FRANKLIN RESOURCES INC
Form 11-K
March 26, 2015

Table of Contents

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 11-K

(Mark One)
x ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the fiscal year ended September 30, 2014
OR
o TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the transition period from to
Commission File No. 001-09318

A. Full title of the plan and the address of the plan, if different from that of the issuer named below:
FRANKLIN TEMPLETON 401(k) RETIREMENT PLAN
B. Name of issuer of the securities held pursuant to the plan and the address of its principal executive office:
FRANKLIN RESOURCES, INC.
One Franklin Parkway
San Mateo, California 94403

Table of Contents

Franklin Templeton 401(k) Retirement Plan
Financial Statements and Supplemental Schedule
As of September 30, 2014 and 2013 and
For the fiscal year ended September 30, 2014
Table of Contents

Note: Other schedules required by 29 CFR Section 2520.103-10 of the Department of Labor's Rules and Regulations for Reporting and Disclosure under the Employee Retirement Income Security Act of 1974, as amended, have been omitted because they are not applicable.

Table of Contents

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM
To the Participants and Plan Administrator
Franklin Templeton 401(k) Retirement Plan
San Mateo, California

We have audited the accompanying statements of net assets available for benefits of Franklin Templeton 401(k) Retirement Plan (the "Plan") as of September 30, 2014 and 2013, and the related statement of changes in net assets available for benefits for the year ended September 30, 2014. These financial statements are the responsibility of the Plan's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). 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 audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the net assets available for benefits of the Plan as of September 30, 2014 and 2013, and the changes in net assets available for benefits for the year ended September 30, 2014 in conformity with U.S. generally accepted accounting principles.

The supplemental Schedule H, Line 4i – Schedule of Assets (Held at End of Year) as of September 30, 2014 has been subjected to audit procedures performed in conjunction with the audit of Franklin Templeton 401(k) Retirement Plan's financial statements. The supplemental schedule is the responsibility of the Plan's management. Our audit procedures included determining whether the information presented in the supplemental schedule reconciles to the financial statements or the underlying accounting and other records, as applicable, and performing procedures to test the completeness and accuracy of the information presented in the supplemental schedule. In forming our opinion on the supplemental schedule, we evaluated whether the supplemental schedule, including its form and content, is presented in conformity with the Department of Labor's Rules and Regulations for Reporting and Disclosure under the Employee Retirement Income Security Act of 1974. In our opinion, the supplemental schedule is fairly stated in all material respects in relation to the financial statements as a whole.

/s/ Crowe Horwath LLP
Sacramento, California
March 26, 2015

Table of Contents

Franklin Templeton 401(k) Retirement Plan
Statements of Net Assets Available for Benefits

as of September 30,	2014	2013
Assets		
Cash	$379,802	$425,166
Investments, at fair value	1,162,105,353	1,040,328,958
Receivables:		
Employer contributions receivable	6,943,369	6,663,815
Participant contributions receivable	1,378,328	1,376,230
Notes receivable from participants	16,358,388	15,790,598
Other receivables	248,996	762,502
Total receivables	24,929,081	24,593,145
Total assets	1,187,414,236	1,065,347,269
Liabilities		
Payables	69,494	74,985
Net assets available for benefits	$1,187,344,742	$1,065,272,284

The accompanying notes are an integral part of these financial statements.

Table of Contents

Franklin Templeton 401(k) Retirement Plan
Statement of Changes in Net Assets Available for Benefits

for the fiscal year ended September 30, 2014	Amount
Additions	
Additions to net assets attributed to:	
Investment income:	
Net appreciation in fair value of investments	$57,984,514
Dividends	39,238,110
Total investment income	97,222,624
Interest on notes receivable from participants	667,701
Contributions:	
Employer	30,303,234
Participants	41,599,026
Rollovers	2,533,592
Total contributions	74,435,852
Total additions	172,326,177
Deductions	
Deductions to net assets attributed to:	
Benefit payments and withdrawals	49,954,709
Administrative fees and expenses	299,010
Total deductions	50,253,719
Net Increase	122,072,458
Net assets available for benefits:	
Beginning of year	1,065,272,284
End of year	$1,187,344,742

The accompanying notes are an integral part of these financial statements.

Table of Contents

Franklin Templeton 401(k) Retirement Plan
Notes to Financial Statements
1. Description of the Plan
General
The Franklin Templeton 401(k) Retirement Plan (the "Plan") is a defined contribution plan and was most recently amended as of October 1, 2014.
The Plan covers substantially all employees of Franklin Resources, Inc. (the "Company") and its U.S. subsidiaries who meet certain employment requirements. The Plan is subject to the provisions of the Employee Retirement Income Security Act of 1974, as amended ("ERISA"). The following summary describes material features of the Plan but is not intended to be complete and is qualified in its entirety by reference to the Plan documents and summary plan description for a more complete description of the Plan's provisions.
The Board of Directors of the Company has appointed an administrative committee (the "Administrative Committee") and an investment committee (the "Investment Committee") with certain authority to manage the policy, design, administration and investments of the Plan. The Administrative Committee, consisting of at least five members appointed by the Board of Directors of the Company, is the administrator of the Plan (the "Plan Administrator"). In the absence of the Administrative Committee for any reason, the Company acts as the Plan Administrator. The Investment Committee, consisting of at least five members appointed by the Board of Directors of the Company, is responsible for, among other things, analyzing the performance of investment options under the Plan and selecting new investment options to be offered under the Plan.
Effective July 1, 2014, Bank of America, N.A. is the Plan's trustee (the "Trustee"), and the administration and recordkeeping services for the Plan are provided by Merrill Lynch, Pierce, Fenner & Smith Incorporated, a subsidiary of the Trustee. Prior to July 1, 2014, Charles Schwab Bank's Business Trust Division was the trustee of the Plan, and administration and recordkeeping services were provided by Schwab Retirement Plan Services Company. Gallagher Fiduciary Advisors, LLC is the investment manager and independent fiduciary (the "Independent Fiduciary") concerning the purchase, holding and sale by Plan participants and beneficiaries of the Company's common stock in the Plan.
Contributions
Participants may contribute up to 50% of pretax annual compensation and up to 100% of the cash portion of the participant's year-end bonus, if any, as described in the Plan documents and subject to Internal Revenue Code limitations, each year to the Plan. Participants age 50 or older may elect to make catch-up contributions. Participants in the Plan may also elect to make contributions to Roth salary deferral accounts and Roth rollover accounts.
All eligible employees, as defined in the Plan, may begin contributing to the Plan as of the first of the month following their date of hire. Newly-hired eligible employees are automatically enrolled in the Plan at a deferral rate of three percent of compensation following an election period during which the employee may either opt out of the Plan or choose a different salary deferral percentage in the manner prescribed by the Plan Administrator. Unless the participant elects otherwise, participants who are automatically enrolled in the Plan have their deferral rate automatically increase by one percent each year on December 1. The automatic increase is stopped when a deferral rate of 15% is attained, unless changed by the participant.
The Company makes a matching contribution equal to 75% of eligible compensation deferred by participants. Through September 30, 2014, eligible employees became participants in the matching portion of the Plan on the first day of the month following the later of the one-year anniversary of their hire date or completion of one year of service. Effective October 1, 2014, eligible employees who had not otherwise satisfied the one year service requirement became participants in the matching portion of the Plan, while eligible employees hired or rehired on or after October 1, 2014, become participants in the matching portion of the Plan on the first day of the month following their employment commencement date.
Participant Accounts
Individual accounts are maintained for each Plan participant. Each participant's account is credited with the participant's deferral contributions, the Company's matching contributions and allocations of Plan earnings, and

charged with withdrawals and allocations of Plan losses and administrative expenses. The benefit to which a participant is entitled is the benefit that can be provided from the participant's vested account. Prior to October 1, 2010, the Company also made profit sharing contributions under the Plan.

