for the account of policyholders</b>	14		
100,150	106,670	Gross		113,639	114,637
-323	-327	Reinsurers' share		-367	-351
<b>99,827</b>	<b>106,343</b>			<b>113,272</b>	<b>114,286</b>
<b>2,571</b>	<b>2,557</b>	<b>Provisions</b>	15	<b>2,917</b>	<b>2,748</b>
<b>4,480</b>	<b>3,745</b>	<b>Long-term liabilities</b>	16	<b>5,084</b>	<b>4,025</b>
<b>26</b>	<b>0</b>	<b>Deposits withheld from reinsurers</b>		<b>29</b>	<b>0</b>
		<b>Current liabilities</b>			
2,741	4,050	Payables out of direct insurance		3,110	4,353
155	153	Payables out of reinsurance		176	164
2,851	1,905	Amounts owed to credit institutions		3,235	2,047
5,690	4,838	Entrusted savings accounts and deposits		6,456	5,199
3,054	3,334	Other payables	17	3,466	3,583
<b>14,491</b>	<b>14,280</b>			<b>16,443</b>	<b>15,346</b>
<b>883</b>	<b>608</b>	<b>Accruals and deferred income</b>	18	<b>1,002</b>	<b>653</b>
<b>232,717</b>	<b>227,243</b>	<b>Total liabilities</b>		<b>264,061</b>	<b>244,216</b>

For notes: see page 54 and following.

**Summarized consolidated income statements**

In accordance with Dutch Accounting Principles  
Amounts in millions

2001 USD	2000 USD		Note number	2001 EUR	2000 EUR
		<b>Revenues</b>			
19,321	19,182	Gross premiums		21,578	20,771
8,894	8,877	Investment income	3	9,933	9,612
344	298	Income from banking activities	4	384	324
<b>28,559</b>	<b>28,357</b>	<b>Total revenues</b>		<b>31,895</b>	<b>30,707</b>
		<b>Benefits and expenses</b>			
1,665	1,680	Premiums to reinsurers		1,859	1,819
10,670	12,130	Benefits to policyholders		11,916	13,135
7,893	6,938	Change in technical provisions	5	8,815	7,513
222	342	Profit sharing and rebates	6	248	370
4,096	3,786	Commissions and expenses	7	4,574	4,100
771	735	Interest charges		862	796
338	125	Miscellaneous income and expenditure	9	378	135
<b>25,655</b>	<b>25,736</b>	<b>Total benefits and expenses</b>		<b>28,652</b>	<b>27,868</b>
2,904	2,621	Income before tax		3,243	2,839
-822	-769	Corporation tax	11	-918	-833
64	56	Net income unconsolidated group companies	12	72	60
<b>2,146</b>	<b>1,908</b>	<b>Net income</b>		<b>2,397</b>	<b>2,066</b>
1.58	1.45	Net income per share		1.76	1.57
1.57	1.43	Net income per share fully diluted		1.75	1.55

For notes: see page 66 and following.

## Consolidated income statements

In accordance with Dutch Accounting Principles  
Amounts in EUR millions

	Note number	2001	2000
<b>TECHNICAL ACCOUNT LIFE INSURANCE</b>			
<b>Premiums for own account</b>			
Gross premiums		18,281	17,983
Premiums to reinsurers		-1,257	-1,210
	1	<b>17,024</b>	<b>16,773</b>
<b>Investment income</b>	3	<b>9,339</b>	<b>9,182</b>
<b>Investment income for the account of policyholders</b>		<b>-9,515</b>	<b>-3,495</b>
<b>Benefits and surrenders own account</b>			
Benefits to policyholders			
Gross		-11,218	-12,521
Reinsurers' share		883	758
		<b>-10,335</b>	<b>-11,763</b>
<b>Change in other technical provisions own account</b>			
Provision for life insurance			
Gross		94	-4,466
Reinsurers' share		889	662
		983	-3,804
Other technical provisions		-39	-37
		<b>944</b>	<b>-3,841</b>
<b>Profit sharing and rebates</b>	6	<b>-248</b>	<b>-370</b>
<b>Operating expenses</b>	7	<b>-3,233</b>	<b>-3,058</b>
<b>Investment charges</b>	8	<b>-242</b>	<b>-296</b>
<b>Other technical charges own account</b>	9	<b>-415</b>	<b>-129</b>
		<b>3,319</b>	<b>3,003</b>
<b>Investment income allocated to the non-technical account</b>	10	<b>-1,011</b>	<b>-940</b>
<b>Result technical account life</b>		<b>2,308</b>	<b>2,063</b>

For notes: see page 66 and following.

**Consolidated income statements**

In accordance with Dutch Accounting Principles  
Amounts in EUR millions

	Note number	2001	2000
<b>TECHNICAL ACCOUNT NON-LIFE INSURANCE</b>			
<b>Premiums earned for own account</b>			
Gross premiums		3,297	2,788
Premiums to reinsurers		-602	-609
		2,695	2,179
Change in technical provision unearned premiums and unexpired risks			
Gross		-546	-198
Reinsurers' share		198	-20
		-348	-218
		<b>2,347</b>	<b>1,961</b>
<b>Investment income</b>	3	<b>501</b>	<b>352</b>
<b>Claims for own account</b>			
Claims incurred			
Gross		-1,945	-1,853
Reinsurers' share		364	481
		-1,581	-1,372
Change in provision for claims			
Gross		238	-171
Reinsurers' share		-134	212
		104	41
		<b>-1,477</b>	<b>-1,331</b>
<b>Operating expenses</b>	7	<b>-1,053</b>	<b>-738</b>
<b>Investment charges</b>	8	<b>-6</b>	<b>-9</b>
<b>Other technical charges own account</b>	9	<b>-36</b>	<b>-3</b>
		<b>276</b>	<b>232</b>
<b>Investment income allocated to the non-technical account</b>	10	<b>-27</b>	<b>-27</b>
<b>Result technical account non-life</b>	2	<b>249</b>	<b>205</b>
<b>NON-TECHNICAL ACCOUNT</b>			
<b>Result technical account life insurance</b>		<b>2,308</b>	<b>2,063</b>
<b>Result technical account non-life insurance</b>		<b>249</b>	<b>205</b>
<b>Investment income</b>	3	<b>93</b>	<b>78</b>
<b>Income from banking activities</b>	4	<b>384</b>	<b>324</b>
<b>Allocated investment income transferred from technical accounts</b>	10	<b>1,038</b>	<b>967</b>
<b>Operating expenses banking activities and other expenses</b>	7	<b>-96</b>	<b>-85</b>
<b>Investment charges</b>	8	<b>-806</b>	<b>-710</b>
<b>Miscellaneous income and expenditure</b>	9	<b>73</b>	<b>-3</b>
<b>Income before tax</b>		<b>3,243</b>	<b>2,839</b>
<b>Corporation tax</b>	11	<b>-918</b>	<b>-833</b>
<b>Net income unconsolidated group companies</b>	12	<b>72</b>	<b>60</b>
<b>Net income</b>		<b>2,397</b>	<b>2,066</b>

For notes: see page 66 and following.

## Consolidated cash flow statements

In accordance with Dutch Accounting Principles  
Amounts in millions

2001 USD	2000 USD		2001 EUR	2000 EUR
<b>Cash flow from operating activities</b>				
2,146	1,908	Net income	2,397	2,066
-1,132	3,004	Increase technical provisions net of reinsurance	-1,264	3,253
-437	321	Change in provisions	-488	348
1,273	1,186	Amortization of policy acquisition costs	1,422	1,284
91	109	Amortization of interest rate rebates	102	118
71	56	Depreciation of equipment	79	61
657	-705	Change in current liabilities	734	-763
1,125	-88	Change in entrusted funds	1,257	-95
-2,290	-2,210	Deferred policy acquisition costs	-2,558	-2,393
-84	-56	Interest rate rebates granted	-94	-61
-809	-735	Change in receivables	-904	-796
<b>611</b>	<b>2,790</b>		<b>683</b>	<b>3,022</b>
<b>Cash flow from investing activities</b>				
Invested and acquired				
-3,564	-6,531	Real estate and shares	-3,980	-7,072
-1,498	-904	Shares of group companies and subsidiaries	-1,673	-979
-80,556	-49,565	Other investments	-89,966	-53,671
-174	-147	Equipment	-194	-159
Disposed and redeemed				
2,986	7,346	Real estate and shares	3,335	7,955
1,044	1,269	Shares of group companies and subsidiaries	1,166	1,374
70,069	45,633	Other investments	78,254	49,413
10	5	Equipment	11	5
-647	-549	Indirect return real estate and shares	-723	-595
3,692	-2,546	Change in investments for account of policyholders	4,123	-2,757
-299	-298	Other	-335	-323
<b>-8,937</b>	<b>-6,287</b>		<b>-9,982</b>	<b>-6,809</b>
<b>Cash flow from financing activities</b>				
991	543	Change in subordinated loans and other long-term loans	1,107	588
-19	-391	Repurchased and sold own shares	-21	-423
1,509	0	Issuance of common shares	1,685	0
0	-14	Withdrawal of preferred shares	0	-15
26	0	Change in deposits withheld from reinsurers	29	0
3	6	Options exercised	3	7
-64	-185	Cash settlement stock options	-71	-200
-61	-22	Cash settlement subordinated convertible loan	-68	-24
-487	-275	Dividend paid	-544	-298
23,622	23,555	Annuity, GIC and funding agreement deposits	26,381	25,506
-17,066	-19,941	Annuity, GIC and funding agreement repayments	-19,059	-21,593
<b>8,454</b>	<b>3,276</b>		<b>9,442</b>	<b>3,548</b>
<b>128</b>	<b>-221</b>	<b>Change in liquid assets</b>	<b>143</b>	<b>-239</b>
0.8954	0.9235	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 impact of currency exchange rate differences on liquid assets denominated in foreign currencies is not material.

## Notes to the consolidated financial statements

Amounts in EUR millions

### 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. AEGON's accounting policies are in accordance with generally accepted accounting principles in the Netherlands and comply with the financial reporting requirements included in Title 9, Book 2 of the Dutch Civil Code. For some of the required information refer to the separate publication of AEGON's Historical Data 1991-2001.

Since the introduction of the indirect return method by AEGON in 1995, the method became an accepted accounting policy in the insurance industry in the Netherlands. In 1997 AEGON has put a cap of 7% after tax on the indirect return. As announced in the annual report 2000, to bring the application of this method in line with current general practice, the cap on indirect return has been removed in 2001. The positive impact on 2001 pretax earnings amounted to EUR 72 million. For detailed information re the capital gains on real estate and shares refer to page 90.

On 10 January 2001, AEGON The Netherlands and Albert Heijn (part of the Royal Ahold Group) launched their co-operation under the name AH Geldzaken, offering an innovative savings product through the Albert Heijn supermarkets.

On 8 March 2001, AEGON announced the acquisition of J.C. Penney's direct marketing insurance operations in the United States. As part of the agreement, J.C. Penney and AEGON entered into a 15-year strategic marketing alliance designed to offer an expanded range of financial and membership services products to J.C. Penney customers. The transaction was effective as of June 18 2001.

AEGON Life Insurance (Taiwan) Inc. in Taiwan and AXA National Mutual in Taiwan reached an agreement on the acquisition by AEGON of AXA's Taiwanese life insurance activities on 10 October 2001. The acquisition was completed at the end of 2001.

A review of the impact on AEGON and its operations from the tragic events on 11 September 2001, in New York, Washington D.C. and Pennsylvania revealed that none of the operations were directly impacted by these events. Total claims cost in life insurance and life reinsurance amounted to EUR 33.5 million (USD 30 million) net of reinsurance, with an after tax earnings impact of EUR 22.4 million (USD 20 million). These results have been fully recognized in the 2001 financial statements.

On 18 January 2002 AEGON announced the sale of its partnership interests in Seguros Banamex AEGON and Afore Banamex AEGON in Mexico to Citigroup's Grupo Financiero Banamex for an amount of EUR 1.41 billion (USD 1.24 billion). In addition, AEGON will receive EUR 44.7 million (USD 40 million) as dividend on the 2001 profits of the joint venture companies. The transaction was effective as of 31 December 2001 as parties had concluded negotiations and reached a basic agreement in principle by then. The consideration included a net book gain of EUR 896 million (USD 0.8 billion). This gain consists of EUR 602 million (USD 0.5 billion) of return on invested capital, which was charged to shareholders' equity as goodwill in earlier years. As a result, this EUR 602 million has been credited to shareholders' equity. The remaining EUR 343 million (USD 0.3 billion) represents a capital gain, which has been accounted for in the profit and loss account (EUR 294 million after tax).

### Consolidation principles

In the consolidated financial statements of AEGON N.V. all group companies have been included, except for some group companies for which the aggregate financial effect is relatively insignificant and for companies which are not intended to be held for a long-term ownership. Also group companies of which consolidation would not result in a fair view of the Group because of dissimilar activities have not been consolidated. The financial statements of these latter companies have been added separately in the notes. Their results have been included in the income statements on a separate line.

Participations in joint ventures have been consolidated proportionally.

Due to their insignificance the minority interests are included under other current liabilities.

A list of names and locations of the most important group companies is given on page 85.

With regard to the income statements of AEGON N.V., article 402, Book 2 of the Dutch Civil Code has been applied.

Capital base	2001		2000	
	EUR mln	%	EUR mln	%
Shareholders' equity	15,292	69.4	12,844	69.1
Capital securities	2,101	9.5	1,820	9.8
Subordinated (convertible) debt	670	3.0	683	3.7
Senior debt related to insurance activities	3,982	18.1	3,245	17.4
<b>Total capital base</b>	<b>22,045</b>	<b>100.0</b>	<b>18,592</b>	<b>100.0</b>

AEGON's capital base reflects the capital employed in its insurance activities. AEGON manages the capital base to contain at least 70% shareholders' equity, between 5% and 15% capital securities, and a maximum of 25% subordinated and senior debt.

### Risk analysis

As an international life insurance group, AEGON is exposed to currency fluctuations, to changes in mortality and longevity and to changes in the value of its investments, credit risk and the impact of interest rate changes. For information about risks and sensitivity of the Group for movements in the interest rate markets, the currency markets and the equity and real estate markets, and their effects on net income and shareholders' equity, refer to the financial review on page 40.

Commitments and contingencies on page 64 include comprehensive descriptions about derivatives used by AEGON.

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.

The credit risk on financial instruments is controlled by detailed internal guidelines for the acceptable level of credit risk, including exposure limits depending upon the respective counterparty credit rating and by regular monitoring thereof. In addition, the aggregated exposure to financial institutions is monitored at group level.

Asset default provisions exist resulting from structural risk analysis based on counterparty credit rating, experience and topical developments. Technical provisions are reviewed regularly to detect adverse deviation from the underlying assumptions. If these tests reveal a negative outcome, the provision is adjusted according to the actual data. Deferred policy acquisition costs are tested annually to assess their recoverability from future premium loadings or expected gross profits. If necessary, adjustments to the amortization schedule are applied.

### Foreign currency

Assets and liabilities denominated 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 not 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:

	2001	2000
US Dollar (USD)	0.88130	0.93050
Swiss Franc (CHF)	1.48290	1.52320
Pound Sterling (GBP)	0.60850	0.62410
Canadian Dollar (CAD)	1.40770	1.39650
Japanese Yen (JPY)	115.33000	106.92000
Hungarian Forint (HUF)	246.33000	264.94000

**Notes to the consolidated balance sheets**

Amounts in EUR 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. Default provisions on fixed income investments are determined based on exposure limits, counterparty credit ratings and securities expected to have a higher probability of default relative to the market in which they trade. Credit risk on mortgages is monitored by assessing delay of payment classification combined with a related level of provision. Other asset provisions are formed as soon as any credit risk emerges.

Assets and liabilities from banking activities and gains and losses on these activities are accounted for in accordance with the rules for banks.

**1 REAL ESTATE**

	2001	2000
Real estate for own use	375	293
Other real estate	1,951	1,823
	<b>2,326</b>	<b>2,116</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 five-year period. Valuation is for a large part based on external appraisal. In 2001 98% of the portfolio has been revalued.

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 1,832 million (2000: EUR 1,724 million).

**2 GROUP COMPANIES AND PARTICIPATIONS**

	2001	2000
Shares in group companies	1,332	1,603
Loans to group companies	1,877	629
Other participations	71	64
Loans to other participations	0	4
	<b>3,280</b>	<b>2,300</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 relative financial 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 (Transamerica Finance Corporation) are accounted for under shares in group companies at net asset value. These group companies have not been consolidated because of their dissimilarity in operations. Consolidated financial statements have been included on page 73 and following.

**3 OTHER FINANCIAL INVESTMENTS**

	2001	2000
Shares	8,336	8,666
Bonds and other fixed rate securities	73,660	61,240
Loans guaranteed by mortgages	20,537	18,244
Other loans	26,831	23,980
Deposits with credit institutions	1,553	1,215
Other financial investments	4,892	3,949
	<b>135,809</b>	<b>117,294</b>

	2001	2000
<b>Shares</b>	<b>8,336</b>	<b>8,666</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 shares 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 7,984 million (2000: EUR 7,653 million).