Table of Contents

Vesting

Participants are immediately vested in their deferral contributions plus actual earnings thereon. Participants vest gradually in the Company's matching and prior profit sharing contribution portions of their accounts plus actual earnings thereon based on their years of service. Typically, a participant is 100% vested after completing five "years of service," as defined in the Plan. Upon death, disability or upon reaching normal retirement age, a participant's account shall become 100% vested.

Forfeitures

With respect to any unvested Company matching and prior profit sharing contribution portions of a participant's account, any amount forfeited at distribution or pursuant to terms of the Plan remains in the Plan. Forfeitures may be used by the Plan to offset matching contributions or for other purposes, such as restoring returning participant accounts or for the payment of Plan expenses. Forfeitures attributable to Company matching contributions not used by the Plan are used to reduce current and future Company matching contributions. Forfeitures attributable to prior Company profit sharing contributions are allocated to participants' eligible share in such contributions. For the fiscal year ended September 30, 2014 ("fiscal year 2014"), the amount of forfeitures used to offset Company matching contributions was $374,520 and there were no forfeitures used to pay Plan expenses.

Investment Options

Upon enrollment in the Plan, a participant may direct all contributions in one-percent increments into any of the following investment options as of September 30, 2014:

Allocation Funds

•Franklin Income Fund R6 - the fund seeks to maximize income, while maintaining prospects for capital appreciation, by investing in a diversified portfolio of stocks and bonds.

•Franklin LifeSmart Retirement Target Funds R6 - the funds seek the highest level of long-term total return consistent with their asset allocation. Total return consists of both capital appreciation and income, with the funds placing an increasing emphasis on income as the target year approaches, and reaching its final and most conservative asset allocation in the target year. There are a total of eight funds, with target years of 2015, 2020, 2025, 2030, 2035, 2040, 2045 and 2050.

Equity/Stock Funds

•Franklin Balance Sheet Investment Fund R6 - the fund seeks high total return by investing most of its assets in stocks of companies the fund managers believe are undervalued and trading at a low price relative to book value.

•Franklin Flex Cap Growth Fund R6 - the fund seeks capital appreciation by investing predominantly in equity securities of companies in any industry and of any market cap size.

•Franklin Growth Fund R6 - the fund seeks long-term capital appreciation by investing substantially in equity securities of companies that are leaders in their industries, and which the fund managers believe are suitable for a buy-and-hold strategy.

•Franklin Growth Opportunities Fund R6 - the fund seeks capital appreciation by investing substantially in equity securities of companies demonstrating accelerating growth, increasing profitability, or above average growth or growth potential as compared with the overall economy.

•Franklin International Growth Fund R6 - the fund seeks capital appreciation by investing predominantly in equity securities of mid- and large-capitalization companies outside the U.S. with long-term growth potential.

•Franklin Large Cap Value Fund R6 - the fund seeks long-term capital appreciation by investing at least 80% of its net assets in large-capitalization companies, which are defined as those similar in size to companies in the Russell 1000® Index, at the time of purchase.

•Franklin MicroCap Value Fund R6 - the fund seeks high total return by investing at least 80% of its net assets in companies with a total market capitalization of less than $500 million at the time of purchase.

•Franklin Mutual Beacon Fund R6 - the fund seeks capital appreciation with income as a secondary goal. Its strategy is focused on undervalued mid- and large-capitalization equity securities which may include foreign equities and, to a lesser extent, distressed securities and merger arbitrage.

•Franklin Mutual European Fund R6 - the fund seeks capital appreciation, with income as a secondary goal, by investing at least 80% of its net assets in securities of European companies. It focuses mainly on undervalued equity securities and, to a lesser extent, distressed securities and merger arbitrage opportunities.

Table of Contents

•Franklin Mutual Global Discovery Fund R6 - the fund seeks capital appreciation. Its strategy is focused on undervalued mid- and large-capitalization equity securities, which may include foreign securities and, to a lesser extent, distressed securities and merger arbitrage.
•Franklin Resources, Inc. - common stock of the Company.
•Franklin Rising Dividends Fund R6 - the fund seeks long-term capital appreciation by investing at least 80% of its net assets in companies that have paid consistently rising dividends.
•Franklin Small Cap Growth Fund R6 - the fund seeks long-term capital growth by investing at least 80% of its net assets in equity securities of companies with market capitalizations of generally less than $1.5 billion, or the highest market capitalization in the Russell 2000® Index, whichever is greater, at the time of purchase.
•Franklin Small Cap Value Fund R6 - the fund seeks long-term total return by investing at least 80% of its net assets in equity securities of smaller companies, defined as market capitalizations under $3.5 billion at the time of purchase.
•Franklin Small-Mid Cap Growth Fund R6 - the fund seeks long-term capital growth by investing at least 80% of its net assets in equity securities of small- and medium-sized companies, within the market capitalization ranges of the Russell 2500™ Index for small-sized companies and Russell Midcap® Index for medium-sized companies, at the time of purchase.
•State Street Global Advisors S&P 500 Index Fund N - the collective trust seeks an investment return that approximates as closely as practicable, before expenses, the performance of the S&P 500 index over the long term.
•Templeton Developing Markets Trust R6 - the fund seeks long-term capital appreciation by investing at least 80% of its net assets in securities of developing- or emerging-market issuers.
•Templeton Frontier Markets Fund R6 - the fund seeks long-term capital appreciation by normally investing at least 80% of its net assets in securities of companies located in frontier market countries.
•Templeton Global Smaller Companies Fund R6 - the fund seeks long-term capital growth by investing at least 80% of its net assets in securities of smaller companies located anywhere in the world, including emerging markets.
•Templeton Growth Fund R6 - the fund seeks long-term capital growth by investing primarily in equity securities of companies located anywhere in the world, including emerging markets.
•Templeton Institutional Funds - Foreign Equity Series - the fund seeks long-term capital growth by investing at least 80% of its net assets in foreign (non-U.S.) equity securities.
•Templeton World Fund R6 - the fund seeks long-term capital growth by investing primarily in equity securities of companies located anywhere in the world, including emerging markets.
Bond/Fixed Income Funds
•Franklin High Income Fund R6 - the fund seeks a high level of current income, with a secondary focus on capital appreciation, by investing substantially in higher-yielding, lower-rated corporate bonds.
•Franklin Low Duration Total Return Fund R6 - the fund seeks to provide a high level of current income consistent with prudent investing, while seeking preservation of shareholders' capital. The fund invests primarily in investment-grade debt securities, targeting an estimated average portfolio duration of three years or less.
•Franklin Real Return Fund R6 - the fund seeks to achieve total return that exceeds the rate of inflation over an economic cycle. The fund will generally invest a significant portion of its assets in inflation-protected securities. The fund manager also has the flexibility to invest in other sectors of the market as it seeks to achieve a high level of real return (total return less inflation), consistent with an acceptable level of risk.
•Franklin Strategic Income Fund R6 - the fund seeks to provide a high level of current income. Its secondary goal is capital appreciation over the long term. The fund is a multi-sector income fund that invests primarily in U.S. and foreign debt securities.
•Franklin Total Return Fund R6 - the fund seeks to provide high, current income consistent with preservation of capital. Capital appreciation over the long term is a secondary goal. The fund is a multi-sector fixed income fund currently focused on investment-grade government and corporate debt securities and mortgage- and asset-backed securities.
•Franklin U.S. Government Securities Fund R6 - the fund's investment goal is income. Since 1983, the fund has invested substantially in Government National Mortgage Association securities, or Ginnie Maes. These securities