<b>Bonds and other fixed rate securities</b>	<b>73,660</b>	<b>61,240</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	74,516	64,066
Deferred purchase differences	-5,713	-6,887
Amortization value bonds	68,803	57,179
Other fixed rate securities	4,857	4,061
	<b>73,660</b>	<b>61,240</b>

Market value of these investments amounts to EUR 74,581 million (2000: EUR 61,191 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 276 million (2000: EUR 110 million).

<b>Loans guaranteed by mortgages</b>	<b>20,537</b>	<b>18,244</b>
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Loans guaranteed by mortgages are valued at redemption value. Discounts granted are deferred and amortized to income over the contractual period of interest fixation.

Market value of the portfolio amounts to EUR 21,179 million (2000: EUR 18,791 million). As no market exists for these investments, market value is calculated based on current interest rate, 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 53 million (2000: EUR 184 million).

<b>Other loans</b>	<b>26,831</b>	<b>23,980</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 deferred and released to the income statements in annual installments over the estimated average remaining term to maturity of the investments sold.

## Notes to the consolidated balance sheets

Amounts in EUR millions

	2001	2000
Redemption value	27,524	24,147
Deferred purchase differences	-693	-167
Amortization value	26,831	23,980

Market value of the portfolio amounts to EUR 26,843 million (2000: EUR 23,916 million). As no market exists for these investments, market value is calculated based on current interest rates, term to 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 75 million (2000: EUR 74 million).

<b>Deposits with credit institutions</b>	<b>1,553</b>	<b>1,215</b>
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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.

**Other financial investments**

Policy loans	1,838	1,700
Receivables out of share lease agreements and others	3,054	2,249
	<b>4,892</b>	<b>3,949</b>

Market value of policy loans is set equal to book value. The market value of receivables out of share lease agreements and others amounts to EUR 3,131 million (2000: EUR 2,281 million).

The provision for doubtful debts amounts to EUR 34 million (2000: EUR 34 million).

	2001	2000
<b>4 DEPOSITS WITH CEDING UNDERTAKINGS</b>	<b>30</b>	<b>27</b>

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

Market value amounts to EUR 30 million (2000: EUR 27 million).

**CHANGES IN INVESTMENTS**

	Balance at 1 January 2001	Acquired	Disposed and redeemed	Revalu- ations	Currency exchange rate differences and other changes <sup>1</sup>	Balance at 31 December 2001
Real estate	2,116	139	-98	71	98	2,326
Group companies and participations	2,300	1,387	-564	-	157	3,280
Shares	8,666	3,841	-3,237	-1,122	188	8,336
Bonds and other fixed rate securities	61,240	69,410	-62,232	-	5,242	73,660
Loans guaranteed by mortgages	18,244	4,035	-2,488	-	746	20,537
Other loans	23,980	14,751	-12,782	-	882	26,831
Deposits with credit institutions	1,215	304	-10	-	44	1,553
Other financial investments	3,949	1,463	-742	-	222	4,892
Deposits with ceding undertakings	27	3	0	-	0	30
<b>Total</b>	<b>121,737</b>	<b>95,333</b>	<b>-82,153</b>	<b>-1,051</b>	<b>7,579</b>	<b>141,445</b>
Balances and changes of 2000	112,989	61,527	-58,135	-33	5,389	121,737

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

**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.

	2001	2000
Balance at 1 January	114,286	108,276
Acquired	47,728	28,565
Disposed and redeemed	-40,866	-22,390
Currency exchange rate differences and other changes	-7,876	-165
<b>Balance at 31 December</b>	<b>113,272</b>	<b>114,286</b>

**6 RECEIVABLES OUT OF DIRECT INSURANCE**

	2001	2000
Policyholders	1,519	1,956
Agents	195	641
<b>Total receivables out of direct insurance</b>	<b>1,714</b>	<b>2,597</b>

The provision for doubtful debts for these receivables amounts to EUR 42 million (2000: EUR 47 million).

**7 OTHER RECEIVABLES**

	2001	2000
Investment receivables	81	109
Sale partnership interests Mexico	828	-
Other receivables	3,243	2,481
<b>Total other receivables</b>	<b>4,152</b>	<b>2,590</b>

Other receivables include items for an amount of EUR 1,386 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 9 million (2000: EUR 15 million).

**8 EQUIPMENT**

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

	Data processing systems	Office furniture & other equipment	Total equipment
Total cost of equipment			446
Accumulated depreciation			-192
Balance at 1 January 2001	139	115	254
Investments	159	35	194
Depreciation	-46	-33	-79
Disposals and other changes	-5	-6	-11
<b>Balance at 31 December 2001</b>	<b>247</b>	<b>111</b>	<b>358</b>
Accumulated depreciation			272
Total cost of equipment			630

The increase of investments in data processing systems results from major long-term information technology projects in several country units.

## Notes to the consolidated balance sheets

Amounts in EUR millions

**9 LIQUID ASSETS**

	2001	2000
Cash on hand and balances with banks	357	352
Short-term investments	511	373
<b>Total liquid assets</b>	<b>868</b>	<b>725</b>

All liquid assets are at free disposal.

**10 CAPITAL AND RESERVES**

For the notes to the share capital, reserves and stock options refer to page 88 and following.

**11 CAPITAL SECURITIES**

	2001	2000
Perpetual cumulative subordinated loans	1,517	1,267
Trust Pass-through Securities	584	553
<b>Total capital securities</b>	<b>2,101</b>	<b>1,820</b>

**Perpetual cumulative subordinated loans**

This item comprises the following loans:

	Year <sup>1</sup>		
Interest rate 8%, coupon date 8 June	2005	114	114
Interest rate 7 7/8%, coupon date 29 September	2005	114	114
Interest rate 7 3/4%, coupon date 15 December	2005	136	136
Interest rate 7 1/8%, coupon date 4 March	2011	203	203
Interest rate 7 5/8%, coupon date 10 July	2008	114	114
Interest rate 7 1/4%, coupon date 14 October	2008	136	136
Interest rate 6 7/8%, coupon date 20 December	2005	700	450
<b>Total perpetual cumulative subordinated loans</b>	<b>1,517</b>	<b>1,267</b>	

<sup>1</sup> Year of first call.

The coupons for the EUR 114 million 8% bonds are set at 8% until 8 June 2005. The coupons for the EUR 203 million 7 1/8% bonds are set at 7 1/8% until 4 March 2011, while the EUR 136 million 7 1/4% bonds are set at 7 1/4% until 14 October 2008. On these dates, and after every consecutive period of ten years, the coupons will be reset at the then prevailing yield of nine-ten years Dutch government bonds plus a surcharge of 0.85%. The coupons of the other four loans are fixed.

The loans have the same subordination provisions as dated subordinated debt. In addition, 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. Thereafter AEGON has the right to call the loans for redemption at par every consecutive ten-year period on the coupon date, with the exception of the 6 7/8% bond. This bond is callable every year on the coupon date after the initial call date in 2005.

The market value of these loans amounts to EUR 1,584 million (2000: EUR 1,356 million).

**Trust Pass-through Securities**

This item comprises the following loans:

USD 100 million 7 4/5% Capital Trust Pass-through Securities	1996/26	113	107
USD 225 million 7 13/20% Capital Trust Pass-through Securities	1996/26	255	242
USD 190 million 7 5/8% Capital Trust Pass-through Securities	1997/37	216	204
		<b>584</b>	<b>553</b>

Capital Trust Pass-through Securities (TRUPS) are securities through which the holders participate in a trust. The assets of these trusts consist of junior subordinated deferrable interest debentures of Transamerica Corp. 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 4/5% Capital Trust Pass-through Securities on or after 1 December 2006.

The market value of these loans amounts to EUR 634 million (2000: EUR 658 million).

12 SUBORDINATED (CONVERTIBLE) LOANS	Remaining terms			Total 2001	Total 2000
	1-3 years	4-5 years	over 5 years		
Subordinated loans	296	340	34	670	667
Subordinated convertible loan	-	-	-	-	16
<b>Total subordinated loans</b>	<b>296</b>	<b>340</b>	<b>34</b>	<b>670</b>	<b>683</b>

These loans are subordinated to all other liabilities and borrowings. The interest rates vary from 6.42% to 8.25%. The market value of these loans amounts to EUR 739 million (2000: EUR 796 million).

13 TECHNICAL PROVISIONS	Balance at 1 January 2001	Increase charged to the income statement	Exchange rate fluctuations and other changes	Balance at 31 December 2001	
<b>Life insurance:</b>					
Life insurance	49,128	1,635	2,596	53,359	
Annuities	30,782	1,662	5,726 <sup>1</sup>	38,170	
GICs and funding agreements	22,310	1,224	4,409 <sup>2</sup>	27,943	
	102,220	4,521	12,731	119,472	
Deferred policy acquisition costs	-13,459			-15,264	
Unamortized interest rate rebates	-432			-424	
<b>Subtotal life insurance</b>	<b>88,329</b>			<b>103,784</b>	
<b>Non-life insurance:</b>					
Unearned premiums and unexpired risks	1,244	348	168	1,760	
Deferred policy acquisition costs	-545			-1,202	
	699			558	
Claims outstanding	1,814	-104	202	1,912	
<b>Subtotal non-life insurance</b>	<b>2,513</b>			<b>2,470</b>	
<b>Profit sharing and rebates</b>	<b>219</b>			<b>285</b>	
<b>Other</b>	<b>750</b>	39	-77	<b>712</b>	
<b>Total</b>	<b>91,811</b>	<b>4,804</b>		<b>107,251</b>	

<sup>1</sup> Of which the balance of deposits and withdrawals is EUR 3,086 million.

<sup>2</sup> Of which the balance of deposits and withdrawals is EUR 2,978 million.

#### Life insurance

The provision for *life insurance* is calculated using assumptions for future mortality, investment performance, lapses and expenses over the lifetime of the contracts. These long-term assumptions are based on best estimates of future experience at policy issue. The estimates include a margin for adverse deviation. Regularly the assumptions are tested against actual experience. If these tests reveal a negative outcome, the provision is adjusted 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 technical provision for life reinsurance assumed is included in this provision as well.

The average interest rate used is 5.33% (2000: 5.39%). Taking into account the capitalized interest rate rebates, the average interest rate used is 5.57% (2000: 5.67%).

Provisions for *annuities* are for annuity contracts sold in the United States. Annuities are typically single premium insurance products where the paid-in amounts accumulate with interest credits, or equity growth, less applicable loads or fees. The funds grow on a tax deferred basis and have significant long-term savings characteristics. The benefit reserves are equal to the full accumulated contract values.

The provision for *GICs and funding agreements* is the amount due for these products which are sold in the United States. Both Guaranteed Investment Contracts (GICs) and Funding Agreements (FAs) are issued on a fixed or floating rate basis and provide protection of principle and a guaranteed rate of interest. GICs are primarily sold to tax qualified retirement plans. FAs are typically sold to other, non-tax qualified institutional investors. FAs are also issued to certain trusts or special purpose entities, which in turn issue medium-term notes or commercial paper secured by these FAs to institutional investors. The benefit reserves of GICs and funding agreements are equal to the full accumulated contract values.

## Notes to the consolidated balance sheets

Amounts in EUR millions

	2001	2000
<b>Deferred policy acquisition costs</b>		
Balance at 1 January	13,459	10,992
Deferred during the year	2,256	2,232
Amortization charged to the income statement	-1,203	-1,143
Other changes <sup>1</sup>	752	1,378
<b>Balance at 31 December</b>	<b>15,264</b>	<b>13,459</b>

<sup>1</sup> Mainly caused by acquisitions and currency exchange rate differences.

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

Policy acquisition costs are deferred to the extent that these costs are recoverable from future expense loadings in the premiums or expected gross profits, depending on the nature of the contract. The assumptions underlying the calculation of expected gross profits are determined from best estimates as to future experience. These estimates are based on, but not limited to: an economic perspective in terms of long-term bonds and equity returns; mortality, disability and lapse assumptions; maintenance expenses; and future expected inflation rates.

Every year the deferred policy acquisition costs are tested to assess the recoverability from future premium loadings or future gross profits, by country unit and product line. If necessary, adjustments to the amortization schedule are applied. Included in AEGON's deferred acquisition costs is a substantial amount of value of business acquired (VOBA) resulting from acquisitions, which in its nature is the same as deferred acquisition costs and subject to the same recoverability testing.

Deferred policy acquisition costs related to insurance contracts with fixed premiums are 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.

<b>Unamortized interest rate rebates</b>		
Balance at 1 January	432	486
Rebates granted during the year	94	61
Amortization charged to the income statement	-102	-118
Other changes	0	3
<b>Balance at 31 December</b>	<b>424</b>	<b>432</b>

Interest rate rebates granted are amortized over the period of the contracts concerned in yearly increasing amounts.

The provision for pension regarding own employees amounts to EUR 1,459 million (2000: EUR 1,450 million).

**Non-life insurance**

*Unearned premiums* represent the unearned part of premiums received for both property and casualty insurance as for accident and health insurance. The provision for *unexpired risks* includes a provision to compensate for the increasing age of persons insured under health and personal accident policies.

<b>Deferred policy acquisition costs</b>		
Balance at 1 January	545	472
Deferred during the year	302	161
Amortization charged to the income statement	-219	-141
Other changes <sup>1</sup>	574	53
<b>Balance at 31 December</b>	<b>1,202</b>	<b>545</b>

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

Policy acquisition costs are costs that are directly or indirectly 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 both 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.

	2001	2000
<b>Claims outstanding</b>		
Balance at 1 January	2,407	1,794
Less reinsurance recoverables	-593	-259
Net balance	1,814	1,535
Incurred related to:		
– current year	1,422	1,600
– prior years	120	33
Total incurred	1,542	1,633
Paid related to:		
– current year	-902	-669
– prior years	-599	-690
Total paid	-1,501	-1,359
Other changes	57	5
Net balance at 31 December:		
– current year	520	931
– prior years	1,392	883
	1,912	1,814
Plus reinsurance recoverables	486	593
<b>Balance at 31 December</b>	<b>2,398</b>	<b>2,407</b>

The provision for *claims outstanding* relates to claims incurred in the current and previous years, still unsettled at year-end. Calculation takes place either on an item-by-item basis or on the basis of statistical information, taking into account 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 premiums deferred and claims combined in a fund.

#### 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.

<b>Reinsurance amount ceded</b>		
The following amounts on account of reinsurance ceded have been deducted from the technical provisions:		
Life insurance	2,391	4,744
Unearned premiums and unexpired risks	217	16
Claims outstanding	486	593
	<b>3,094</b>	<b>5,353</b>

## Notes to the consolidated balance sheets

Amounts in EUR millions

14 TECHNICAL PROVISIONS WITH INVESTMENTS FOR THE ACCOUNT OF POLICYHOLDERS	Balance at 1 January 2001	Decrease credited to the income statement	Exchange rate fluctuations and other changes	Balance at 31 December 2001
Provisions gross	114,637			113,639
Ceded to reinsurers	-351			-367
<b>Provisions for insurance of which the policyholder bears the investment risk and for insurance-linked savings deposits</b>	<b>114,286</b>	<b>-5,504</b>	<b>4,490</b>	<b>113,272</b>

This provision includes unit-linked insurance contracts, separate investment funds Group Life, insurance-linked savings deposits and the liabilities of AEGON UK with profit funds (EUR 26,838 million). The amount of EUR 5,504 million credited to the income statement is the total of premium receipt and benefits of EUR 4,011 million and the investment income for the account of policyholders amounting to EUR -9,515 million. Also the liabilities of the acquired pension business of Diversified Investment Advisors (USA) 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. As some products have a minimum guaranteed benefit amount at maturity, a provision for this benefit is accumulated during the term of the related portfolio. The provision has been included in the technical provisions life insurance.

## 15 PROVISIONS

	2001	2000
<b>Provisions for taxation</b>	<b>2,917</b>	<b>2,748</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. Deferred tax assets are recognized to the extent that it is probable that future taxable profits will be available.

The provision is equal to the discounted value of the future tax amounts. In the calculation discounted tax rates ranging from 0% to nominal rates are used, taking into account the estimated term to maturity of the related differences. Nominal value of these tax amounts is EUR 3,518 million.