carry a guarantee backed by the full faith and credit of the U.S. government as to timely payment of principal and interest.

•Templeton Global Bond Fund R6 - the fund seeks current income with capital appreciation and growth of income by investing predominantly in bonds of governments and governmental agencies around the world.

Table of Contents

Money Market/Stable Value Funds

•Franklin Money Fund R6 - the fund seeks to provide investors with as high a level of current income as is consistent with the preservation of shareholders' capital and liquidity. The fund also tries to maintain a stable $1.00 share price.

Participants may make investment allocation changes daily via either telephone or internet access to their personal account through Merrill Lynch, Pierce, Fenner & Smith Incorporated.

Voting Rights for Shares of Company Stock

Each participant is entitled to exercise voting rights attributable to any shares of common stock of the Company allocated to his or her account and is notified by the Trustee prior to the time that such voting rights are exercisable for a voting event. The Independent Fiduciary acts as an investment manager and independent fiduciary concerning the Company's common stock in the Plan. In accordance with the terms of that appointment, if the Trustee does not receive timely voting directions from participants, all such unvoted shares are voted by the Independent Fiduciary for and against the proposals in the same proportion as shares for which directions are received from participants, unless the Independent Fiduciary decides that the law requires that the Independent Fiduciary vote them differently.

Notes Receivable from Participants

Participants may borrow up to 50% of the vested balance from their fund accounts, with a minimum borrowing amount of $1,000 and a maximum of $50,000. Participants are allowed to have two outstanding loans at any given time. Loan transactions are treated as transfers to (from) the investment funds from (to) the participant loans. Loan terms range from 1 to 5 years for general purpose loans, or up to 15 years for the purchase of a primary residence. The loans are secured by the balance in the participant's account and bear interest at the prime lending rate plus one percent. Interest rates range from 4.25% to 11.00% with maturity dates ranging from October 2014 to August 2029. Principal and interest are paid through semi-monthly payroll deductions.

Payment of Benefits

On termination of service for any reason, a participant is permitted to elect to receive the value of the vested interest in his or her account as, with limited exceptions, a lump-sum or partial distribution in cash or property or as a rollover to another eligible retirement plan. Participants may be entitled to receive pre-retirement distributions from their fully-vested accounts upon reaching age 59 1/2 or in the event they incur a hardship, as defined in the Plan. A participant who makes a hardship withdrawal is restricted from making salary deferral contributions to the Plan or from making any elective contributions under any other plan maintained by the Company for six months following the date of the withdrawal. A pre-retirement distribution is not in addition to their other benefits and will, therefore, reduce the value of benefits received at retirement. Benefits due to participants that had elected to withdraw from the Plan were $309,231 and $596,967 as of September 30, 2014 and 2013.

2. Summary of Significant Accounting Policies

Basis of Accounting

The financial statements of the Plan are prepared in accordance with accounting principles generally accepted in the United States of America, which require the use of estimates, judgments and assumptions that affect the reported amounts of net assets available for benefits and changes therein, and disclosure of contingent assets and liabilities at the date of the financial statements. Management believes that the accounting estimates are appropriate and the resulting balances are reasonable; however, due to the inherent uncertainties in making estimates, actual amounts may differ from these estimates.

Fair Value Measurements

The Plan uses a three-level fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value based on whether the inputs to those valuation techniques are observable or unobservable. The three levels of fair value hierarchy are set forth below. The Plan's assessment of the hierarchy level of the assets measured at fair value is determined based on the lowest level input that is significant to the fair value measurement in its entirety. Transfers between levels are recognized at the end of each fiscal year.

Table of Contents

Level 1	Unadjusted quoted prices in active markets for identical assets or liabilities.
Level 2	Observable inputs other than Level 1 quoted prices, such as non-binding quoted prices for similar assets or liabilities in active markets; quoted prices for identical or similar assets or liabilities in markets that are not active; or inputs other than quoted prices that are observable or corroborated by observable market data. Level 2 quoted prices are obtained from independent third-party brokers or dealers, including prices derived from model-based valuation techniques for which the significant assumptions are observable in the market or corroborated by observable market data.
Level 3	Unobservable inputs that are supported by little or no market activity. These inputs require significant management judgment and reflect the Plan’s estimation of assumptions that market participants would use in pricing the asset or liability.

Investments are reported at fair value. The following is a description of the fair value methodologies used.

Mutual funds are valued using the published net asset values of the funds which are quoted in an active market, and they are classified as Level 1.

The collective trust is valued using the net asset value of the trust as reported by the trust’s manager, and is classified as Level 2. There are no restrictions on participant redemptions of the collective trust fund.

Franklin Resources, Inc. common stock is valued using the closing price reported on the New York Stock Exchange, and is classified as Level 1.

Income Recognition

Purchases and sales of investment securities are recorded on a trade-date basis. Net appreciation (depreciation) in fair value of investments consists of the change in fair value of investment securities and net realized gains (losses) on the sale of investment securities during the fiscal year. Gains and losses on sales of investment securities are calculated based on the weighted-average cost. Dividends are recorded on the ex-dividend date.

Management fees and operating expenses charged to the Plan for investments in shares of mutual funds are deducted from income earned on a daily basis and recorded as a reduction of investment return for such investments.

Notes Receivable from Participants

Notes receivable from participants are carried at their unpaid principal balance plus any accrued but unpaid interest. Interest income on notes receivable from participants is recorded when earned.

Payment of Benefits

Benefits are recorded when paid.

Risks and Uncertainties

The Plan utilizes various investment securities including the Company’s common stock and mutual funds. Investment securities, in general, are exposed to various risks, such as interest rate, market and credit risks. Due to the level of risk associated with certain investment securities and the concentration of credit risk in the Company’s common stock, and the level of uncertainty related to changes in the values of these securities, changes in market values of these securities in the near term could materially affect participants’ account balances and the amounts reported in the financial statements.

Table of Contents

3. Investments

The following tables present investments at fair value that represent 5% or more of the Plan's net assets available for benefits.

as of September 30, 2014	Amount
Franklin Resources, Inc. common stock	$125,608,468
Franklin Mutual Global Discovery Fund R6	88,481,554
Franklin Growth Fund R6	85,816,043
Franklin Income Fund R6	76,899,808
Templeton Growth Fund R6	64,545,108

as of September 30, 2013	Amount
Franklin Resources, Inc. common stock	$122,882,450
Mutual Global Discovery Fund Advisor	78,099,231
Franklin Growth Fund Advisor	71,987,708
Franklin Income Fund Advisor	66,051,950
Templeton Growth Fund Advisor	59,560,844
Templeton Developing Markets Trust Advisor	54,576,526

Investments in shares of the Company's common stock represented 11% and 12% of total investments at September 30, 2014 and 2013. A significant decline in the market value of the Company's common stock would have a material adverse effect on the Plan's net assets available for benefits.

The Plan's investments appreciated in value, including gains and losses on investments bought and sold, as well as held during the year, as follows:

for the fiscal year ended September 30, 2014	Amount
Mutual funds	$42,991,437
Franklin Resources, Inc. common stock	10,087,834
Collective trust	4,905,243
Net appreciation in fair value of investments	$57,984,514

4. Fair Value Measurements

The following tables present the balances of assets measured at fair value on a recurring basis by hierarchy level.

as of September 30, 2014	Level 1	Level 2	Total
Mutual funds			
Money market	$55,890,582	$—	$55,890,582
Equity - global/international	340,200,678	—	340,200,678
Equity - United States	373,983,059	—	373,983,059
Hybrid	144,407,323	—	144,407,323
Fixed-income - global/international	38,204,980	—	38,204,980
Fixed-income - United States	49,238,915	—	49,238,915
Collective trust	—	34,571,348	34,571,348
Franklin Resources, Inc. common stock	125,608,468	—	125,608,468
Total assets measured at fair value	$1,127,534,005	$34,571,348	$1,162,105,353

Table of Contents

as of September 30, 2013	Level 1	Level 2	Total
Mutual funds			
Money market	$52,363,438	$—	$52,363,438
Equity - global/international	311,644,258	—	311,644,258
Equity - United States	326,683,461	—	326,683,461
Hybrid	122,334,261	—	122,334,261
Fixed-income - global/international	37,357,606	—	37,357,606
Fixed-income - United States	42,211,889	—	42,211,889
Collective trust	—	24,851,595	24,851,595
Franklin Resources, Inc. common stock	122,882,450	—	122,882,450
Total assets measured at fair value	$1,015,477,363	$24,851,595	$1,040,328,958

There were no transfers between levels of the fair value hierarchy during fiscal year 2014.

5. Federal Income Tax Status

The Internal Revenue Service has determined and informed the Company by a letter dated September 23, 2013 that the Plan was designed in accordance with applicable regulations of the Internal Revenue Code (“IRC”). The Plan has been amended since receiving the determination letter. However, the Plan Administrator believes that the Plan is currently designed and being operated in compliance with the applicable requirements of the IRC and the Plan continues to be tax exempt. Therefore, no provision for income taxes has been included in the Plan’s financial statements. The Plan has not taken, nor expects to take, any uncertain income tax positions that would require recognition of a liability or disclosure in the Plan’s financial statements. The Plan may be subject to routine audits by tax authorities but is not currently under audit.

6. Management and Trustee’s Fees

The Company or the Plan, as provided in the Plan documents, pays all administrative and operating expenses of the Plan.

7. Plan Termination

The Company has the right under the Plan to discontinue its contributions at any time and to terminate the Plan subject to the provisions of ERISA. In the event of Plan termination, participants will become 100% vested in their accounts. Any unallocated assets of the Plan will be allocated to participant accounts and distributed in accordance with the provisions of the Plan documents.

8. Party-in-Interest Transactions

The Plan’s investments are invested in the common stock of the Company, the Plan’s sponsor, and certain mutual funds, which are managed and provided with various services by wholly-owned subsidiaries of the Company. Therefore, these investments qualify as party-in-interest transactions. As investment manager, certain subsidiaries of the Company earn annual management fees ranging from 0.25% to 1.43% of the amounts invested in the mutual funds. Fees paid by the Plan for investment management services are included as a reduction of the return earned on each mutual fund. Notes receivable from participants also qualify as party-in interest transactions.

9. Reconciliation of Financial Statements to Form 5500

There were no reconciling items between the financial statements and the Form 5500 as of September 30, 2014 and 2013.

10. Plan Amendment

The Plan was amended effective October 1, 2014 to revise the eligibility criteria for participation in the matching portion of the Plan as discussed in Note 1 - Description of the Plan, and to make certain administrative changes.

Table of Contents

SUPPLEMENTAL SCHEDULE
Franklin Templeton 401(k) Retirement Plan
Schedule H, Line 4i – Schedule of Assets (Held at End of Year)
Employer Identification Number 13-2670991
Plan Number 003
September 30, 2014

(a)	(b) Identity of issue, borrower, lessor or similar party	(c) Description of investment including maturity date, rate of interest, collateral, par, or maturity value	(d) Cost	(e) Current value
*	Franklin Money Fund R6	Money Market Mutual Fund	**	$55,890,582
*	Franklin Balance Sheet Investment Fund R6	Mutual Fund	**	7,582,570
*	Franklin Flex Cap Growth Fund R6	Mutual Fund	**	14,232,901
*	Franklin Growth Fund R6	Mutual Fund	**	85,816,043
*	Franklin Growth Opportunities Fund R6	Mutual Fund	**	55,424,795
*	Franklin High Income Fund R6	Mutual Fund	**	11,350,251
*	Franklin Income Fund R6	Mutual Fund	**	76,899,808
*	Franklin International Growth Fund R6	Mutual Fund	**	4,627,423
*	Franklin Large Cap Value Fund R6	Mutual Fund	**	7,240,999
*	Franklin LifeSmart 2015 Retirement Target Fund R6	Mutual Fund	**	5,428,600
*	Franklin LifeSmart 2020 Retirement Target Fund R6	Mutual Fund	**	6,719,756
*	Franklin LifeSmart 2025 Retirement Target Fund R6	Mutual Fund	**	9,112,799
*	Franklin LifeSmart 2030 Retirement Target Fund R6	Mutual Fund	**	11,561,346
*	Franklin LifeSmart 2035 Retirement Target Fund R6	Mutual Fund	**	13,087,315
*	Franklin LifeSmart 2040 Retirement Target Fund R6	Mutual Fund	**	9,024,342
*	Franklin LifeSmart 2045 Retirement Target Fund R6	Mutual Fund	**	7,006,245
*	Franklin LifeSmart 2050 Retirement Target Fund R6	Mutual Fund	**	5,567,112
*	Franklin Low Duration Total Return Fund R6	Mutual Fund	**	1,292,419
*	Franklin MicroCap Value Fund R6	Mutual Fund	**	20,801,697
*	Franklin Mutual Beacon Fund R6	Mutual Fund	**	50,058,127
*	Franklin Mutual European Fund R6	Mutual Fund	**	41,860,663
*	Franklin Mutual Global Discovery Fund R6	Mutual Fund	**	88,481,554
*	Franklin Real Return Fund R6	Mutual Fund	**	1,946,843
*	Franklin Rising Dividends Fund R6	Mutual Fund	**	55,990,993
*	Franklin Small Cap Growth Fund R6	Mutual Fund	**	14,666,821
*	Franklin Small Cap Value Fund R6	Mutual Fund	**	22,041,980
*	Franklin Small-Mid Cap Growth Fund R6	Mutual Fund	**	40,126,133
*	Franklin Strategic Income Fund R6	Mutual Fund	**	6,053,233
*	Franklin Total Return Fund R6	Mutual Fund	**	10,848,366
*	Franklin U.S. Government Securities Fund R6	Mutual Fund	**	19,694,646
*	Templeton Developing Markets Trust R6	Mutual Fund	**	54,742,177
*	Templeton Frontier Markets Fund R6	Mutual Fund	**	5,207,893
*	Templeton Global Bond Fund R6	Mutual Fund	**	36,258,137
*	Templeton Global Smaller Companies Fund R6	Mutual Fund	**	24,710,836
*	Templeton Growth Fund R6	Mutual Fund	**	64,545,108
*	Templeton Institutional Funds - Foreign Equity Series	Mutual Fund	**	29,613,576