As at 31 December the provisions for taxation consist of:

Deferred tax liabilities relating to:		
Investments	525	1,260
Deferred policy acquisition costs	3,447	3,572
Other	1,305	669
	5,277	5,501
Deferred tax assets relating to:		
Technical provisions	1,880	2,665
Operating losses carried forward	296	-
Other	184	88
	2,360	2,753
<b>Total tax losses carried forward</b>	<b>2,917</b>	<b>2,748</b>
Tax losses carried forward not recognized within deferred tax assets	1,054	813
Tax losses carried forward recognized within deferred tax assets	880	0
Average tax rate	33.6%	-
Deferred tax assets relating to operating losses carried forward	296	-

**16 LONG-TERM LIABILITIES**

	Less than 1 year	1-3 years	4-5 years	Remaining terms over 5 years	Total 2001	Total 2000
<b>Capital market:</b>						
Borrowings	1,517	2,121	216	654	4,508	3,561
<b>Other:</b>						
Miscellaneous long-term liabilities	81	131	52	312	576	464
<b>Total long-term liabilities</b>	<b>1,598</b>	<b>2,252</b>	<b>268</b>	<b>966</b>	<b>5,084</b>	<b>4,025</b>
Senior debt related to insurance activities assigned to the capital base					3,982	3,245
Long-term liabilities mainly relating to the financing of Transamerica Finance Corporation and to the run-off debt financing for FGH Bank					1,102	780

The repayment periods of borrowings vary from in excess of one year up to a maximum of 29 years. The coupons vary from 0.093% to 10.0% per annum. Borrowings include debenture loans for EUR 1,568 million.

The market value of total long-term liabilities amounts to EUR 4,781 million (2000: EUR 4,013 million).

**17 OTHER PAYABLES**

	2001	2000
Investment payables	137	300
Taxes and social security	63	283
Dividend	634	583
Other	2,632	2,417
<b>Total other payables</b>	<b>3,466</b>	<b>3,583</b>

**18 ACCRUALS AND DEFERRED INCOME**

	2001	2000
Accrued interest	506	453
Deferred gains and losses on fixed rate investments	496	200
<b>Total accruals and deferred income</b>	<b>1,002</b>	<b>653</b>

## Notes to the consolidated balance sheets

Amounts in EUR millions

COMMITMENTS AND CONTINGENCIES	2001	2000
<b>Investments contracted</b>		
Real estate	-8	-25
Mortgage loans	276	535
Bonds and registered debentures:		
Purchase	1,007	1,683
Sale	624	1,083
Private placements	55	218
Other:		
Purchase	694	678
Sale	0	0

**Derivatives**

AEGON uses common derivative financial instruments such as interest rate swaps, options, futures and foreign exchange contracts to hedge its exposures related to investments, liabilities and borrowings. Options and futures contracts are included in the balance sheet at fair value or at the amounts received for 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.

AEGON does not hold or issue derivative instruments for speculative trading purposes.

Interest rate contracts, which include swaps, swaptions, caps, floors and forward rate agreements are used to alter interest rate types in order to match assets and liabilities. The contracts are designated individually or in groups to specific liabilities at the inception of the contracts.

Under interest rate swaps, the Company agrees with other parties to exchange, at specific intervals, the difference between fixed rate and floating rate interest amounts calculated by reference to an agreed notional amount without an exchange of the underlying principal amount. The differential to be paid or received is recognized as an adjustment to interest expense.

Swaptions entitle the Company to receive settlement payments from other parties on specified expiration dates, contingent on future interest rates. The amount of such settlement payments, if any, is determined by the present value of the difference between the fixed rate on a market rate swap and the strike price multiplied by the notional amount. Premiums paid for swaptions are deferred and amortized to interest expense on a straight-line basis over the term of the contract.

Interest rate cap and floor agreements are contracts with a counterparty which require the payment of a premium for the right to receive payments for the difference between the cap and floor interest rate and a market interest rate on specified future dates based on an underlying principle balance (notional amount) to hedge against rising and falling interest rates. Premiums paid for purchased interest rate cap or floor agreements are capitalized and amortized to interest expense over the term of the contract.

Forward rate agreements are commitments to purchase or sell a financial instrument at a future date for a specific price and are used to hedge short-term interest movements, in particular, for future investments or short-term borrowings. Forward rate agreements settle in cash at a specific future date based on the differential between agreed interest rates applied to a notional amount. Payments or receipts are recognized as interest income or interest charge at the moment of cash settlement.

Cross currency swaps are used to manage the Company's exposure to foreign exchange rate fluctuations of both assets and liabilities. Cross currency swap agreements are contracts to exchange the currencies of two different countries at the same rate of exchange at specified future dates. AEGON uses cross currency swaps to allow investments, product offerings and borrowings to be made in foreign currencies, gaining access to additional markets and sources of funding while eliminating foreign exchange risk. Cross currency swaps are recognized in the balance sheet under long-term liabilities and in the income statement in investment income, benefits to policyholders or miscellaneous income and expenditure - currency exchange rate differences. The amount recognized represents the currency exchange difference on the notional amount at period-end rates.

An equity swap is a contract whereby the performance of an equity instrument is exchanged for an interest flow. Equity swaps are valued at market value with changes going through the income statement.

Options are contracts that give the option purchaser the right, but not the obligation, to buy or sell, within a specified period of time, a financial instrument at a specified price. Purchased options are carried at market, while options sold are carried at the premium received. Unrealized gains (losses) on options are recognized in equity or current liabilities.

Futures contracts are carried at fair value and require daily cash settlement. Changes in the fair value of interest rate futures that qualify as hedges are deferred and recognized as an adjustment of the hedged item, while changes in the fair value of equity futures are recognized in income.

The Company's exposure to credit risk is the risk of loss from a counterparty failing to perform according to the terms of the contract. The Company continually monitors its position and the credit ratings of the counterparties to these derivative instruments. To limit exposure associated with counterparty non-performance on interest rate and cross currency swap contracts, the Company enters into master netting agreements with its counterparties. The Company believes the risk of incurring losses due to non-performance by its counterparties is low due to their high credit quality. The credit exposure of interest rate and cross currency swap contracts is represented by the fair value of contracts. Interest rate swap, cap, and floor agreements are subject to replacement cost risk, which is the possibility that future changes in market prices may make the instruments less valuable.

The following table represents aggregate notional amounts of derivatives. The amounts listed for interest rate contracts will not be exchanged by parties and, thus, do not reflect an exposure of the Company to market movements. The amounts listed for cross currency contracts will be exchanged at amounts calculated on the bases of the notional amounts and the terms of the derivatives, which relate to interest rates, exchange rates, or financial or other indexes.

	Notional amounts 2001	Fair value 2001	Book value 2001	Notional amounts 2000	Fair value 2000	Book value 2000
<b>Interest rate contracts</b>						
Interest rate swaps	35,419	-265	0	31,058	-150	0
Swaptions	2,583	93	90	8,780	107	0
Caps/floors	1,507	20	7	1,501	16	0
Forward rate agreements	724	1	0	800	-12	0
<b>Other derivative contracts</b>						
Cross currency swaps	10,220	-604	-694	6,546	-476	-446
Foreign exchange contracts	671	-26	-25	1,766	26	26
Equity swaps	478	-14	-17	70	2	2
Over-the-counter options	177	77	76	407	47	47
Exchange traded options/futures	5,225	-47	-41	8,158	3	3
						2001      2000
<b>Collateral and guarantees given to third parties</b>						855      739
Bonds and registered debentures						1      35
Private placements						2,173      2,283
Ceded and securitized mortgage loans						1,513      1,284
Letters of credit						

These function mainly as collateral granted by AEGON subsidiaries abroad, to meet legal requirements. This item also includes collateral guarantees given by subsidiaries under reciprocal insurance contracts and guarantees on interest rate risk at early redemption of ceded and securitized mortgage loans.

#### Off balance sheet managed assets

As part of its core operations, AEGON concludes transactions and has relationships with institutional and retail customers for a variety of financial services. The return for these services is a fee related to the asset value, to the investment performance or to the risk exposure of the contract.

The services include:

- management of investments for institutional investors and of mutual funds in the retail business;
- offering of synthetic GICs which guarantee to plan sponsors benefit responsiveness, whether or not in 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.

For all services the related assets are owned by the customers and therefore they do not appear on the balance sheet of AEGON. Total assets involved in these operations amount to EUR 54 billion (USD 47 billion), (2000: EUR 45 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 one year. AEGON will then purchase the remaining business in force based on a formula described in the agreement.

**Notes to the consolidated income statements**

Amounts in EUR millions

**Determination of results**

The principles for the determination of results are described in the notes to the balance sheets.

**1 ANALYSIS OF PREMIUMS LIFE INSURANCE 2001**

	Life insurance			Investments for the account of policyholders		
	Gross	Reinsurance	Own account	Gross	Reinsurance	Own account
<b>Incoming reinsurance</b>	<b>1,357</b>	<b>-258</b>	<b>1,099</b>	<b>194</b>	<b>-5</b>	<b>189</b>
<b>Insurance</b>						
<b>Recurring:</b>						
Individual						
– without profit sharing	2,933	-536	2,397	2,287	-33	2,254
– with profit sharing	304	-2	302	250	-1	249
<b>Total</b>	<b>3,237</b>	<b>-538</b>	<b>2,699</b>	<b>2,537</b>	<b>-34</b>	<b>2,503</b>
Group						
– without profit sharing	659	-127	532	885	-8	877
– with profit sharing	280	-4	276	604	-9	595
<b>Total</b>	<b>939</b>	<b>-131</b>	<b>808</b>	<b>1,489</b>	<b>-17</b>	<b>1,472</b>
<b>Total recurring</b>	<b>4,176</b>	<b>-669</b>	<b>3,507</b>	<b>4,026</b>	<b>-51</b>	<b>3,975</b>
<b>Single:</b>						
Individual						
– without profit sharing	1,277	-108	1,169	3,560	-46	3,514
– with profit sharing	158		158	956	-67	889
<b>Total</b>	<b>1,435</b>	<b>-108</b>	<b>1,327</b>	<b>4,516</b>	<b>-113</b>	<b>4,403</b>
Group						
– without profit sharing	133		133	961		961
– with profit sharing	597	-3	594	886	-50	836
<b>Total</b>	<b>730</b>	<b>-3</b>	<b>727</b>	<b>1,847</b>	<b>-50</b>	<b>1,797</b>
<b>Total single</b>	<b>2,165</b>	<b>-111</b>	<b>2,054</b>	<b>6,363</b>	<b>-163</b>	<b>6,200</b>
<b>Total premiums</b>	<b>7,698</b>	<b>-1,038</b>	<b>6,660</b>	<b>10,583</b>	<b>-219</b>	<b>10,364</b>
<b>Grand total</b>				<b>18,281</b>	<b>-1,257</b>	<b>17,024</b>
<b>Grand total 2000</b>				<b>17,983</b>	<b>-1,210</b>	<b>16,773</b>

2 ANALYSIS OF TECHNICAL RESULTS NON-LIFE INSURANCE		Accident & health	Legal liability motor	Other motor	Marine, transport and aviation	Fire	General liability	Other branches	Total
<b>2001</b>									
Gross premiums		2,558	179	158	36	287	55	24	3,297
Gross premiums earned		2,019	178	158	36	282	55	23	2,751
Gross claims incurred		-1,200	-149	-117	-25	-179	-33	-4	-1,707
Gross operating expenses		-988	-45	-41	-9	-98	-22	-7	-1,210
Balance of reinsurance ceded		-4	1	2	-1	-11	0	-4	-17
Investment income		-173	-15	2	1	-6	0	8	-183
Investment charges		419	27	19	3	22	10	1	501
Balance of other items		-6	0	0	0	-1	1	0	-6
Investment income allocated to the non-technical account		-31	-1	-2	0	-2	0	0	-36
<b>Result technical account non-life</b>		<b>194</b>	<b>7</b>	<b>18</b>	<b>2</b>	<b>8</b>	<b>11</b>	<b>9</b>	<b>249</b>
<b>2000</b>									
Gross premiums		2,067	180	157	38	268	65	13	2,788
Gross premiums earned		1,869	184	155	38	266	65	13	2,590
Gross claims incurred		-1,512	-167	-110	-32	-168	-33	-2	-2,024
Gross operating expenses		-636	-52	-44	-10	-96	-23	-5	-866
Balance of reinsurance ceded		201	0	0	4	-6	-6	-1	192
Investment income		-78	-35	1	0	-4	3	5	-108
Investment charges		263	29	18	4	23	13	2	352
Balance of other items		-9	0	0	0	0	0	0	-9
Investment income allocated to the non-technical account		-4	0	0	0	0	0	1	-3
<b>Result technical account non-life</b>		<b>157</b>	<b>-11</b>	<b>17</b>	<b>3</b>	<b>16</b>	<b>15</b>	<b>8</b>	<b>205</b>
<b>Combined ratios (in %)</b>									
<b>2001</b>									
Americas		99	-	-	-	77	-	-	99
The Netherlands		94	114	95	99	106	92	64	100
Other countries		94	103	105	67	98	127	-	99
<b>Total</b>		<b>99</b>	<b>109</b>	<b>98</b>	<b>99</b>	<b>102</b>	<b>99</b>	<b>64</b>	<b>100</b>
<b>2000</b>									
Americas		101	-	-	-	33	-	-	101
The Netherlands		96	126	90	98	110	110	49	104
Other countries		97	116	111	371	93	61	-	102
<b>Total</b>		<b>101</b>	<b>121</b>	<b>99</b>	<b>101</b>	<b>102</b>	<b>94</b>	<b>49</b>	<b>102</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 were profitable.

## Notes to the consolidated income statements

Amounts in EUR millions

3 INVESTMENT INCOME		Life	Non-life	Non-technical	Total
<b>2001</b>					
Income from participations		18	0	60	78
<b>Group companies:</b>					
Income from other investments					
Real estate <sup>1</sup>		122	2	2	126
Shares		176	6	0	182
Bonds and other fixed rate securities		4,394	297	0	4,691
Loans guaranteed by mortgage		1,338	4	0	1,342
Other loans		1,818	11	31	1,860
Deposits with credit institutions		11	4	0	15
Other financial investments		157	1	0	158
Interest on liquid assets and other		607	151	0	758
Indirect income real estate and shares		698	25	0	723
<b>Total</b>		<b>9,339</b>	<b>501</b>	<b>93</b>	<b>9,933</b>
<b>2000</b>					
Income from participations		15	0	37	52
<b>Group companies:</b>					
Income from other investments					
Real estate <sup>1</sup>		115	2	2	119
Shares		159	7	0	166
Bonds and other fixed rate securities		4,242	216	0	4,458
Loans guaranteed by mortgage		1,301	4	0	1,305
Other loans		1,741	21	39	1,801
Deposits with credit institutions		9	6	0	15
Other financial investments		176	2	0	178
Interest on liquid assets and other		847	76	0	923
Indirect income real estate and shares		577	18	0	595
<b>Total</b>		<b>9,182</b>	<b>352</b>	<b>78</b>	<b>9,612</b>

<sup>1</sup> Of which allocated internal rent for real estate in own use an amount of EUR 17 million (2000: EUR 17 million), based on market conditions.

In the income statement the structural total return on investments in real estate and shares is recognized. This total return includes the 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 seven 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 direct income.

4 INCOME FROM BANKING ACTIVITIES	2001	2000
Bonds and other fixed rate securities	49	63
Loans guaranteed by mortgage	36	33
Other loans	83	95
Other investments and liquid assets	216	133
<b>Total</b>	<b>384</b>	<b>324</b>

**5 CHANGE IN TECHNICAL PROVISIONS**

	2001	2000
Technical provisions	4,804	4,749
Technical provisions with investments for the account of policyholders	-5,504	-731
	-700	4,018
Investment income for the account of policyholders	9,515	3,495
<b>Change in technical provisions</b>	<b>8,815</b>	<b>7,513</b>

**6 PROFIT SHARING AND REBATES**

	2001	2000
Amortization of interest rate rebates	102	118
Surplus interest bonuses	40	48
Profit appropriated to policyholders	106	204
<b>Total</b>	<b>248</b>	<b>370</b>

Granted interest rate rebates amount to EUR 94 million (2000: EUR 61 million), almost entirely relating to the Dutch companies.