*	Templeton World Fund R6	Mutual Fund	**	26,411,448
	State Street Global Advisors S&P 500 Index Fund N	Collective Trust	**	34,571,348
*	Franklin Resources, Inc. common stock	Common Stock	**	125,608,468

[Table continued on next page]

Table of Contents

SUPPLEMENTAL SCHEDULE
Franklin Templeton 401(k) Retirement Plan
Schedule H, Line 4i – Schedule of Assets (Held at End of Year)
Employer Identification Number 13-2670991
Plan Number 003
September 30, 2014

[Table continued from previous page]

(a)	(b) Identity of issue, borrower, lessor or similar party	(c) Description of investment including maturity date, rate of interest, collateral, par, or maturity value	(d) Cost	(e) Current value
*	Notes receivable from participants	Participant Loans - various rates ranging from 4.25% to 11.00% and various maturities ranging from October 2014 to August 2029	**	16,358,388
		Total		$1,178,463,741

*Represents a party-in-interest to the Plan.
**Cost information is not required for participant-directed investments.

Table of Contents

SIGNATURE

Pursuant to the requirements of the Securities Exchange Act of 1934, the trustees (or other persons who administer the employee benefit plan) have duly caused this annual report to be signed on its behalf by the undersigned hereunto duly authorized.

Date: March 26, 2015	FRANKLIN TEMPLETON 401(k) RETIREMENT PLAN
	/s/ Sharon Anderson
	Sharon Anderson Vice-President HR Benefits Authorized Representative of the Plan

Table of Contents

EXHIBIT INDEX

Exhibit No.	Description
23	Consent of Crowe Horwath LLP, Independent Registered Public Accounting Firm

16

> 849 2,448

Other

156 156

At December 31, 2005

22,258 36,466 58,724

At January 1, 2006

22,258 36,466 58,724

Gross premium and deposits existing and new business

3,996 7,459 11,455

Withdrawals

(2,769) (2,769)

Disposals

(1,097) (1,097)

Interest credited

1,822 3,202 5,024

Technical reserves released

(6,600) (6,600)

Fund charges released

(1) (1)

Net exchange differences

(1,008) 806 (202)

Other

(437) (437)

At December 31, 2006

22,764	**41,333**	**64,097**

1 Refer to note 18.48 for a summary of all financial assets and financial liabilities at fair value through profit or loss.

On consolidation of an investment fund, participations held by third parties are classified as liabilities, as opposed to minority interests in equity, if the Group is legally obliged to buy back these participations. A portion of the balance of investment contract liabilities relates to such participations held by third parties, amounting to EUR 910 million (2005: EUR 858 million).

18.23 Borrowings

	2006	**2005**
Debentures and other loans	4,212	4,293
Bank overdrafts	753	1,239
Short term deposits	26	
	4,991	**5,532**
Current	935	1,357
Non-current	4,056	4,175
Total fair value of borrowings	5,081	5,743

Bank overdrafts are largely part of cash pool agreements with banks and matched by cash balances. IFRS do not permit net presentation of these cash balances and bank overdrafts under the current agreements with these banks.

Table of Contents

Debentures and other loans

	Coupon rate	Issue / Maturity	Coupon date	2006	2005
USD 200 million Domestic Debentures [1]	6.75%	1996 /06	Semi-annually		170
USD 50 million Zero Coupon Bonds [1]		1982 /07		35	34
USD 100 million Domestic Debentures [1]	9.375%	1996 /08	Semi-annually	77	87
EUR 1,000 million Medium-Term Notes	4.625%	2003 /08	April 16	1,000	1,000
USD 147 million Domestic Debentures [1]	6.4%	1998 /08	Semi-annually	98	102
USD 133 million Zero Coupon Bonds [1]		1982 /10		67	65
USD 200 million Zero Coupon Bonds [1]		1982 /12		72	70
USD 750 million Senior Notes	4.75%	2003 /13	Semi-annually	569	636
EUR 500 million Medium-Term Notes	4.125%	2004 /14	December 8	485	512
EUR 75 million Medium-Term Notes	4.625%	2004 /19	December 9	74	79
USD 500 million Medium-Term Notes [1]	5.75%	2005 /20	December 15	379	434
GBP 250 million Eurobonds	6.125%	1999 /31	December 15	372	365
USD 980 million Variable Funding Surplus Note[2]	Floating	2006 /36	Quarterly	744	
Other				240	739
				4,212	**4,293**

1 Issued by subsidiaries of, and guaranteed by AEGON N.V.
2 Issued by a subsidiary of AEGON N.V.

Included in debentures and other loans are EUR 938 million (2005: EUR 1,025 million) relating to borrowings measured at fair value. Proceeds have been swapped, using derivatives, to USD floating-rate. Changes to AEGON s credit spread had no significant impact on the valuation of these borrowings throughout the year.