**7 OPERATING EXPENSES**

	Life	Non-life	Non-technical	Total
<b>2001</b>				
Acquisition costs	2,590	561		3,151
Deferred policy acquisition costs	-2,256	-302		-2,558
Amortization of deferred policy acquisition costs	1,203	219		1,422
	1,537	478		2,015
Administrative expenses	2,001	732		2,733
Commissions and profit sharing from reinsurers	-305	-157		-462
Banking and other activities			96	96
<b>Total operating expenses</b>	<b>3,233</b>	<b>1,053</b>	<b>96</b>	<b>4,382</b>
Investment expenses				192
Commissions and expenses				4,574
<b>2000</b>				
Acquisition costs	2,548	538	-	3,086
Deferred policy acquisition costs	-2,232	-161	-	-2,393
Amortization of deferred policy acquisition costs	1,143	141	-	1,284
	1,459	518	-	1,977
Administrative expenses	1,934	348	-	2,282
Commissions and profit sharing from reinsurers	-335	-128	-	-463
Banking and other activities	-	-	85	85
<b>Total operating expenses</b>	<b>3,058</b>	<b>738</b>	<b>85</b>	<b>3,881</b>
Investment expenses				219
Commissions and expenses				4,100

## Notes to the consolidated income statements

Amounts in EUR millions

	2001	2000
Technical and non-technical accounts include the following:		
Salaries	1,167	1,066
Pension premiums	-111	-82
Other social security charges	189	173
Other expenses	1,223	1,167
Total expenses	2,468	2,324
Commissions	3,704	3,348
Deferred policy acquisition costs	-2,558	-2,393
Amortization of deferred policy acquisition costs	1,422	1,284
Commissions and profit sharing from reinsurers	-462	-463
<b>Commissions and expenses</b>	<b>4,574</b>	<b>4,100</b>

Expenses include allocated housing expenses from real estate in own use for an amount of EUR 17 million (2000: EUR 17 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 appropriate 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 employees participate in a defined benefit scheme based on average salary and for the amount exceeding a certain level employees may opt for a defined contribution scheme. Indexation of vested rights 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, the present overfunding of the pension plans and the related interest benefit on pension plan assets cause pension expense to be a 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 was 25,790 of which 4,298 agent-employees (2000: 24,377 of which 4,112 agent-employees). The specification per geographical area is as follows:

	2001	2000
Americas	16,007	14,987
The Netherlands	3,073	3,059
United Kingdom	4,574	4,404
Other countries	2,136	1,927
	<b>25,790</b>	<b>24,377</b>

**Remuneration of active and retired members of the Executive Board**  
in thousands of EUR

	Salary	Performance related payments <sup>1</sup>	Pension	Total 2001	Total 2000
P. van de Geijn	475	457	47	979	940
D.J. Shepard	1,117	1,321	313	2,751	3,030
K.J. Storm	642	616	64	1,322	1,268
J.B.M. Streppel (as of 4 May 2000)	475	305	47	827	359
<b>Total for active members</b>	<b>2,709</b>	<b>2,699</b>	<b>471</b>	<b>5,879</b>	<b>5,597</b>
H.B. van Wijk (up to 4 May 2000)		188		188	1,093
<b>Total</b>	<b>2,709</b>	<b>2,887</b>	<b>471</b>	<b>6,067</b>	<b>6,690</b>

<sup>1</sup> Under an annual bonus scheme of EUR 24,463 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.

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

In EUR	2001	2000
M. Tabaksblat	56,722	41,619
H. de Ruiter	45,378	36,302
D.G. Eustace	45,378	29,496
Sir Michael Jenkins	–	27,227
O.J. Olcay	34,034	27,227
J.F.M. Peters	–	31,765
K.M.H. Peijs	34,034	27,227
G.A. Posthumus	39,705	27,227
T. Rembe (as of 4 May 2000)	34,034	17,837
W.F.C. Stevens	34,034	27,227
F.J. de Wit	34,034	27,227
<b>Total for active members</b>	<b>357,353</b>	<b>320,381</b>
Sir Michael Jenkins	34,034	–
J.F.M. Peters (up to 3 May 2001)	15,808	–
G. van Schaik (up to 4 May 2000)	–	15,824
<b>Total</b>	<b>407,195</b>	<b>336,205</b>

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

	Stock options balance at 1 January	Exercise price EUR	Granted	Exercise price EUR	Exercised	Date	Market price EUR	Stock options balance at 31 December	Exercise price EUR	Shares held in the company 31 December
P. van de Geijn	200,000	17.36						200,000	17.36	
	200,000	29.02			0	–	–	200,000	29.02	
	200,000	46.95			0	–	–	200,000	46.95	
	200,000	34.50			0	–	–	200,000	34.50	
			100,000	34.84	0	–	–	100,000	34.84	226,722
D.J. Shepard	200,000	17.36						200,000	17.36	
	200,000	29.02			0	–	–	200,000	29.02	
	200,000	46.95			0	–	–	200,000	46.95	
	200,000	34.50			0	–	–	200,000	34.50	
			100,000	34.84	0	–	–	100,000	34.84	276,170
K.J. Storm	200,000	17.36			0	–	–	200,000	17.36	
	200,000	29.02			0	–	–	200,000	29.02	
	200,000	46.95			0	–	–	200,000	46.95	
	200,000	34.50			0	–	–	200,000	34.50	
			100,000	34.84	0	–	–	100,000	34.84	261,181
J.B.M. Streppel	50,000	17.36		25,000	04-10	34.98	25,000	17.36		
	50,000	29.02		0	–	–	50,000	29.02		
	40,000	46.95		0	–	–	40,000	46.95		
	40,000	34.50		0	–	–	40,000	34.50		
			100,000	34.84	0	–	–	100,000	34.84	–

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 200,000 options, in the bottom three 50,000 per person and in the middle four 100,000 per person.
3. If there is no increase in earnings per share, no options will be offered.

At the balance sheet date, J.B.M. Streppel had a 5% mortgage loan of EUR 680,700. In accordance with the contract no redemptions were received on this loan in 2001.

## Notes to the consolidated income statements

Amounts in EUR millions

The aggregate amount of AEGON N.V. common shares held by the Supervisory Board members was 20,581 as per 31 December 2001. Members of the Supervisory Board do not hold options on AEGON N.V. shares.

**8 INVESTMENT CHARGES**

	Life	Non-life	Non-technical	Total
<b>2001</b>				
Investment expenses and interest charges	242	6	806	1,054
<b>2000</b>				
Investment expenses and interest charges	296	9	710	1,015

**9 MISCELLANEOUS INCOME AND EXPENDITURE**

	Life	Non-life	Non-technical	Total
<b>2001</b>				
Addition to provision for doubtful debts	766	32	6	804
Currency exchange rate differences	1	0	-18	-17
Book gain on sale of partnership interests in Mexico	-343	—	—	-343
Other income and expenditure	-9	4	-61	-66
<b>Total</b>	<b>415</b>	<b>36</b>	<b>-73</b>	<b>378</b>
<b>2000</b>				
Addition to provision for doubtful debts	132	3	7	142
Currency exchange rate differences	1	-1	10	10
Other income and expenditure	-4	1	-14	-17
<b>Total</b>	<b>129</b>	<b>3</b>	<b>3</b>	<b>135</b>

**10 INVESTMENT INCOME ALLOCATED TO THE NON-TECHNICAL ACCOUNT**

Income on investments held against 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.

**11 CORPORATION TAX**

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

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.

	2001	2000
<b>Breakdown:</b>		
Taxes currently due	709	469
Taxes deferred due to temporary differences	209	364
<b>Total</b>	<b>918</b>	<b>833</b>
 The following is a reconciliation of the expected tax on income with the actual tax expense:		
Statutory tax rate	1,109	969
Increases (decreases) in taxes resulting from:		
Dividend income exclusions and credits	-286	-109
Depreciation of equipment and real estate	-3	-3
Valuation of technical provisions	2	0
Other, net	96	-24
<b>Actual tax expense</b>	<b>918</b>	<b>833</b>

## 12 NET INCOME UNCONSOLIDATED GROUP COMPANIES

### Labouchere

Because of the sale on 31 March 2000, this subsidiary was deconsolidated for comparability reasons. The net profit for the first quarter 2000 amounting to EUR 31 million has been recognized under unconsolidated group companies.

### Transamerica non-insurance businesses

Since their acquisition, AEGON has been accounting for the non insurance businesses of Transamerica (Transamerica Finance Corporation) as participations and has recorded them at cost. Following a change in accounting, resulting from the decision to retain and continue to develop these businesses as operating units of the Group, these businesses are carried at net asset value in the balance sheet as of 30 June 2000.

From 21 July 1999 up to the first six months of 2000 dividends declared were included in earnings for an amount that offset the funding cost. Effective 1 July 2000, net income of the non insurance businesses has been included in consolidated earnings.

The non-insurance businesses of Transamerica include lending, leasing and real estate information services. The lending business makes commercial loans through three operations: distribution finance, business credit and equipment financial services. Leasing is comprised of the Company's marine container and European trailer operations. Real estate information provides tax and flood hazard services primarily to mortgage originators and servicers.

Due to their dissimilarity in operations in relation to the operations of AEGON, these group companies have not been consolidated. Following are the consolidated balance sheets, consolidated income statements and notes thereto of Transamerica Finance Corporation, established in Delaware and operating from San Francisco, California, USA. Valuation and determination of results are based on Dutch accounting principles.

	2001	2000
<b>Consolidated balance sheets at 31 December of Transamerica Finance Corporation</b>		
Cash	64	51
Finance receivables	7,865	8,916
Equipment	129	186
Other assets	3,186	4,529
<b>Total</b>	<b>11,244</b>	<b>13,682</b>
 Long-term borrowings	4,926	5,956
Short-term borrowings	3,182	4,248
Other liabilities	1,053	1,146
Accruals and deferred income	348	331
Provisions for deferred taxation	462	443
Shareholders' equity	1,273	1,558
<b>Total</b>	<b>11,244</b>	<b>13,682</b>

## Notes to the consolidated income statements

Amounts in EUR millions

	2001	2000
<b>Consolidated income statements of Transamerica Finance Corporation</b>		
Finance charges	919	1,134
Leasing revenues	489	683
Real estate information	283	286
Other revenues	261	209
<b>Total revenues</b>	<b>1,952</b>	<b>2,312</b>
Interest and debt expense	470	660
Salaries and other employee expenses	365	384
Depreciation on equipment held for lease	246	307
Addition to the provision for doubtful accounts	155	149
Miscellaneous income and expenditure	590	589
<b>Total expenses</b>	<b>1,826</b>	<b>2,089</b>
Income before tax	126	223
Corporation tax	-1	-70
<b>Net income from operations</b>	<b>125</b>	<b>153</b>

The low corporation tax in 2001 has been caused by the reversal of state tax liabilities that were no longer needed.

	2001	2000
Income reported by AEGON:		
Dividend declared through 30 June 2000	-	82
Net income reported from 1 July 2000	125	66
Funding costs on the related raised debt, net of tax	-53	-119
<b>Net income reported by AEGON</b>	<b>72</b>	<b>29</b>

**Notes to the consolidated balance sheets**

Where not otherwise stated, balance sheet items are carried at face value. If necessary a provision for bad and doubtful debts has been deducted.

**Cash**

All cash is at free disposal.

	2001	2000
<b>Finance receivables</b>		
The contractual maturity is:		
Within three months	2,063	2,520
Between three months and one year	1,743	1,871
Between one and five years	3,144	3,574
Over five years	915	951
<b>Total</b>	<b>7,865</b>	<b>8,916</b>

This item includes receivables from lending and leasing activities after deduction of unearned finance charges.

	2001	2000
<b>Equipment</b>		
Balance at 1 January	186	191
Investments	65	27
Depreciation	-26	-33
Disposals and other changes	-106	-15
Currency rate differences	10	16
<b>Balance at 31 December 2001</b>	<b>129</b>	<b>186</b>
Accumulated depreciation	80	48
<b>Total cost of equipment</b>	<b>209</b>	<b>234</b>

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

	2001	2000
<b>Other assets</b>		
Equipment held for lease	2,025	2,174
Assets held for sale	399	1,346
Other	762	1,009
<b>Total</b>	<b>3,186</b>	<b>4,529</b>

Equipment held for lease is shown at cost less depreciation over the estimated useful life. Assets held for sale consists primarily of consumer mortgage and retail finance receivables.

	2001	2000
<b>Long-term borrowings</b>		
The contractual maturity is:		
Within three months	505	521
Between three months and one year	1,804	2,070
Between one and five years	2,254	3,025
Over five years	363	340
<b>Total</b>	<b>4,926</b>	<b>5,956</b>
<b>Short-term borrowings</b>		
Commercial paper	2,967	4,132
Banks	111	116
AEGON	104	-
<b>Total</b>	<b>3,182</b>	<b>4,248</b>
<b>Other liabilities</b>		
Creditors	529	875
Taxes	21	31
Other liabilities	503	240
<b>Total</b>	<b>1,053</b>	<b>1,146</b>
<b>Shareholders' equity</b>		
Capital	17	16
Reserves	1,256	1,542
<b>Total</b>	<b>1,273</b>	<b>1,558</b>

## Notes to the consolidated income statements

Amounts in EUR millions

	2001	2000
<b>Reserves</b>		
Balance at 1 January	1,542	3,219
Net income	72	29
Capital redemptions/contributions	-265	322
Dividends paid	-122	-272
Goodwill	-	-2,059
Currency exchange rate differences	47	270
Other changes	-18	33
<b>Balance at 31 December</b>	<b>1,256</b>	<b>1,542</b>

**Commitments and contingencies**

The business credit unit of the commercial lending operation provides revolving lines of credit, letters of credit and standby letters of credit. At 31 December borrowers' unused credit available under such arrangements totaled EUR 2,340 million.

**Off balance sheet**

The company has entered into arrangements in which it securitized and services inventory floorplan, equipment finance and leasing, insurance premium finance receivables and residential mortgage as well as small business administration loans. Securitized assets at 31 December totaled EUR 3,083 million.

## Notes to the consolidated income statements

Amounts in EUR millions

	2001	2000
<b>Breakdown of net income from operations by segment</b>		
Commercial lending	87	139
Leasing	-12	8
Real estate information	42	24
Other	8	-18
<b>Net income from operations</b>	<b>125</b>	<b>153</b>
<b>Salaries and other employee costs</b>		
Salaries	319	306
Pension expenses	-6	-4
Social security charges	15	18
Other employee costs	37	64
<b>Total</b>	<b>365</b>	<b>384</b>

**Segment information – Revenues and production**

Amounts in millions

2001 USD	2000 USD	%		2001 EUR	2000 EUR	%
<b>Revenues</b>						
1,939	2,054	-6	Life general account single premium	2,165	2,224	-3
4,954	4,574	8	Life general account recurring premium	5,533	4,953	12
5,697	6,301	-10	Life policyholders' account single premium	6,363	6,823	-7
3,779	3,678	3	Life policyholders' account recurring premium	4,220	3,983	6
16,369	16,607	-1	Total life insurance gross premiums	18,281	17,983	2
2,290	1,909	20	Accident & health insurance premium	2,558	2,067	24
662	666	-1	General insurance premium	739	721	2
19,321	19,182	1	Total gross premiums	21,578	20,771	4
8,811	8,805	0	Investment income insurance activities <sup>1</sup>	9,840	9,534	3
344	298	15	Income from banking activities	384	324	19
28,476	28,285	1	Total revenues business units	31,802	30,629	4
83	72	15	Income from other activities	93	78	19
<b>28,559</b>	<b>28,357</b>	<b>1</b>	<b>Total revenues</b>	<b>31,895</b>	<b>30,707</b>	<b>4</b>
<b>Revenues by product segment</b>						
24,731	25,087	-1	Life insurance	27,620	27,165	2
2,666	2,152	24	Accident & health insurance	2,977	2,330	28
735	748	-2	General insurance	821	810	1
344	298	15	Banking activities	384	324	19
83	72	15	Other activities	93	78	19
<b>28,559</b>	<b>28,357</b>	<b>1</b>	<b>Total revenues</b>	<b>31,895</b>	<b>30,707</b>	<b>4</b>
<b>-8,520</b>	<b>-3,228</b>		<b>Investment income for the account of policyholders</b>	<b>-9,515</b>	<b>-3,495</b>	
<b>Standardized new premium production life insurance</b>						
7,465	7,910	-6	Single	8,337	8,565	-3
1,596	1,586	1	Recurring annualized	1,783	1,717	4
<b>2,343</b>	<b>2,377</b>	<b>-1</b>	<b>Total recurring plus 1/10 single</b>	<b>2,617</b>	<b>2,574</b>	<b>2</b>
<b>Deposits</b>						
6,756	4,592	47	Fixed annuities	7,545	4,972	52
10,922	10,664	2	GICs and funding agreements	12,198	11,547	6
5,944	8,299	-28	Variable annuities	6,638	8,987	-26
23,622	23,555	0	Total	26,381	25,506	3
3,816	3,258	17	Savings deposits	4,262	3,528	21
<b>27,438</b>	<b>26,813</b>	<b>2</b>	<b>Total production on balance sheet</b>	<b>30,643</b>	<b>29,034</b>	<b>6</b>
<b>Net deposits</b>						
2,763	902		Fixed annuities	3,086	977	
2,938	-48		GICs and funding agreements	3,281	-52	
855	2,760	-69	Variable annuities	955	2,988	-68
6,556	3,614	81	Total	7,322	3,913	87
946	-259		Savings deposits	1,057	-280	
<b>7,502</b>	<b>3,355</b>		<b>Total net deposits</b>	<b>8,379</b>	<b>3,633</b>	
<b>731</b>	<b>866</b>	<b>-16</b>	<b>Investment contracts</b>	<b>816</b>	<b>938</b>	<b>-13</b>
<b>Off balance sheet production</b>						
11,709	5,891	99	Synthetic GICs	13,077	6,379	
7,629	8,690	-12	Mutual funds/Collective Trusts and other managed assets	8,520	9,410	-9
<b>19,338</b>	<b>14,581</b>	<b>33</b>	<b>Total production off balance sheet</b>	<b>21,597</b>	<b>15,789</b>	<b>37</b>

**Americas**

Amounts in millions

	2001 USD	2000 USD	%	2001 EUR	2000 EUR	%
<b>Income by product segment</b>						
Traditional life	792	853	-7	884	924	-4
Fixed annuities	321	426	-25	358	461	-22
GICs and funding agreements	193	165	17	215	179	20
Life for account policyholders	93	95	-2	104	103	1
Variable annuities	107	130	-18	120	141	-15
Fee business	74	74	0	83	80	4
Book profit Mexico	307	-		343	-	
Life insurance	1,887	1,743	8	2,107	1,888	12
Accident & health insurance	146	124	18	164	134	22
General insurance	1	3		1	3	-67
<b>Total insurance</b>	<b>2,034</b>	<b>1,870</b>	<b>9</b>	<b>2,272</b>	<b>2,025</b>	<b>12</b>
of which general account	1,760	1,571	12	1,965	1,701	16
of which policyholders' account <sup>1</sup>	274	299	-8	307	324	-5
Income before tax	2,034	1,870	9	2,272	2,025	12
Corporation tax	-606	-633	-4	-677	-686	-1
<b>Net income</b>	<b>1,428</b>	<b>1,237</b>	<b>15</b>	<b>1,595</b>	<b>1,339</b>	<b>19</b>
<b>Revenues</b>						
Life general account single premium	1,047	1,318	-21	1,170	1,427	-18
Life general account recurring premium	4,179	3,869	8	4,667	4,190	11
Life policyholders account single premium	1,001	991	1	1,118	1,073	4
Life policyholders account recurring premium	712	668	7	795	723	10
Total life insurance gross premiums	6,939	6,846	1	7,750	7,413	5
Accident & health insurance	2,093	1,722	22	2,337	1,865	25
General insurance	10	5		11	5	
Total gross premiums	9,042	8,573	5	10,098	9,283	9
Investment income insurance activities	7,233	7,161	1	8,078	7,754	4
<b>Total revenues</b>	<b>16,275</b>	<b>15,734</b>	<b>3</b>	<b>18,176</b>	<b>17,037</b>	<b>7</b>
Investment income for the account of policyholders	-5,329	-3,676		-5,951	-3,981	
<b>Gross margin, commissions and expenses</b>						
Gross margin	5,071	4,632	9	5,664	5,016	13
Commissions and expenses	3,037	2,762	10	3,392	2,991	13
<b>Standardized new premium production life insurance</b>						
Single	1,924	1,966	-2	2,149	2,129	1
Recurring annualized	794	970	-18	887	1,050	-16
<b>Total recurring plus 1/10 single</b>	<b>986</b>	<b>1,167</b>	<b>-16</b>	<b>1,102</b>	<b>1,263</b>	<b>-13</b>
<b>Deposits</b>						
Fixed annuities	6,756	4,592	47	7,545	4,972	52
GICs and funding agreements	10,922	10,664	2	12,198	11,547	6
Variable annuities	5,944	8,299	-28	6,638	8,987	-26
<b>Total production on balance sheet</b>	<b>23,622</b>	<b>23,555</b>	<b>0</b>	<b>26,381</b>	<b>25,506</b>	<b>3</b>
<b>Off balance sheet production</b>						
Synthetic GICs	11,709	5,891	99	13,077	6,379	
Mutual funds/Collective Trusts and other managed assets	6,400	7,425	-14	7,148	8,040	-11
<b>Total production off balance sheet</b>	<b>18,109</b>	<b>13,316</b>	<b>36</b>	<b>20,225</b>	<b>14,419</b>	<b>40</b>

<sup>1</sup> Includes also variable annuities and fees.

**The Netherlands**

Amounts in millions

	2001	2000	%
<b>Income by product segment</b>			
Traditional life	614	577	6
Life for account policyholders	192	150	28
Life insurance	806	727	11
Accident & health insurance	36	34	6
General insurance	37	32	16
<b>Total insurance</b>	<b>879</b>	<b>793</b>	<b>11</b>
of which general account	687	643	7
of which policyholders account	192	150	28
<b>Banking activities<sup>1</sup></b>	<b>45</b>	<b>47</b>	<b>-4</b>
Income before tax	924	840	10
Corporation tax	-228	-187	22
<b>Net income</b>	<b>696</b>	<b>653</b>	<b>7</b>
<b>Revenues</b>			
Life general account single premium	768	553	39
Life general account recurring premium	569	602	-5
Life policyholders' account single premium	814	739	10
Life policyholders' account recurring premium	1,486	1,429	4
Total life insurance gross premiums	3,637	3,323	9
Accident & health insurance	146	129	13
General insurance	422	408	3
Total gross premiums	4,205	3,860	9
Investment income insurance activities	1,484	1,502	-1
Income from banking activities	384	324	19
<b>Total revenues</b>	<b>6,073</b>	<b>5,686</b>	<b>7</b>
Investment income for the account of policyholders	-155	333	
<b>Gross margin, commissions and expenses</b>			
Gross margin	1,479	1,374	8
Commissions and expenses	555	534	4
<b>Standardized new premium production life insurance</b>			
Single	1,625	1,292	26
Recurring annualized	188	172	9
<b>Total recurring plus 1/10 single</b>	<b>351</b>	<b>301</b>	<b>17</b>
<b>Deposits</b>			
Savings deposits	4,262	3,528	21
<b>Total production on balance sheet</b>	<b>4,262</b>	<b>3,528</b>	<b>21</b>
<b>Investment contracts</b>	<b>816</b>	<b>938</b>	<b>-13</b>
<b>Off balance sheet production</b>			
Mutual funds/Collective Trusts and other managed assets	868	354	
<b>Total production off balance sheet</b>	<b>868</b>	<b>354</b>	

<sup>1</sup> Includes income on off balance sheet type products.

**United Kingdom**

Amounts in millions

	2001 GBP	2000 GBP	%	2001 EUR	2000 EUR	%
<b>Income by product segment</b>						
Traditional life	14	31	-55	22	52	-58
Life for account policyholders	215	180	19	346	295	17
Fee business	2	8	-75	4	13	-69
<b>Life insurance</b>	<b>231</b>	<b>219</b>	<b>5</b>	<b>372</b>	<b>360</b>	<b>3</b>
of which general account	14	31	-55	22	52	-58
of which policyholders' account <sup>1</sup>	217	188	15	350	308	14
Income before tax	231	219	5	372	360	3
Corporation tax	-66	-59	12	-107	-98	9
<b>Net income</b>	<b>165</b>	<b>160</b>	<b>3</b>	<b>265</b>	<b>262</b>	<b>1</b>
<b>Revenues</b>						
Life general account single premium	112	97	15	181	160	13
Life general account recurring premium	49	10		79	16	
Life policyholders' account single premium	2,710	2,959	-8	4,361	4,859	-10
Life policyholders' account recurring premium	1,098	1,037	6	1,767	1,703	4
Total gross premiums	3,969	4,103	-3	6,388	6,738	-5
Investment income insurance activities	80	89	-10	129	145	-11
<b>Total revenues</b>	<b>4,049</b>	<b>4,192</b>	<b>-3</b>	<b>6,517</b>	<b>6,883</b>	<b>-5</b>
Investment income for the account of policyholders	-2,066	110		-3,325	181	
<b>Gross margin, commissions and expenses</b>						
Gross margin	452	419	8	728	689	6
Commissions and expenses	221	200	11	356	329	8
<b>Standardized new premium production life insurance</b>						
Single	2,763	2,982	-7	4,447	4,896	-9
Recurring annualized	362	240	51	583	394	48
<b>Total recurring plus 1/10 single</b>	<b>638</b>	<b>538</b>	<b>19</b>	<b>1,028</b>	<b>884</b>	<b>16</b>
<b>Off balance sheet production</b>						
Mutual funds/Collective Trusts and other managed assets	275	580	-53	442	952	-54
<b>Total production off balance sheet</b>	<b>275</b>	<b>580</b>	<b>-53</b>	<b>442</b>	<b>952</b>	<b>-54</b>

<sup>1</sup> Includes also fee income.

**Other countries**

Amounts in millions

	Hungary			Spain			Other countries		
	2001	2000	%	2001	2000	%	2001	2000	%
<b>Income by product segment</b>									
Traditional life	35	30	17	9	8	13	-7	-10	-30
Life for account of policyholders	-6	-4	50	-8	-3		4	2	
Fee business	7	5	40	-	-		-	-	
Life insurance	36	31	16	1	5	-80	-3	-8	-63
Accident & health insurance	0	0		9	4		0	0	
General insurance	24	21	14	6	4	50	-1	0	
<b>Total insurance</b>	<b>60</b>	<b>52</b>	<b>15</b>	<b>16</b>	<b>13</b>	<b>23</b>	<b>-4</b>	<b>-8</b>	<b>-50</b>
of which general account	59	51	16	24	16	50	-8	-10	-20
of which policyholders' account <sup>1</sup>	1	1		-8	-3		4	2	
Income before tax	60	52	15	16	13	23	-4	-8	-50
Corporation tax	-10	-8	25	-1	0		0	-1	
<b>Net income</b>	<b>50</b>	<b>44</b>	<b>14</b>	<b>15</b>	<b>13</b>	<b>15</b>	<b>-4</b>	<b>-9</b>	<b>-56</b>
<b>Revenues</b>									
Life general account single premium	0	4		43	76	-43	3	4	-25
Life general account recurring premium	77	82	-6	52	38	37	89	25	
Life policyholders' account single premium	10	34	-71	45	97	-54	15	21	-29
Life policyholders' account recurring premium	36	18		38	38	0	98	72	36
Total life insurance gross premiums	123	138	-11	178	249	-29	205	122	68
Accident & health insurance	1	1	0	74	72	3	0	0	
General insurance	84	84	0	221	218	1	1	6	-83
Total gross premiums	208	223	-7	473	539	-12	206	128	61
Investment income insurance activities	76	77	-1	54	46	17	19	10	90
<b>Total revenues</b>	<b>284</b>	<b>300</b>	<b>-5</b>	<b>527</b>	<b>585</b>	<b>-10</b>	<b>225</b>	<b>138</b>	<b>63</b>
Investment income for the account of policyholders	4	2		-36	-26	38	-52	-4	
<b>Gross margin, commissions and expenses</b>									
Gross margin	131	126	4	117	109	7	57	34	68
Commissions and expenses	71	74	-4	101	96	5	61	42	45
<b>Standardized new premium production life insurance</b>									
Single	10	38	-74	89	184	-52	17	26	-35
Recurring annualized	22	18	22	35	46	-24	68	37	84
<b>Total recurring plus 1/10 single</b>	<b>23</b>	<b>22</b>	<b>5</b>	<b>44</b>	<b>64</b>	<b>-31</b>	<b>70</b>	<b>40</b>	<b>75</b>
<b>Off balance sheet production</b>									
Mutual funds/Collective Trusts and other managed assets	62	64	-3	-	-		-	-	
<b>Total production off balance sheet</b>	<b>62</b>	<b>64</b>	<b>-3</b>	<b>-</b>	<b>-</b>		<b>-</b>	<b>-</b>	

<sup>1</sup> Includes also fee income.

## Investments, assets, liabilities geographically

Amounts in EUR millions unless otherwise stated

Americas USD	United Kingdom GBP	As at 31 December 2001	Americas	The Netherlands	United Kingdom	Other countries	Total	Total USD
<b>Investments</b>								
92,709	805	Fixed income	105,195	12,102	1,323	1,401	120,021	105,774
4,170	89	Equities & real estate	4,732	5,599	147	155	10,633	9,371
<b>96,879</b>	<b>894</b>	<b>Total general account</b>	<b>109,927</b>	<b>17,701</b>	<b>1,470</b>	<b>1,556</b>	<b>130,654</b>	<b>115,145</b>
12,232	14,009	Fixed income	13,879	6,024	23,022	354	43,279	38,142
26,477	16,879	Equities & real estate	30,044	12,014	27,739	196	69,993	61,685
<b>38,709</b>	<b>30,888</b>	<b>Total account policyholders</b>	<b>43,923</b>	<b>18,038</b>	<b>50,761</b>	<b>550</b>	<b>113,272</b>	<b>99,827</b>
<b>135,588</b>	<b>31,782</b>	<b>Total insurance activities</b>	<b>153,850</b>	<b>35,739</b>	<b>52,231</b>	<b>2,106</b>	<b>243,926</b>	<b>214,972</b>
–	–	Banking activities	–	7,047	–	–	7,047	6,210
<b>44,931</b>	<b>813</b>	<b>Off balance sheet assets</b>	<b>50,982</b>	<b>1,319</b>	<b>1,336</b>	<b>247</b>	<b>53,884</b>	<b>47,488</b>
<b>180,519</b>	<b>32,595</b>	<b>Total business units</b>	<b>204,832</b>	<b>44,105</b>	<b>53,567</b>	<b>2,353</b>	<b>304,857</b>	<b>268,670</b>
		Other investments					464	409
<b>Total investments</b>							<b>305,321</b>	<b>269,079</b>
140,285	32,236	Assets business units	159,180	44,834	52,976	2,400	259,390	228,600
		Other assets					4,671	4,117
Total assets on balance sheet							264,061	232,717
13,920	1,771	Capital in units	15,795	3,654	2,910	374	22,733	20,035
		Total capital base					22,045	19,428
		Other net liabilities					688	607
<b>Total</b>							<b>22,733</b>	<b>20,035</b>
<b>As at 31 December 2000</b>								
<b>Investments</b>								
81,704	782	Fixed income	87,807	12,045	1,253	1,103	102,208	95,105
3,639	94	Equities & real estate	3,911	6,543	150	150	10,754	10,007
<b>85,343</b>	<b>876</b>	<b>Total general account</b>	<b>91,718</b>	<b>18,588</b>	<b>1,403</b>	<b>1,253</b>	<b>112,962</b>	<b>105,112</b>
15,908	14,371	Fixed income	17,096	7,103	23,028	306	47,533	44,229
26,528	17,857	Equities & real estate	28,509	9,425	28,612	207	66,753	62,114
<b>42,436</b>	<b>32,228</b>	<b>Total account policyholders</b>	<b>45,605</b>	<b>16,528</b>	<b>51,640</b>	<b>513</b>	<b>114,286</b>	<b>106,343</b>
<b>127,779</b>	<b>33,104</b>	<b>Total insurance activities</b>	<b>137,323</b>	<b>35,116</b>	<b>53,043</b>	<b>1,766</b>	<b>227,248</b>	<b>211,455</b>
–	–	Banking activities	–	5,490	–	–	5,490	5,108
<b>39,003</b>	<b>1,003</b>	<b>Off balance sheet assets</b>	<b>41,916</b>	<b>1,004</b>	<b>1,607</b>	<b>154</b>	<b>44,681</b>	<b>41,576</b>
<b>166,782</b>	<b>34,107</b>	<b>Total business units</b>	<b>179,239</b>	<b>41,610</b>	<b>54,650</b>	<b>1,920</b>	<b>277,419</b>	<b>258,139</b>
		Other investments					985	917
<b>Total investments</b>							<b>278,404</b>	<b>259,056</b>
132,606	33,448	Assets business units	142,511	42,937	53,594	2,051	241,093	224,337
		Other assets					3,123	2,906
Total assets on balance sheet							244,216	227,243
11,978	1,499	Capital in units	12,873	4,172	2,402	409	19,856	18,476
		Total capital base					18,592	17,299
		Other net liabilities					1,264	1,177
<b>Total</b>							<b>19,856</b>	<b>18,476</b>

**Face value and total sums insured**

Amounts in EUR millions unless otherwise stated

Americas <sup>1</sup> USD	United Kingdom GBP	Year 2001 Life insurance	Americas <sup>1</sup>	The Netherlands	United Kingdom	Hungary	Spain	Other countries	Total
<b>New insurance written</b>									
62,820	4,093	Individual	70,158	2,324	6,587	150	240	754	80,213
13,945	1,523	Group	15,574	7,453	2,452	148	120	48	25,795
<b>76,765</b>	<b>5,616</b>	<b>Total 2001</b>	<b>85,732</b>	<b>9,777</b>	<b>9,039</b>	<b>298</b>	<b>360</b>	<b>802</b>	<b>106,008</b>
<b>120,281</b>	<b>4,505</b>	<b>Total 2000</b>	<b>130,245</b>	<b>12,233</b>	<b>7,399</b>	<b>266</b>	<b>546</b>	<b>459</b>	<b>151,148</b>
<b>Net increase</b>									
29,260	-620	Individual	81,640	152	935	13	58	1,654	84,452
-7,828	486	Group	-4,419	3,511	1,301	64	52	48	557
<b>21,432</b>	<b>-134</b>	<b>Total 2001</b>	<b>77,221</b>	<b>3,663</b>	<b>2,236</b>	<b>77</b>	<b>110</b>	<b>1,702</b>	<b>85,009</b>
<b>114,919</b>	<b>-1,250</b>	<b>Total 2000</b>	<b>184,289</b>	<b>7,830</b>	<b>-2,380</b>	<b>-111</b>	<b>963</b>	<b>292</b>	<b>190,883</b>
<b>Total sums insured at year-end</b>									
836,615	46,972	Individual	949,297	48,802	77,192	1,371	2,265	3,002	1,081,929
66,566	12,705	Group	75,532	69,008	20,880	220	835	48	166,523
<b>903,181</b>	<b>59,677</b>	<b>Total 2001</b>	<b>1,024,829</b>	<b>117,810</b>	<b>98,072</b>	<b>1,591</b>	<b>3,100</b>	<b>3,050</b>	<b>1,248,452</b>
<b>881,749</b>	<b>59,811</b>	<b>Total 2000</b>	<b>947,608</b>	<b>114,147</b>	<b>95,836</b>	<b>1,514</b>	<b>2,990</b>	<b>1,348</b>	<b>1,163,443</b>