	2006	2005
Undrawn committed borrowing facilities:		
Floating-rate		
- Expiring within one year	247	254
- Expiring beyond one year	2,316	2,607
	2,563	**2,861**

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

18.24 Provisions

	2006	2005
Provisions	**262**	**253**
Current	133	230
Non-current	129	23
At January 1	253	280
Additional provisions charged to the income statement	170	161
Acquisition of a subsidiary	15	
Unused amounts reversed through the income statement	(31)	(13)

Unwinding of discount and change in discount rate	2	
Used during the year	(134)	(196)
Net exchange differences	(13)	15
Other		6
At December 31	**262**	**253**

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

183

Table of Contents

18.25 Defined benefit plans

	2006	2005
Retirement benefit plans	1,433	1,369
Other post-employment benefit plans	209	237
Total defined benefit plans	**1,642**	**1,606**
Retirement benefit plans in surplus	398	409
Total defined benefit assets	**398**	**409**
Retirement benefit plans in deficit	1,831	1,778
Other post-employment benefit plans in deficit	209	237
Total defined benefit liabilities	**2,040**	**2,015**

Movements during the year in defined benefit plans:

	Retirement benefit plans 2006	Other post-employment benefit plans 2006	Total 2006	Retirement benefit plans 2005	Other post-employment benefit plans 2005	Total 2005
At January 1	1,369	237	1,606	1,398	237	1,635
Acquisitions through business combinations	11		11			
Releases						
Defined benefit expenses	147	3	150	126	(8)	118
Contributions paid	(52)		(52)	(26)		(26)
Benefits paid	(75)	(16)	(91)	(68)	(16)	(84)
Net exchange differences	32	(17)	15	(25)	22	(3)
Other	1	2	3	(36)	2	(34)
At December 31	**1,433**	**209**	**1,642**	**1,369**	**237**	**1,606**

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

Retirement benefit plans:

	2006	2005
Present value of wholly or partly funded obligations	2,487	2,542
Fair value of plan assets	(2,620)	(2,570)
	(133)	(28)
Present value of wholly unfunded obligations	1,768	1,817
Unrecognized actuarial gains/(losses)	(201)	(420)
Unrecognized past service cost	(1)	
Total retirement benefit plans	**1,433**	1,369

Other post-employment benefit plans:

	2006	2005
Present value of wholly or partly funded obligations	4	4
Fair value of plan assets		
	4	4
Present value of wholly unfunded obligations	247	254
Unrecognized actuarial gains/(losses)	(42)	(21)
Unrecognized past service cost		
Total other post-employment benefit plans	**209**	**237**

184

Defined benefit plans:

	2006	2005
Present value of wholly or partly funded obligations	2,491	2,546
Fair value of plan assets	(2,620)	(2,570)
	(129)	(24)
Present value of wholly unfunded obligations	2,015[1]	2,071[1]
Unrecognized actuarial gains/(losses)	(243)	(441)
Unrecognized past service cost	(1)	
Total defined benefit plans	**1,642**	**1,606**

1 Assets held by AEGON The Netherlands for retirement benefits do not meet the definition of plan assets and as such were not deducted in calculating this amount. Instead, these assets are recognized as general account assets. Consequently, the return on these assets also does not form part of the calculation of defined benefit expenses.

	2006	2005
Fair value of AEGON s own financial instruments included in plan assets	678	574
Fair value of other assets used by AEGON included in plan assets		1

Defined benefit expenses:

	Retirement benefit plans 2006	Other post-employment benefit plans 2006	Total 2006	Retirement benefit plans 2005	Other post-employment benefit plans 2005	Total 2005
Current year service costs	119	4	123	100	6	106
Interest cost	211	12	223	205	14	219
Expected return on plan assets	(190)		(190)	(184)		(184)
Actuarial (gains)/losses recognized on present value of defined benefit obligation	6		6	2	(28)	(26)
Actuarial (gains)/losses recognized on plan assets				1		1
Past service cost		(13)	(13)	2		2
Losses on curtailment	1		1			
Total defined benefit expenses	**147**	**3**	**150**	126	(8)	118

	Retirement benefit plans 2004	Other post-employment benefit plans 2004	Total 2004
Current year service costs	92	6	98

Interest cost	194	13	207
Expected return on plan assets	(169)		(169)
Actuarial (gains)/losses recognized on present value of defined benefit obligation		26	26
Past service cost	5	(1)	4
Total defined benefit expenses	122	44	166

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

185

Table of Contents

Actual return on plan assets and reimbursement rights:

	Retirement benefit plans 2006	Other post-employment benefit plans 2006	Total 2006	Retirement benefit plans 2005	Other post-employment benefit plans 2005	Total 2005
	302		302	237	(1)	236

Movements during the year of the present value of the defined benefit obligations:

	2006	2005
At January 1	4,617	3,880
Acquired through business combinations	11	
Current year service costs	123	106
Interest cost	223	219
Contributions by plan participants	4	3
Actuarial (gains)/losses	(62)	260
Benefits paid	(193)	(177)
Past service cost	(13)	2
Settlements and curtailments		
Net exchange differences	(195)	280
Other	(9)	44
At December 31	**4,506**	**4,617**

Movements during the year in plan assets for retirement benefit plans:

	2006	2005
At January 1	2,570	2,125
Expected return on plan assets	190	184
Actuarial gains/(losses)	112	58
Contributions by employer	52	26
Contributions by plan participants	4	3
Benefits paid	(102)	(100)
Settlements		
Net exchange differences	(206)	274
At December 31	**2,620**	**2,570**

All other post-employment benefits plans are unfunded.

Breakdown of plan assets for retirement benefit plans:

	2006	2005
Equity instruments	1,816	1,839
Debt instruments	686	627

Other	118	104
At December 31	**2,620**	**2,570**

All other post-employment benefits plans are unfunded.

Sensitivity of assumed medical cost trend rates:

Assumed medical cost trend rates have an effect on the amounts reported for the health care plans. A one-percentage change in assumed medical cost trend rates would have the following effects:

	+ 1% 2006	**- 1% 2006**	**+ 1% 2005**	**- 1% 2005**
Aggregate of current service cost and interest cost components of net periodic post-employment medical costs	2	(1)	1	(1)
Accumulated post-employment benefit obligation for medical cost	19	(19)	15	(13)

186

Table of Contents

Experience adjustments arising on:

	2006	2005
Plan liabilities	(76)	(28)
Plan assets	112	52

An experience adjustment on plan liabilities is the difference between the actuarial assumptions underlying the scheme and the actual experience during the period. This excludes the effect of changes in the actuarial assumptions that would also qualify as actuarial gains and losses. Experience adjustments on plan assets are the difference between expected and actual return on assets.

Best estimate of contributions expected for the next annual period	99

Estimated future benefits:

	Pension benefits	Other benefits	Total
2007	167	19	186
2008	173	20	193
2009	180	20	200
2010	186	21	207
2011	194	20	214
2012 to 2016	1,068	96	1,164

Defined benefit plans are mainly operated by AEGON USA, AEGON The Netherlands and AEGON UK. The following sections contain a general description of the plans in each of these subsidiaries, a summary of the principal actuarial assumptions applied in determining the value of defined benefit plans and a description of the basis used to determine the overall expected rate of return on plan assets.

AEGON USA

AEGON USA has defined benefit plans covering substantially all its employees that are qualified under the Internal Revenue Service Code. The benefits are based on years of service and the employee s compensation during the highest five, complete, consecutive years of employment. These defined benefit plans were overfunded by EUR 397 million at December 31, 2006.

AEGON USA also sponsors supplemental retirement plans to provide senior management with benefits in excess of normal pension benefits. These plans are unfunded and non-qualified under the Internal Revenue Service Code. The unfunded amount related to these plans, for which a liability has been recorded, is EUR 146 million.