<sup>1</sup> Includes one-time effect of sale Mexico.**Fixed income investments general account**

As at 31 December 2001	Americas in USD	The Netherlands in EUR	United Kingdom in GBP	Other countries in EUR	Total in EUR	In % of total
Treasuries/Agencies	4,375		225	766	6,114	5
High Quality (AAA/AA)	26,727	5,067	292	338	36,197	30
Investment grade (A/BBB)	41,854	1,286	285	209	49,455	41
High yield (BB+ or less)	4,862	173	0	6	5,695	5
Mortgages	12,607	5,238	0	10	19,553	16
Others	2,284	338	3	72	3,007	3
<b>Total</b>	<b>92,709</b>	<b>12,102</b>	<b>805</b>	<b>1,401</b>	<b>120,021</b>	<b>100</b>

As at 31 December 2000	Americas in USD	The Netherlands in EUR	United Kingdom in GBP	Other countries in EUR	Total in EUR	In % of total
Treasuries/Agencies	5,155		266	630	6,595	7
High Quality (AAA/AA)	19,814	5,848	264	276	27,841	27
Investment grade (A/BBB)	38,527	990	249	115	42,909	42
High yield (BB+ or less)	4,321	41	0	10	4,694	5
Mortgages	11,691	5,062	0	5	17,632	17
Others	2,196	104	3	67	2,537	2
<b>Total</b>	<b>81,704</b>	<b>12,045</b>	<b>782</b>	<b>1,103</b>	<b>102,208</b>	<b>100</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)  
 Commonwealth General Corporation, Wilmington (Delaware USA)  
 First AUSA Life Insurance Company, Baltimore (Maryland USA)  
 J.C. Penney Life Insurance Company, Rutland (Vermont USA)  
 Life Investors Insurance Company of America, Cedar Rapids (Iowa USA)  
 Monumental Life Insurance Company, Baltimore (Maryland USA)  
 Peoples Benefit Life Insurance Company, Cedar Rapids (Iowa USA)  
 Transamerica Corporation, Wilmington (Delaware USA)  
 Transamerica Insurance Corporation, Cedar Rapids (Iowa USA)  
 Transamerica Life Canada, Scarborough (Ontario Canada)  
 Transamerica Life Insurance and Annuity Company, Charlotte (North Carolina USA)  
 Transamerica Life Insurance Company, Cedar Rapids (Iowa USA)  
 Transamerica Occidental Life Insurance Company, Cedar Rapids (Iowa USA)  
 Veterans Life Insurance Company, Springfield (Illinois USA)  
 Western Reserve Life Assurance Co. of Ohio, Columbus (Ohio USA)

### 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 NabestaandenZorg N.V., Groningen  
 AEGON Nederland N.V., The Hague  
 AEGON Schadeverzekering N.V., The Hague  
 AEGON Spaarkas N.V., The Hague  
 AEGON Vastgoed Holding B.V., The Hague  
 AMVEST Vastgoed B.V., Utrecht (50%)  
 Van Nierop Assuradeuren N.V., Amsterdam  
 Spaarbeleg Kas N.V., Utrecht

### United Kingdom

AEGON Asset Management UK plc, London  
 AEGON UK plc, London  
 Guardian Assurance plc, Lytham St Anne's  
 Guardian Linked Life Assurance Limited, Lytham St Anne's  
 Guardian Pensions Management Limited, Lytham St Anne's  
 HS Administrative Services Limited, Chester  
 Scottish Equitable plc, Edinburgh  
 Scottish Equitable International Holdings plc, London

### Other countries

ÁB-AEGON Általános Biztosító Rt., Budapest (Hungary)  
 AEGON Unión Aseguradora S.A. de Seguros y Reaseguros, Madrid (Spain) (99.98%)  
 AEGON Lebensversicherungs-AG, Düsseldorf (Germany)  
 AEGON Life Insurance (Taiwan) Inc., Taipei (Taiwan)

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

**Balance sheets of AEGON N.V. at 31 December**(after profit appropriation)  
Amounts in EUR millions

	Note number	2001	2000
<b>Investments</b>			
<b>Group companies</b>			
Shares in group companies	1	11,850	11,251
Loans to group companies	2	6,490	3,392
Other loans	3	435	524
		<b>18,775</b>	<b>15,167</b>
<b>Receivables</b>			
Receivables from group companies		2,844	2,753
		<b>2,844</b>	<b>2,753</b>
<b>Other assets</b>			
Liquid assets		42	24
Other assets		26	36
		<b>68</b>	<b>60</b>
<b>Prepayments and accrued income</b>			
Accrued interest and rent		177	61
		<b>177</b>	<b>61</b>
<b>Total assets</b>		<b>21,864</b>	<b>18,041</b>
<b>Capital and reserves</b>			
Share capital	4	224	215
Tax-free paid-in surplus	5	5,074	3,395
Revaluation account	5	4,640	6,177
Other surplus fund	5	5,354	3,057
		<b>15,292</b>	<b>12,844</b>
<b>Perpetual cumulative subordinated loans</b>		<b>1,517</b>	<b>1,267</b>
<b>Subordinated (convertible) loans</b>		<b>670</b>	<b>683</b>
<b>Equity and subordinated loans</b>		<b>17,479</b>	<b>14,794</b>
<b>Provisions</b>		<b>197</b>	<b>167</b>
<b>Long-term liabilities</b>	6	<b>1,888</b>	<b>1,146</b>
<b>Current liabilities</b>			
Amounts owed to credit institutions		1,297	1,225
Other payables		893	600
		<b>2,190</b>	<b>1,825</b>
<b>Accruals and deferred income</b>		<b>110</b>	<b>109</b>
<b>Total liabilities</b>		<b>21,864</b>	<b>18,041</b>

For notes: see page 88 and following.

## Income statements of AEGON N.V.

and the appropriation of profit  
Amounts in EUR millions

	2001	2000
Net income group companies	2,337	2,053
Other income	60	13
<b>Net income</b>	<b>2,397</b>	<b>2,066</b>
<b>Appropriation of profit:</b>		
Dividend on preferred shares	3	3
Dividend on common shares	1,142	973
Retained earnings	1,252	1,090
	<b>2,397</b>	<b>2,066</b>

**Notes to the balance sheets of AEGON N.V.**

Amounts in EUR 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.

**1 SHARES IN GROUP COMPANIES**

	2001	2000
Balance at 1 January	11,251	12,620
Capital contribution and acquisitions	0	1,396
Divestitures	0	-847
Net income for the financial year	2,337	2,053
Dividend distributed	-360	-1,753
Cash settlement subordinated convertible loan	0	-24
Goodwill	-277	-2,254
Revaluations	-1,101	60
<b>Balance at 31 December</b>	<b>11,850</b>	<b>11,251</b>

The group companies are stated at their net asset value.

**2 LOANS TO GROUP COMPANIES**

	2001	2000
Balance at 1 January	3,392	2,774
Additional loans	4,117	649
Repayments or payments received	-1,224	-56
Other changes	205	25
<b>Balance at 31 December</b>	<b>6,490</b>	<b>3,392</b>

**3 OTHER LOANS**

	2001	2000
Balance at 1 January	524	674
Repayments or payments received	-89	-150
<b>Balance at 31 December</b>	<b>435</b>	<b>524</b>

**4 CAPITAL AND RESERVES**

	Common shares	Preferred shares	Total
<b>Share capital</b>			
Authorized	312	168	480
Unissued	141	115	256
<b>Issued and outstanding</b>	<b>171</b>	<b>53</b>	<b>224</b>

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

On 29 June 2001 AEGON NV entered into a Total Return Swap (TRS) with Vereniging AEGON in order to hedge the stock option plan for 2001. The TRS gives AEGON NV effectively the right to the capital gains on 11,288,800 AEGON NV shares at the termination date and to the dividends on these shares during the contract period. The capital gains are calculated based on an exercise price of EUR 32.04. Any losses compared to the exercise price will be paid by AEGON NV to Vereniging AEGON upon termination. AEGON NV in return will pay interest to Vereniging AEGON on a quarterly basis over the (remaining) amount outstanding under the TRS.

The interest rate is equal to the three-month EURIBOR plus a spread.

The TRS ends on 12 March 2006 but may be terminated earlier, either partly or entirely, at the option of AEGON NV.

The total return swap is carried at fair value with changes in fair value reported in equity.

		2001	2000
<b>Number of common shares</b>			
Balance at 1 January		1,350,523,905	668,426,144
Stock split		–	668,426,144
Issuance of shares		55,000,000	–
Stock dividend		16,484,329	13,194,117
Exercise of options		245,000	477,500
<b>Balance at 31 December</b>		<b>1,422,253,234</b>	<b>1,350,523,905</b>

The weighted average number of EUR 0.12 common shares over 2001 was 1,357,349,252 (2000: 1,315,381,814).

The repurchased own shares, although included in the issued and outstanding number of shares, are eliminated in the calculation of the weighted average number of shares (see page 91).

#### Stock options

Senior executives of AEGON companies as well as other AEGON employees have been offered AEGON stock options or stock appreciation rights in 2001. In previous years similar possibilities were offered. 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 in 2001 can only be exercised three years after being granted and then during a period of two years, as was the case in the 1997, the 1998, the 1999 and 2000 stock option plans. 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 pursuant to the purchase agreement with Providian have various expiration dates. The options granted to senior executives of former Providian business units fully vest in three years and the exercise period is up to ten years, ending at the latest in August 2008.

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

The following tables set forth the changes in the years 2000 and 2001 as well as the breakdown of the options outstanding.

		Number of options <sup>1</sup>	Weighted average exercise price <sup>1</sup>
Balance at 1 January 2000		37,355,628	26.25
Issued		10,609,700	34.50
Exercised		-5,891,026	12.74
Lapsed		-148,018	21.75
Balance at 31 December 2000		41,926,284	30.22
Issued		11,288,800	34.84
Exercised		-3,920,532	23.13
Lapsed		-25,374	49.54
<b>Balance at 31 December 2001</b>		<b>49,269,178</b>	<b>32.69</b>

<sup>1</sup> Adjusted for the 2:1 stock-split in May 2000 and including stock appreciation rights.

Stock options	Original number <sup>1</sup>	1 January 2001 <sup>1</sup>	Outstanding 31 December 2001 <sup>1</sup>	Exercise price <sup>1</sup> EUR	Exercise period <sup>3</sup>
1995	10,169,500	217,500	–	6.80	until 1 January 2002
1996	9,886,700	2,485,500	138,000	9.79	until 1 January 2003
1997	9,479,500	6,848,000	6,059,500	17.36	until 1 November 2002
Providian	7,204,384	1,324,684	1,216,278	24.51 <sup>2</sup>	until 6 August 2008
1998	11,518,000	11,516,000	11,032,000	29.02	until 23 March 2003
1999 <sup>4</sup>	8,925,300	8,924,900	8,924,900	46.95	until 6 March 2004
2000 <sup>4</sup>	10,609,700	10,609,700	10,609,700	34.50	until 14 March 2005
2001 <sup>4</sup>	11,288,800		11,288,800	34.84	until 13 March 2006
	<b>79,081,884</b>	<b>41,926,284</b>	<b>49,269,178</b>		

<sup>1</sup> Adjusted for the stock splits in 1995, 1998 and 2000 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.

<sup>4</sup> Including stock appreciation rights, which do not entitle to buy AEGON shares but provide the same financial benefits.

## Notes to the balance sheets of AEGON N.V.

Amounts in EUR millions

Stock options exercisable as of 31 December 2001 amount to 18,445,778 (2000: 10,760,566) and their weighted average exercise price amounts to EUR 24.75 (2000: EUR 13.45).

The fair value of the stock options and stock appreciation rights granted during the year amounts to EUR 83 million (2000: EUR 74 million). This value was estimated using the binominal option pricing model, taking into account that the options granted cannot be exercised within the first three years.

The breakdown of the stock options and stock appreciation rights granted in 2001 is as follows: Executive Board 400,000, other senior executives 3,824,700, other employees 7,064,100 (2000: 640,000, 4,125,300 and 5,844,400 respectively, recalculated for the split in May 2000).

For detailed information about the Executive Board's options refer to page 71.

5 SURPLUS FUNDS	Paid-in surplus	Revaluation account	Other surplus fund	Total 2001	Total 2000
Balance at 1 January	3,395	6,177	3,057	12,629	13,327
Net income			2,397	2,397	2,066
Issuance of new shares	1,677			1,677	0
Repurchased and sold own shares			-21	-21	-423
Exercised options	3			3	7
Stock dividend	-1		-1	-2	-1
Dividend interim and final			-1,145	-1,145	-976
Optional dividend 2001/2000			550	550	555
Revaluation group companies		-1,537	436	-1,101	60
Currency exchange rate differences			-50	-50	-105
Cash settlement subordinated convertible loan			-68	-68	-24
Goodwill			-286	-286	-2,254
Sale Mexico			602	602	-
Settlement stock option plans			-71	-71	-200
Other movements			-46	-46	597
<b>Balance at 31 December</b>	<b>5,074</b>	<b>4,640</b>	<b>5,354</b>	<b>15,068</b>	<b>12,629</b>

The minimum of the revaluation account for the consolidated investments as required by law amounts to EUR 739 million (2000: EUR 1,214 million).

The legal reserve for currency differences on foreign subsidiaries refers to accumulated translation differences amounting to EUR 1,653 million (2000: EUR 1,217 million) and is included in the other surplus fund.

	2001	2000
<b>Consolidated revaluation account real estate and shares</b>		
Balance of revaluations at 1 January	6,177	6,682
Unrealized gains and losses on real estate and shares	-1,051	-33
Unrealized gains and losses in previous years on real estate and shares sold in the reporting year	517	-2,604
Realized gains and losses on real estate and shares	-507	2,612
Transfer to the income statements of indirect income on real estate and shares	-723	-595
Changes in the provision for deferred taxation	306	71
Other changes	-79	44
<b>Balance at 31 December</b>	<b>4,640</b>	<b>6,177</b>

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

The indirect income is released from these revaluations if and as far as the balance is positive. Moreover, the minimum reserve as required by law 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 31 December 2001, an amount of EUR 3,901 million after tax is presently available for release from the revaluations whereas the remainder is only available after realization.

**Other surplus fund**

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 30,923,080 own common shares with a face value of EUR 0.12 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 1 January	31,407,080
Purchase: 32 transactions, average price EUR 35.31	11,288,800
Sale: 105 transactions, average price EUR 32.10	-11,772,800
<b>Balance at 31 December</b>	<b>30,923,080</b>

The purchase and sales values of the related shares have been deducted from respectively added to the other surplus fund.

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. The book gain is the part of the consideration from the sale of the Mexican joint ventures to Banacci (Citigroup) that relates to the return on invested capital which was charged to shareholders' equity as goodwill in earlier years.

**6 LONG-TERM LIABILITIES**

	2001	2000
Remaining terms up to 3 years	1,458	495
Remaining terms 4-5 years	–	333
Remaining terms over 5 years	430	318
<b>Total long-term liabilities</b>	<b>1,888</b>	<b>1,146</b>
Redemptions due in 2002/2001	719	357

Redemptions are included in long-term liabilities.

The repayment periods of borrowings vary from in excess of one year up to a maximum of 29 years. The interest rates vary from 0.093% to 9.875% per annum.

The market value of the long-term liabilities amounts to EUR 1,911 million (2000: EUR 1,202 million).

## Notes to the balance sheets of AEGON N.V.

Amounts in EUR millions

**Commitments and contingencies**

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

Due and punctual payment of payables by AEGON Funding Corp. and AEGON Funding Corp. II with respect to bonds, notes issued and Commercial Paper Programs.

Due and punctual payment of payables by Transamerica Finance Corp. with respect to notes issued in connection with Transamerica Finance Corp.'s Commercial Paper Program.

FGH BANK N.V., for the sake of

- a. all unsubordinated and non-privileged creditors, to whom FGH BANK owes from deeds prior to 27 February 1987, and from all loans contracted by FGH BANK after 27 February 1987, up to 30 March 1998;
- b. those whom FGH BANK guaranteed or assumed several liability prior to 27 February 1987.

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

**The Hague, 7 March 2002**

**Supervisory Board**

M. Tabaksblat  
H. de Ruiter  
D.G. Eustace  
O.J. Olcay  
K.M.H. Peijs  
G.A. Posthumus  
T. Rembe  
W.F.C. Stevens  
F.J. de Wit

**Executive Board**

K.J. Storm  
P. van de Geijn  
D.J. Shepard  
J.B.M. Streppel

## Other information

### 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 nominal value paid in on their preferred shares, a dividend the percentage of which, on an annual basis, is equal to the rate for basic refinancing transactions applied by the 'European Central Bank', increased by 1.75 percentage-points, applying to the first trading day on Amsterdam Exchanges 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 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.

Other information**Profit appropriation**

Upon approval of the annual accounts at the Annual General Meeting of Shareholders on 18 April 2002, which contain the profit appropriation, a dividend for the year 2001 of EUR 0.83 per common share of EUR 0.12 par value will be paid, which after taking into account the EUR 0.37 interim dividend, leads to a final dividend of EUR 0.46 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 2001 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 EUR 0.12 will be determined on 6 May 2002, after 5.30 p.m., based upon the average share price (quotation Euronext Amsterdam) in the four trading days from 30 April up to and including 6 May 2002.

In accordance with article 24, paragraph 3 of the Articles of Incorporation, a dividend equal to 6.5% of the paid up amount of the preferred stock will be distributed in cash.

Finally, an amount of EUR 1,252 million will be retained and added to the general surplus fund.

**Major shareholder**

At balance sheet date AEGON N.V. had one shareholder holding an interest of more than 5%. This major shareholder is the Dutch association "Vereniging AEGON", an independent shareholder of AEGON N.V.

Vereniging AEGON is the continuation of the former mutual insurer AGO. In 1978 AGO was demutualized and Vereniging AGO became the only shareholder of AGO Holding N.V., which was the holding company of its insurance operations. In 1983 AGO Holding N.V. and Ennia N.V. merged into AEGON N.V. Vereniging AGO initially received approximately 49% of the common shares (which shareholding was reduced gradually to 40%) and all of the preferred shares in AEGON N.V., giving it voting majority in AEGON N.V., and it changed its name into Vereniging AEGON.

The objective of the Vereniging is the balanced representation of the interests of AEGON N.V. and all of its stakeholders, i.e. shareholders, AEGON group companies, insured parties, employees and other relations of the said companies.

In accordance with the stipulations of the 1983 Merger Agreement the Vereniging has a majority vote at the general meeting of shareholders of AEGON N.V. This is achieved by holding a minority interest in common shares and holding all issued preferred shares in AEGON N.V. As of 31 December 2001 this voting right stood at 52% (2000: 53%) and the Vereniging held 37% (2000: 37%) of the common shares in AEGON N.V. in circulation. The holding of common shares is intended to be increased gradually to approximately 40% while the holding of preferred shares will be reduced simultaneously.

	Preferred	Common
<b>Number of shares</b>		
As of 1 January 2001	440,000,000	499,658,001
Stock dividends received		6,324,785
Purchase price of EUR 32.04 per share		11,288,800
<b>As of 31 December 2001</b>	<b>440,000,000</b>	<b>517,271,586</b>

As of 31 December 2001 the General Meeting of Members of the Vereniging consisted of 21 members. Seventeen of these are not an employee or former employee of AEGON N.V. or one of its group companies, 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 by the General Meeting of Members from among the members of the Supervisory Board and two 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 the 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.

The Annual Report 2001 of the Vereniging and further information may be obtained through the Secretary (telephone: +31 70 3448288, e-mail: Secretariaat@VerenigingAEGON.nl, fax: +31 70 3477929).

## Auditor's report

### **Introduction**

We have audited the financial statements of AEGON N.V., The Hague, for the year 2001. 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 2001 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, 7 March 2002**  
**Ernst & Young Accountants**

## Report of the Supervisory Board to shareholders

The Supervisory Board carried out its responsibilities in 2001 in close cooperation with the Executive Board, holding five regular meetings and four extra meetings. One regular meeting was held in Baltimore, USA, in order for the Supervisory Board members to become better acquainted with AEGON USA's management. All members attended the Annual General Meeting of Shareholders (AGM) held on 3 May 2001.

### Supervisory Board meetings

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

Regular Supervisory Board meetings were also attended by the Executive Board members. Those meetings, during which the results for 2000 and the quarterly results for 2001 were discussed, were also attended by the Directors of the Group Finance and the Corporate Actuarial departments. Representatives from Ernst & Young (E&Y), AEGON's external auditor, attended the discussion regarding the results for 2000.

As usual, special meetings of the Supervisory Board were dedicated to AEGON's business strategy and the budget for 2002. For AEGON's strategy, please refer to page 4. The Board's meetings in 2001 dealt with many other items, including actuarial analyses, the development of AEGON's embedded value, fair value issues, AEGON's dividend policy, AEGON's 'Funding Plan' and 'Currency Exposure', AEGON's worldwide employee and management stock option plans for 2001 plus the hedging of the stock options granted in 2001. Also discussed were management development and personnel issues, such as the composition of AEGON's international top management.

We again discussed corporate governance issues. The pending change in Dutch corporate law, which would amend the so-called structure regime, will definitely require a rethinking of AEGON N.V.'s position as a 'structure company'. Discussions will continue in 2002.

Time was also devoted to the subject of acquisitions and divestitures. We discussed and subsequently approved the acquisition of the direct marketing operations of JC Penney in the USA and the issue of common shares following this acquisition. We also discussed and approved the acquisition of the World Financial Group in the USA and the insurance portfolio of AXA Life Taiwan. We approved the sale of the 48% partnerships in Seguros Banamex and Afore Banamex in Mexico. These divestitures unfortunately became necessary because Citigroup, after acquiring Banamex in 2001, did not want to continue these partnerships. In order to keep up-to-date with AEGON's businesses, presentations were made to us on a number of themes including: asset management, MoneyMaxx operations in Germany, Belgium, Hungary, Spain and Italy and Transamerica Finance Corporation's non insurance business.

### Supervisory Board committees

Without prejudice to its own responsibilities, the Supervisory Board relies upon Committees to deal more extensively with specific matters. Each Committee has four members, drawn from the Supervisory Board.

The **Audit Committee**, active since 1983, held four meetings in 2001. All Executive Board members, the directors of the Group Finance and the Corporate Actuarial departments and E&Y, AEGON's external auditor, also attended these meetings.

Discussions in 2001 were dominated by subjects on the Committee's permanent agenda: quarterly results, annual accounts and the auditing of the results and annual accounts by E&Y; accounting principles; internal control systems; actuarial analyses; AEGON's 'Funding Plan' and 'Currency Exposure' and the Group Wide Risk Report. The Committee also discussed E&Y's independence and its fees, in order to be able to advise on the reappointment of E&Y as AEGON's external auditor. The Audit Committee subsequently advised the Supervisory Board on its findings.

The Chairman and the Vice-Chairman of the Supervisory Board and Messrs. Eustace and Peters served as members of the Audit Committee. Following Mr. Peters' retirement on 3 May 2001, Mr. Posthumus was appointed as a member. In accordance with the Audit Committee Charter, all members are highly experienced and competent in financial and accounting matters.

The **Compensation Committee**, active since 1989, held three meetings in 2001, also attended by the Executive Board's Chairman. Discussions concentrated on the structure of the remuneration of the Executive Board members and the granting of stock options to the Executive Board members. The Supervisory Board's Chairman and Vice-Chairman and Mr. de Wit are members of this Committee, as was Sir Michael Jenkins until his resignation on 1 December 2001. He was succeeded by Mrs. Rembe.

The **Nominating Committee**, active since 1993, held two meetings, attended also by the Executive Board's Chairman. The Committee discussed the composition of the Executive Board following Mr. Storm's retirement. The Supervisory Board's Chairman and Vice-Chairman and Mrs. Peijs and Mr. Olcay are members of this Committee.

In 2002, the Supervisory Board will establish a fourth body, the **Strategy Committee**. The purpose of this Committee is to review the major features of the strategy proposed by the Executive Board and to prepare presentations of the strategy to the Supervisory Board, to suggest options and alternative avenues, and to consider material aspects relating to implementation of the agreed strategy. This Committee will meet at least once a year, well before the full Supervisory Board discusses AEGON's strategy. This Committee shall consist of four members: the Supervisory Board Chairman and Vice-Chairman, Mr. Olcay and Mr. de Wit.

### **Executive Board composition**

On 8 November 2001, Mr. Storm announced that, as he would reach the retirement age of 60 in June 2002, he would retire on 1 July 2002, having stepped down as Chairman of the Executive Board on 18 April 2002, at the end of the AGM. He joined AEGON in 1978 as a member of the Executive Board of AGO, one of AEGON's predecessors, and became Chairman of the Executive Board of AEGON in May 1993, succeeding Mr. Peters. Under his Chairmanship, AEGON has experienced tremendous growth and developed into one of the world's largest listed life insurers. We are very grateful for his strong and charismatic leadership, which has also enabled AEGON to become an organization with a great sense of team spirit. We have appointed Mr. Shepard as his successor as Chairman of the Executive Board as per 18 April 2002. He started his AEGON career in 1970 at Life Investors, Iowa, USA, one of AEGON USA's predecessors and became President and CEO of AEGON USA in 1989. In 1992, he was appointed as a member of the Executive Board. Mr. Shepard has now worked at AEGON for more than 30 years and we are convinced that AEGON will be in good hands under his Chairmanship. This appointment affirms AEGON's status as an international company.

In order to maintain the current number of Executive Board members, we intend to appoint Mr. Johan G. van der Werf as a member of the Executive Board, as from the AGM on 18 April 2002. The Dutch Central Works Council (CWC) has given a positive advice regarding the appointment.

### **Supervisory Board composition**

On 3 May 2001, Messrs. Eustace, Posthumus, Stevens and Tabaksblat were reappointed as members. At the same time Mr. Peters stepped down, having reached the retirement age of 70 years. To our great regret, Sir Michael Jenkins decided to resign per 1 December 2001, in order to avoid even the semblance of a conflict of interest because of his Executive position as Vice-Chairman of Dresdner Kleinwort Wasserstein, an integrated subsidiary of Allianz, the German insurance group. After Mr. Storm's retirement as Chairman of the Executive Board on 18 April 2002, the Supervisory Board intends to appoint him as a member of the Supervisory Board, from 1 July 2002. According to Dutch corporate law, shareholders and the Dutch Central Works Council (CWC) have the right to recommend or object. Shareholders will be able to exercise these rights during the AGM to be held on 18 April 2002. The Dutch CWC has raised no objections and has not recommended another candidate. The number of Supervisory Board members, currently nine, will once again rise to ten, in accordance with the Profile of the Supervisory Board. There will be no reappointments in 2002.

In 2003, Mr. Posthumus will reach the retirement age of 70, and will thus step down at the end of the AGM to be held in 2003. The Supervisory Board intends to fill this vacancy. The Dutch CWC and shareholders have the right to recommend candidates, the latter during the AGM on 18 April 2002.

For personal data on all members of the Supervisory Board, please refer to page 100.

### **Members' other AEGON activities**

The Chairman of the Supervisory Board attended a meeting of the CWC of AEGON The Netherlands in 2001 to discuss AEGON N.V.'s 2000 annual accounts, together with the Chairman of the Executive Board. Most 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 CWC. Several participated in the annual 'AEGON University' management development programs in Baltimore, USA, and in Nyenrode in the Netherlands, acting as guest speakers.

### **Annual accounts, profit appropriation and final dividend**

This annual report includes the annual accounts for 2001, adopted by us as they were prepared and submitted by the Executive Board and 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 should 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 2001 annual accounts, and this will include the profit appropriation, a dividend for 2001 will be paid of EUR 0.83 (2000 EUR 0.74) per common share. Please refer to page 94 for further details.

### **Acknowledgement**

AEGON's continued strong growth in 2001, a year that was dominated by adversity including the terrorist attacks in the USA on 11 September and subsequent further deterioration and volatility in the world economy in general and the financial markets in particular, reflects the strong commitment and dedication of the Executive Board and all the other members of the AEGON community worldwide. We congratulate them once again for their fine performance, their energy and professionalism in responding to rapidly changing markets, and for keeping AEGON on its long-standing growth track.

The Hague, 7 March 2002  
On behalf of the Supervisory Board,  
Morris Tabaksblat, Chairman

## Corporate governance

### **'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 yet made use of the exemption available with regard to certain provisions. In January 2002, the Dutch Government proposed to Parliament an amendment to the "law with regard to the Structure Regime of large companies". This proposal has caused the Supervisory Board to discuss and rethink AEGON N.V.'s position as a company governed by the 'Structure Regime'. The discussions in Parliament regarding this amendment will be watched closely and discussions in the Supervisory Board, as to whether or not AEGON N.V. should make use of the possibility to be made exempt of the 'Structure Regime' will continue in 2002. As a consequence of the fact that AEGON N.V. is still being governed by the provisions in the 'Structure Regime', 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 nine 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, a total of 10 Supervisory Board members is considered to be a suitable number, considering that the Executive Board is composed of 4 to 5 members, 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 fulfill their duties without mandate. (Re)Appointments have to be prepared and advised on by the Nominating Committee. 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. In 2002, a Strategy Committee will be established.

### **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. Shareholders with a securities account in the Netherlands and participating in this Communication Channel can use the possibility offered by the Foundation to receive the annual report and the agenda for the AGM. Also a system is 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.

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

**D.G. Eustace**, 65, British nationality, is Chairman of Smith & Nephew plc (London, UK) and former Vice-Chairman of Royal Philips Electronics. He was appointed in 1997; his current term will end in 2005. He is also a member of the Supervisory Board of four Dutch companies, among which Royal Dutch Airlines (KLM) and Royal KPN. He is also the Chairman of the Audit Committee.

**O.J. Olcay**, 65, American nationality, is Vice-Chairman and Managing Director of Fischer, Francis, Trees & Watts, Inc. (New York, USA). He was appointed in 1993; his current term will end in 2004. He is Chairman of FFTW Funds Inc. in New York, FFTW Funds Selection in Luxembourg and FFTW Funds in Dublin. Mr. Olcay is also a member of the Nominating and Strategy Committee.

**K.M.H. Peijs**, 57, Dutch nationality, is a member of the European Parliament. She was appointed in 1992; her current term will end in 2004. She is also a Supervisory Board member of, among others, Royal Vandex KBB and DaimlerChrysler Nederland. Mrs. Peijs is a member of the Nominating Committee.

**G.A. Posthumus**, 69, Dutch nationality, is a member of the Council of State in the Netherlands. He was appointed in 1997; his term will end in 2003 when he will retire, then having reached the retirement age of 70. He is also a former member of the Executive Board of the I.M.F. Mr. Posthumus is also a member of the Audit Committee.

**T. Rembe**, 65, American nationality, is a partner of Pillsbury Winthrop LLP (San Francisco, USA). She was appointed in 2000; her current term will end in 2004. She is a member of the Board of Directors of Potlach Corporation (USA) and SBC Communications (USA). She is also a member of the Compensation Committee.

**H. de Ruiter**, 68, Vice-Chairman and 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 term will end in 2004. He is a member of the Supervisory Boards of six Dutch companies, among which Royal Dutch Petroleum Company, Royal Ahold and Royal Vopak and 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 the Audit, Compensation, Nominating, and Strategy Committees.

**W.F.C. Stevens**, 64, Dutch nationality, is a senior partner of Baker & McKenzie. He was appointed in 1997; his current term will end in 2005. He is a member of the Supervisory Boards of seven Dutch companies, among which 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**, 64, Chairman and Dutch nationality, is Chairman of Reed Elsevier PLC and a retired Chairman and CEO of Unilever. He was appointed in 1990; his current term will end in 2005. He is also Chairman of the Supervisory Board of TNT Post Group and a member of the Advisory Board of Ernst & Young, and of the International Advisory Boards of Salomon Smith Barney (USA) and of Renault Nissan. Furthermore he is a member of the Executive Committee of Vereniging AEGON. Moreover, he is the Chairman of the Compensation, Nominating and Strategy Committee and a member of the Audit Committee.

**F.J. de Wit**, 62, Dutch nationality, is a former Chairman of the Executive Board of Koninklijke KNP BT. He was appointed in 1990; his current term will end in 2004. He is also a member of the Supervisory Boards of Océ and PontEcen. He is also a member of the Compensation and Strategy Committee.

## Information based on US accounting principles

Amounts 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).