	2006	2005
Assumptions used to determine benefit obligations at year end:		
Discount rate	5.90%	5.65%
Rate of increase in compensation levels	4.50%	4.50%
Assumptions used to determine net periodic benefit cost for the year ended December 31:		
Discount rate	5.65%	5.75%
Rates of increase in compensation levels	4.50%	4.50%
Expected long-term rate of return on assets	8.25%	8.25%

The expected return on plan assets is set at the long-term rate expected to be earned based on the long-term investment strategy and the various classes of the invested funds. For each asset class, a long-term asset return assumption is developed taking into account the long-term level of risk of the asset and historical returns of the asset class. A weighted average expected long-term rate was developed based on long-term returns for each asset class and the target asset allocation of the plan.

AEGON USA provides health care benefits to retired employees, which are predominantly unfunded. The post-retirement health benefit liability amounts to EUR 144 million.

187

Table of Contents

The principal actuarial assumptions that apply for the year ended December 31, 2006 (that is at January 1, 2006) are as follows:

	2006	2005
Assumed health care trend rates		
Health care cost trend rate assumed for next year	8.00%	9.00%
Rate that the cost trend rate gradually declines to	5.00%	5.00%
Year that the rate reaches the rate that it is assumed to remain at	2009	2009
Target allocation of plan assets for retirement benefit plans for the next annual period is:		
Equity instruments	53 - 73%	
Debt instruments	15 - 35%	
Other	0 - 15%	

The overall goal of the plans is to maximize total investment returns to provide sufficient funding for the present and anticipated future benefit obligations within the constraints of a prudent level of portfolio risk and diversification. AEGON believes that the asset allocation is an important factor, determining the long-term performance of the plans. From time to time the actual asset allocation may deviate from the desired asset allocation ranges due to different market performance among the various asset categories. If it is determined that rebalancing is required, future additions and withdrawals will be used to bring the allocation to the desired level.

Pension plan contributions were not required for AEGON USA in 2006 or 2005.

AEGON The Netherlands

AEGON The Netherlands has a defined benefit plan. The contributions to the retirement benefit plan of AEGON The Netherlands are paid by both the employees and employer, with the employer contribution being variable. The benefits covered are retirement benefits, disability, death and survivor pension and are based on an average salary system. Employees earning more than EUR 40,039 per year (as at January 1, 2005) have an option to contribute to a defined contribution plan for the excess salary. However, the cost for the company remains the same. The defined benefit plan was unfunded by EUR 1,436 million at December 31, 2006. Assets held by AEGON The Netherlands for retirement benefits do not meet the definition of plan assets and as such were not deducted in calculating this amount. Instead, these assets are recognized as general account assets. Consequently, the return on these assets also does form part of the calculation of defined benefit expenses.

AEGON The Netherlands also has a post-retirement medical plan that contributes to the health care coverage of employees and beneficiaries after retirement. The liability related to this plan amounted to EUR 61 million at December 31, 2006.

The principal actuarial assumptions that apply for the year ended December 31, 2006 are as follows:

	2006	2005
Discount rate	4.50%	4.00%
Salary increase rate	2.50%	2.50%
Social security increase rate	2.50%	2.50%
Pension increase rate	2.00%	2.00%
Health care cost trend rate assumed for next year	2.00%	5.00%
Rate that the cost trend rate gradually declines to	2.00%	2.50%
Year that the rate reaches the rate it is assumed to remain at	N/A	2014

188

Table of Contents

AEGON UK

AEGON UK operates a defined benefit pension scheme providing benefits for staff based on final pensionable salary. The assets of the scheme are held under trust separately from those of the Group. The assets of the scheme are held in policies effected with Scottish Equitable plc. The scheme is closed to new entrants. Under IAS 19, the defined benefit plan has a deficit of EUR 234 million at December 31, 2006.

For each asset class, a long-term return assumption is derived taking into account market conditions, historical returns (both absolute returns and returns relative to other asset classes) and general forecasts for future returns. Government bonds are taken as providing the return with the least risk. The expected long-term rate of return is calculated as a weighted average of these assumed rates, taking account of the long-term strategic allocation of funds across the different classes adopted by the trustees of the scheme.

The principal actuarial assumptions that apply for the year ended December 31, 2006 are as follows:

	2006	2005
Discount rate	4.80%	5.30%
Salary increase rate	4.10%	4.10%
Pension increase rate	2.60%	2.60%
Price inflation	2.60%	2.60%
Expected long-term return on assets	6.40%	6.94%
Target allocation of plan assets for retirement benefit plans for the next annual period is:		
Equity instruments	65 - 71%	
Debt instruments	29 - 35%	

The target asset allocation is moving over time to a target of 65% equities and 35% bonds.

Other countries

The other countries mostly operate defined contribution plans, with the exception of smaller defined benefit plans in AEGON Canada, AEGON Spain and AEGON Taiwan.

18.26 Deferred revenue liabilities

	2006	2005
At January 1	84	76
Income deferred	17	19
Disposals	(42)	
Release to income statement	(17)	(13)
Net exchange differences	1	2
At December 31	**43**	**84**

Table of Contents

18.27 Deferred tax

	2006	2005
Deferred tax assets	3	83
Deferred tax liabilities	2,660	2,674
Total net deferred tax	**2,657**	**2,591**

	Real estate	Financial assets	Insurance contracts	Deferred expenses, VOBA and other intangible assets	Defined benefit plans	Losses	Other	Total
At January 1, 2005	479	1,401	(1,375)	2,892	(44)	(590)	489	3,252
Acquisitions through business combinations							14	14
Disposals	(5)	(5)	4				7	1
Charged to income statement	81	696	(1,688)	675	30	53	58	(95)
Charged to equity	(16)	(55)		(3)		(11)	(279)	(364)
Net exchange differences	9	147	(233)	302	13	(37)	14	215
Other	7	(248)	(92)	(92)	12	(19)		(432)
At December 31, 2005	**555**	**1,936**	**(3,384)**	**3,774**	**11**	**(604)**	**303**	**2,591**
At January 1, 2006	555	1,936	(3,384)	3,774	11	(604)	303	2,591
Acquisitions through business combinations	1				(2)		1	
Disposals							(2)	(2)
Charged to income statement	(10)	(317)	768	445	(1)	46	(407)	524
Charged to equity	66	(374)	121	1		(2)	(145)	(333)
Net exchange differences	(9)	(127)	245	(250)	(15)	21	(11)	(146)
Other	(95)	88	(90)	3	(1)	(96)	214	23
At December 31, 2006	**508**	**1,206**	**(2,340)**	**3,973**	**(8)**	**(635)**	**(47)**	**2,657**

Deferred tax assets comprise temporary differences on:

	2006	2005
Real estate	(2)	
Financial assets	(2)	3
Insurance and investment contracts		56
Deferred expenses, VOBA and other intangible assets	6	(120)
Defined benefit plans	2	2
Other	(1)	142
At December 31	**3**	**83**

Deferred tax liabilities comprise temporary differences on:

	2006	2005
Real estate	506	555
Financial assets	1,204	1,939

Insurance and investment contracts	(2,339)	(3,327)
Deferred expenses, VOBA and other intangible assets	3,979	3,654
Defined benefit plans	(6)	13
Losses	(635)	(604)
Other	(49)	444
At December 31	**2,660**	**2,674**

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes relate to the same fiscal authority. The netting is reflected in the tables above. Deferred tax liabilities included in a net deferred tax asset position are presented as negative components of the deferred tax asset breakdown. Similarly, deferred tax assets included in a net deferred tax liability position are presented as negative components in the breakdown of the deferred tax liability.