		Capital and reserves 31 December 2000	2001	Net income 2000
	2001			
Amounts in accordance with Dutch accounting principles	15,292	12,844	2,397	2,066
Real estate	-847	-742	-61	-59
The Netherlands: appraisal value				
United States: cost less depreciation				
Debt securities	933	-113	-	-
The Netherlands: amortized cost for bonds, private placements and preferred shares				
United States: market value				
Goodwill	5,918	5,880	-496	-433
The Netherlands: charged to shareholders' equity				
United States: capitalized and amortized over various periods not exceeding 20 years				
Technical provisions (including deferred policy acquisition costs)	689	1,141	-96	-34
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	189	-78	276	-348
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	-	-	-1,160	999
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)	-934	-752	418	155
The Netherlands: calculated using discounted tax rates				
United States: calculated using nominal tax rates				
Carried forward	21,240	18,180	1,278	2,346

## Information based on US accounting principles

Amounts in EUR millions

		Capital and reserves 31 December 2000	2001	Net income 2000
		2001	2001	2000
Brought forward		21,240	18,180	1,278
Derivatives		-377	-	-236
The Netherlands: recognized in same period and likewise as related investments and debt				
United States: valued at market value, with changes included in earnings, except when hedge accounting is applied				
Dividends	634	583	-	-
The Netherlands: accrued as a liability				
United States: not recognized until they become irrevocable				
Balance of other items	-828	202	-410	242
Certain expenses are recorded in different periods on the two bases of accounting				
<b>Amounts in accordance with US GAAP</b>	<b>20,669</b>	<b>18,965</b>	<b>632</b>	<b>2,588</b>
<b>Net income in accordance with US GAAP</b>			<b>632</b>	<b>2,588</b>
Other comprehensive income, net of tax:				
Foreign currency translation adjustments		701	659	
Unrealized gains (losses) on available for sale securities during the period		-621	212	
Reclassification adjustment for gains included in net income		377	-821	
Cumulative effect of accounting change of adopting FAS 133		49	-	
<b>Comprehensive income in accordance with US GAAP</b>			<b>1,138</b>	<b>2,638</b>

In 2001 major differences between amounts on Dutch accounting principles and those on US accounting principles compared to the amounts of 2000 are explained as follows:

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

The balance of other items includes the effect of the sale of Mexico (EUR 896 million in capital and reserves and EUR 343 million in earnings) which under US GAAP will be accounted for in 2002. In 2000 the result of the sale of Labouchere and of other divestitures has been included in the balance of other items.

Comprehensive income is the change in shareholders' equity during the year from transactions and other events and circumstances from non-owner sources. It includes all changes in shareholders' equity during the year except those resulting from investments by owners and distributions to owners.

## Long-term liabilities, subordinated loans and capital securities at 31 December 2001

Amounts in EUR millions

The following table lists AEGON's long-term liabilities, subordinated loans and capital securities at 31 December 2001. All loans that are shown separately relate to AEGON N.V. except when stated otherwise.

Long-term liabilities	Period	Coupon date		2001	Book value 2000
EUR 102 million 8 3/4% Eurobonds	1991/01	December	16	–	90
USD 100 million 9 3/8% Domestic Debentures (Transamerica Corp.)	1996/08	March/Sept	1	114	107
USD 200 million 6 3/4% Domestic Debentures (Transamerica Corp.)	1996/06	May/Nov	15	227	215
USD 200 million 6 1/4% Eurobonds	1997/01	October	1	–	215
CHF 150 million 3 1/4% Bonds	1997/04	June	24	101	98
DEM 150 million 2 1/2% Eurobonds	1998/03	February	24	77	77
USD 500 million 7% Eurobonds (AEGON Funding Corp.)	1999/04	September	10	567	537
USD 450 million 6 3/4% Eurobonds (AEGON Funding Corp.)	1999/02	November	15	511	484
CHF 300 million 3 1/8% Eurobonds	1999/04	September	27	202	197
GBP 250 million 6 1/8% Eurobonds	1999/31	December	15	411	401
USD 250 million 7 3/8% Eurobonds (AEGON Funding Corp.)	2000/05	July	25	284	269
EUR 350 million 4 3/4% Eurobonds (AEGON Funding Corp. II)	2001/05	February	28	350	–
CHF 150 million MTN floating	2001/04	Quarterly		101	–
EUR 100 million MTN floating	2001/03	Quarterly		100	–
USD 367 million MTN floating	2001/02	Quarterly		416	–
USD 90 million MTN floating	2001/03	Quarterly		102	–
Other <sup>1</sup>				1,521	1,335
				5,084	4,025
<b>Subordinated loans</b>					
EUR 227 million Floating Rate / Fixed Rate subordinated Eurobonds	1992/04	September	15	159	160
EUR 125 million 6 1/2% subordinated Eurobonds	1993/03	September	15	98	102
USD 400 million 8% subordinated Notes	1994/06	Feb/Aug	15	300	285
USD 600 million 4 3/4% subordinated convertible Eurobonds	1994/04	November	1	–	16
Other subordinated loans				113	120
				670	683
<b>Capital Securities</b>					
Perpetual cumulative subordinated loans	Year <sup>2</sup>				
EUR 114 million 8%	2005	June	8	114	114
EUR 114 million 7 7/8%	2005	September	29	114	114
EUR 136 million 7 3/4%	2005	December	15	136	136
EUR 203 million 7 1/8%	2011	March	4	203	203
EUR 114 million 7 5/8%	2008	July	10	114	114
EUR 136 million 7 1/4%	2008	October	14	136	136
EUR 700 million 6 7/8%	2005	December	20	700	450
				1,517	1,267
<b>Trust Pass-through Securities</b>					
USD 100 million 7 4/5% (Transamerica Corp.)	1996/26	Jun/Dec	1	113	107
USD 225 million 7 13/20% (Transamerica Corp.)	1996/26	Jun/Dec	1	255	242
USD 190 million 7 5/8% (Transamerica Corp.)	1997/37	May/Nov	15	216	204
				584	553
<b>Total long-term liabilities, subordinated loans and capital securities</b>				<b>7,855</b>	<b>6,528</b>

<sup>1</sup> Of which EUR 378 million relate to AEGON N.V. (2000: EUR 68 million).

<sup>2</sup> Year of first call.

In the years 2002 through 2006 the following amounts are due: EUR 1,517 million in 2002, EUR 449 million in 2003, EUR 1,296 million in 2004, EUR 787 million in 2005 and EUR 555 million in 2006.

**Quarterly results**

Amounts in millions

USD Total						2001				EUR Total
I	II	III	IV			I	II	III	IV	
<b>Net income</b>										
Life insurance										
748	767	744	713	2,972	(including annuities)	810	878	834	797	3,319
31	37	67	52	187	Accident & Health insurance	34	42	75	58	209
13	18	14	15	60	General insurance	14	20	16	17	67
14	17	10	-1	40	Banking activities	15	20	11	-1	45
-108	-103	-89	-55	-355	Interest charges & Other	-117	-118	-100	-62	-397
698	736	746	724	2,904	Income before tax	756	842	836	809	3,243
-207	-222	-227	-166	-822	Corporation tax	-224	-254	-254	-186	-918
3	34	12	15	64	Transamerica non insurance	3	38	14	17	72
<b>494</b>	<b>548</b>	<b>531</b>	<b>573</b>	<b>2,146</b>	<b>Net income</b>	<b>535</b>	<b>626</b>	<b>596</b>	<b>640</b>	<b>2,397</b>
<b>Revenues</b>										
Life insurance										
6,740	5,940	5,788	6,263	24,731	Accident & Health	7,303	6,825	6,495	6,997	27,620
586	527	770	783	2,666	General insurance	635	605	863	874	2,977
219	183	163	170	735	Banking activities	237	211	183	190	821
86	87	91	80	344	Other activities	93	100	102	89	384
23	15	21	24	83		25	17	24	27	93
<b>7,654</b>	<b>6,752</b>	<b>6,833</b>	<b>7,320</b>	<b>28,559</b>	<b>Total revenues</b>	<b>8,293</b>	<b>7,758</b>	<b>7,667</b>	<b>8,177</b>	<b>31,895</b>
Investment income for the account of policyholders										
-7,006	2,189	-9,939	6,236	-8,520		-7,590	2,223	-11,111	6,963	-9,515
Annuities, GICs and savings accounts										
7,264	6,676	6,909	6,589	27,438	- Gross deposits	7,870	7,662	7,750	7,361	30,643
2,391	2,084	2,369	658	7,502	- Net deposits	2,590	2,595	2,458	736	8,379
961	995	1,057	1,083	4,096	Commissions and expenses	1,041	1,139	1,185	1,209	4,574
11,278	13,262	12,789	13,477		Shareholders' equity	12,769	15,639	14,006	15,292	
2,466	2,394	2,516	2,442		Subordinated loans	2,793	2,823	2,756	2,771	
<b>13,744</b>	<b>15,656</b>	<b>15,305</b>	<b>15,919</b>		<b>Equity and subordinated loans</b>	<b>15,562</b>	<b>18,462</b>	<b>16,762</b>	<b>18,063</b>	
<b>Figures per common share</b>										
0.38	0.40	0.38	0.42	1.58	Net income	0.41	0.46	0.43	0.46	1.76
8.51	9.54	9.16	9.65		Shareholders' equity	9.64	11.25	10.03	10.95	
<b>USD exchange rate</b>										
0.8832	0.8480	0.9131	0.8813		At end of period					
0.9230	0.8975	0.8955	0.8954		Weighted average rate					

USD Total					EUR Total					
2000	I	II	III	IV	2000	I	II	III	IV	
<b>Net Income</b>										
Life insurance										
672	682	707	712	2,773	(including annuities)	681	728	779	815	3,003
42	43	31	43	159	Accident & Health insurance	43	45	35	49	172
9	14	18	14	55	General insurance	9	15	20	16	60
10	11	13	9	43	Banking activities	10	13	15	9	47
-83	-82	-123	-121	-409	Interest charges & Other	-84	-88	-134	-137	-443
650	668	646	657	2,621	Income before tax	659	713	715	752	2,839
-186	-194	-189	-200	-769	Corporation tax	-188	-207	-209	-229	-833
0	0	15	12	27	Transamerica non insurance	0	0	16	13	29
31	0	0	-2	29	Labouchere	31	0	0	0	31
<b>495</b>	<b>474</b>	<b>472</b>	<b>467</b>	<b>1,908</b>	<b>Net income</b>	<b>502</b>	<b>506</b>	<b>522</b>	<b>536</b>	<b>2,066</b>
<b>Revenues</b>										
Life insurance										
6,697	6,196	6,080	6,114	25,087	Accident & Health	6,788	6,626	6,734	7,017	27,165
472	742	439	499	2,152	General insurance	479	784	492	575	2,330
234	192	162	160	748	Banking activities	237	206	182	185	810
72	69	75	82	298	Other activities	72	76	83	93	324
19	19	18	16	72		19	20	20	19	78
<b>7,494</b>	<b>7,218</b>	<b>6,774</b>	<b>6,871</b>	<b>28,357</b>	<b>Total revenues</b>	<b>7,595</b>	<b>7,712</b>	<b>7,511</b>	<b>7,889</b>	<b>30,707</b>
Investment income for the account of policyholders										
4,041	-3,146	794	-4,917	-3,228		4,096	-3,165	863	-5,289	-3,495
Annuities, GICs and savings accounts										
7,771	5,901	6,413	6,728	26,813	- Gross deposits	7,876	6,348	7,105	7,705	29,034
949	297	2,184	-75	3,355	- Net deposits	962	335	2,345	-9	3,633
949	955	917	965	3,786	Commissions and expenses	962	1,019	1,015	1,104	4,100
13,909	11,827	12,492	11,951		Shareholders' equity	14,557	12,376	14,252	12,844	
1,979	1,959	1,861	2,329		Subordinated loans	2,071	2,050	2,123	2,503	
<b>15,888</b>	<b>13,786</b>	<b>14,353</b>	<b>14,280</b>		<b>Equity and subordinated loans</b>	<b>16,628</b>	<b>14,426</b>	<b>16,375</b>	<b>15,347</b>	
<b>Figures per common share</b>										
0.37	0.36	0.36	0.36	1.45	Net income	0.38	0.38	0.40	0.41	1.57
10.55	8.97	9.44	9.03		Shareholders' equity	11.04	9.39	10.77	9.70	
<b>USD exchange rate</b>										
0.9555	0.9556	0.8765	0.9305		At end of period					
0.9866	0.9612	0.9417	0.9235		Weighted average rate					

## Survey of major AEGON investment funds

	Value as of 31 December 2001	Annualized return in local currencies			
		Return 2001	Return last 3 years	Return last 5 years	
<b>AEGON The Netherlands</b>					
AEGON Equity Fund	3,399	-13.1	6.9	13.3	
AEGON Equity North America Fund	2,900	-9.4	8.9	17.2	
AEGON Equity Europe Fund	2,715	-14.9	3.5	14.6	
AEGON World Equity Fund	2,301	-12.5	7.9	13.9	
AEGON Mix Fund	2,178	-3.2	6.6	10.1	
AEGON Aandelen Fonds	2,170	-12.6	8.6	13.6	
<b>AEGON USA/INDEX</b>					
INDEX Growth	2,102	2,385	-28.3	-6.6	9.3
INDEX Global	942	1,070	-23.5	0.9	9.1
<b>AEGON USA/WRL</b>					
WRL Growth	1,893	2,147	-28.2	-6.6	9.5
WRL Global	1,082	1,228	-22.8	2.9	10.9
WRL VKAM Emerging Growth	1,078	1,223	-33.2	6.5	15.0
WRL Alger Aggressive Growth	682	774	-16.5	1.0	12.4
<b>AEGON USA/DIA</b>					
Value & Income	1,655	1,878	-1.5	5.6	11.8
Special Equity	1,308	1,484	-2.3	6.3	9.9
Equity Growth	1,233	1,399	-19.7	-2.1	10.6
Growth & Income	970	1,101	-21.8	-5.1	9.5
<b>AEGON UK/Scottish Equitable</b>					
<i>Pension Funds</i>					
Mixed Fund	5,119	8,413	-12.1	-1.2	5.1
UK Equity Fund	3,002	4,933	-12.5	-1.1	5.7
European Fund	952	1,564	-23.7	-4.1	6.6
Global Fund	922	1,515	-17.2	-3.6	4.0
North America	703	1,155	-14.2	1.0	12.4
<b>Return on indices</b>					
FT World Index (in EUR)			-13.1	19.3	47.6
JP Morgan Dutch Gov. Bond (in EUR)			5.2	9.5	57.0
S&P 500 (in USD)			-15.0	-7.1	35.5
JP Morgan US Gov. Bond (in USD)			6.1	15.2	30.1
FT All Share Index (in GBP)			-15.3	1.3	29.8
FT World Index (in GBP)			-16.2	6.9	36.2
FT World Europe ex UK (in GBP)			-25.1	-2.6	40.1
FT World Pacific ex Japan (in GBP)			-0.4	19.1	-26.8
JP Morgan UK Gov. Bond (in GBP)			3.3	10.1	34.7
Tokyo Stock Exchange (TOPIX) (in JPY)			-23.3	-2.9	-36.7

Participation in most of our funds can only be completed by buying an insurance product that is linked to these funds.

## Corporate and shareholder information

### Headquarters

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### Stock exchange listing

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 Euronext Amsterdam, the Chicago Board Options Exchange and the Philadelphia Stock Exchange.

### Shareholders and investor relations contacts

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### Annual meeting

The AEGON N.V. Annual General Meeting of Shareholders will be held at AEGON headquarters, AEGONplein 50, The Hague, the Netherlands on Thursday 18 April 2002 at 2.00 C.E.T.

## Financial calendar

### Key events 2001

25 January AEGON reopens the EUR 450 million perpetual subordinated cumulative bonds issue dated 15 December 2000

6 February AEGON increases EUR 450 million perpetual subordinated cumulative bonds to EUR 700 million

8 February AEGON issues EUR 350 million Eurobonds

8 March Announcement of the acquisition of the direct marketing insurance operations from JC Penney in the USA

6 April Purchase of 11.2 million of own common shares to hedge the outstanding obligations of the option plan for 2001

17 May Citigroup and Banacci reached an agreement that will result in the integration of Banacci as a member of Citigroup; AEGON to explore options resulting from the announced transaction

30 May AEGON launched USD 1.5 billion international offering of ordinary shares

18 June Completion of acquisition of direct marketing insurance operations from JC Penney

2 July Hedging 2001 stock-option plan completed

19 September Claims influence on earnings after tragic events in the USA estimated to be less than USD 30 million after reinsurance

25 September AEGON receives license for life insurance activities in China

25 September AEGON Taiwan to acquire AXA's Taiwanese life insurance activities

8 November Kees J. Storm, chairman of the Executive Board of AEGON N.V. to retire on 1 July 2002; Donald J. Shepard appointed as his successor on 18 April 2002

30 November AEGON confirms gross exposure to Enron of USD 300 million

30 November Sir Michael Jenkins steps down from AEGON N.V. Supervisory Board

### Post balance sheet date events 2002

25 February AEGON acquired the approval of the regulatory authorities and hence completed the sale of its Mexican partnership interests to Citigroup's Banacci

### Important dates 2002

18 April Annual General Meeting of Shareholders

22 April Start election period optional final dividend (up to and including 29 April)

7 May Release results first three months 2002

14 May Final dividend payable

8 August Release results first six months 2002

12 August Start election period optional interim dividend (up to and including 9 September)

20 September Interim dividend payable

7 November Release results first nine months 2002

### Colophon

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### Disclaimer

The matters contained in this Annual Report may contain forward-looking statements that involve risks and uncertainties, including, but not limited to, currency and financial market movements, the effect of legislative and administrative changes, the effect of economic conditions, the impact of competitive products and pricing, and other risks. These risks and uncertainties could cause actual results to differ materially from those discussed in this report.