Table of Contents

Deferred income tax assets are recognized for tax losses carried forward to the extent that the realization of the related tax benefit through the future taxable profits is probable. For an amount of EUR 49 million (2005: EUR 10 million) the realization of the deferred tax asset is dependent on future taxable profits in excess of the profits arising from the reversal of existing taxable temporary differences.

AEGON did not recognize deferred income tax assets in respect of losses amounting to EUR 642 million (2005: EUR 474 million) that can be carried forward to future taxable income. Losses amounting to EUR 83 million (2005: EUR 322 million) can be carried forward indefinitely; losses amounting to EUR 517 million (2005: EUR 137 million) will expire within the next five years; losses amounting to EUR 42 million (2005: EUR 11 million) will expire in five to ten years; and no losses (2005: EUR 4 million) will expire in ten to fifteen years.

Deferred income tax liabilities have not been recognized for withholding taxes and other taxes that would be payable on the unremitted earnings of certain subsidiaries, branches, associates and joint ventures, since such amounts are permanently reinvested. Unremitted earnings totaled EUR 1,810 million (2005: EUR 1,741 million). All deferred taxes are non-current by nature.

18.28 Other liabilities

	2006	2005
Payables due to policyholders	675	324
Payables due to brokers and agents	2,868	1,127
Payables out of reinsurance	1,014	1,460
Social security and taxes payable	63	54
Income tax payable	373	458
Investment creditors	473	255
Cash collateral	9,960	4,616
Repurchase agreements	806	
Share appreciation rights	79	66
Other creditors	1,423	2,373
	17,734	**10,733**
Current	16,856	9,636
Non-current	878	1,097
Fair value	17,706	9,598

Refer to note 18.40 for a description of share appreciation rights and related expenses.

18.29 Accruals

	2006	2005
Accrued interest	292	355
Accrued expenses	141	203
	433	**558**

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

Table of Contents

18.30 Premium income and premiums to reinsurers

	General account		For account of policyholders		Total	
	Gross	**Reinsurance**	**Gross**	**Reinsurance**	**Gross**	**Reinsurance**
2006						
LIFE INSURANCE						
Recurring	6,437	238	4,380	47	10,817	285
Single	2,782	965	8,169	83	10,951	1,048
Total life insurance premiums	**9,219**	**1,203**	**12,549**	**130**	**21,768**	**1,333**
NON-LIFE					2,802	338
TOTAL					**24,570**	**1,671**
2005						
LIFE INSURANCE						
Recurring	6,205	238	4,328	46	10,533	284
Single	1,751	811	3,795	113	5,546	924
Total life insurance premiums	**7,956**	**1,049**	**8,123**	**159**	**16,079**	**1,208**
NON-LIFE					**2,803**	**346**
TOTAL					**18,882**	**1,554**
2004						
LIFE INSURANCE						
Recurring	5,542	216	4,213	48	9,755	264
Single	1,936	821	3,584	78	5,520	899
Total life insurance premiums	**7,478**	**1,037**	**7,797**	**126**	**15,275**	**1,163**
NON-LIFE					**3,054**	**400**
TOTAL					**18,329**	**1,563**

18.31 Investment income

	2006	**2005**	**2004**
Interest income	9,011	8,967	8,426
Dividend income	1,186	868	796
Rental income	179	102	115
	10,376	**9,937**	**9,337**
Investment income related to general account	7,467	7,031	6,547
Investment income for account of policyholders	2,909	2,906	2,790
	10,376	**9,937**	**9,337**
Investment income from:			
- Shares	1,186	868	796
- Bonds and money market instruments	7,591	7,522	6,894

- Loans	1,231	1,303	1,203
- Real estate	179	102	115
- Other	189	142	329
	10,376	**9,937**	**9,337**

Included in interest income is EUR 28 million (2005: EUR 37 million and 2004: EUR 39 million) in respect of interest income accrued on impaired financial assets.

192

Table of Contents

18.32 Fee and commission income

	2006	2005	2004
Fee income from asset management	686	611	522
Sales commissions	440	386	268
Commissions from intermediary activities	233	197	218
Other	306	250	295
	1,665	**1,444**	**1,303**

18.33 Other revenues

	2006	2005	2004
Other revenues	4	73	331

Other revenues relate to non-core activities.

18.34 Net fair value and foreign exchange gains and losses

	2006	2005	2004
Net fair value and foreign exchange gains	837	698	206
Net fair value and foreign exchange losses	127	385	199
	710	**313**	**7**
Net fair value and foreign exchange gains comprise:			
Positive fair value changes of general account financial assets and liabilities at fair value through profit or loss, other than derivatives	817	472	172
Positive fair value changes of derivatives	13	53	25
Positive foreign currency results	7	173	9
	837	**698**	**206**
Net fair value and foreign exchange losses comprise:			
Negative fair value changes of general account financial assets and liabilities at fair value through profit or loss, other than derivatives	1	27	4
Negative fair value changes of derivatives	87	257	12
Negative foreign currency results	30	89	87
Impairment charges on non-financial assets and receivables	9	12	96
	127	**385**	**199**

18.35 Net gains and losses on investments for account of policyholders

	2006	2005	2004
Net gains on investments for account of policyholders	9,313	11,340	5,873
Net losses on investments for account of policyholders	1,174	2	13
	8,139	**11,338**	**5,860**

Investments for account of policyholders comprise of financial assets, investments in real estate and real estate for own use. Refer to note 18.8 for further information. Financial assets for account of policyholders are classified as at fair value through profit or loss.

Investment income on investments for account of policyholders is included in investment income. Refer to note 18.31 for further information.

Table of Contents

Net gains on investments for account of policyholders comprise:

	2006	2005	2004
Positive fair value changes of for account of policyholder financial assets at fair value through profit or loss	9,126	11,240	5,820
Positive fair value changes of investments in real estate for account of policyholders	187	100	53
	9,313	**11,340**	**5,873**

Net losses on investments for account of policyholders comprise:

	2006	2005	2004
Negative fair value changes of for account of policyholder financial assets at fair value through profit or loss	1,174	2	13

18.36 Net gains and losses on investments

	2006	2005	2004
Net gains on investments	1,065	1,269	1,290
Net losses on investments	526	112	87
	539	**1,157**	**1,203**
Net gains on investments comprise:			
Net gains on investments	942	927	869
Positive ineffective portion of hedge transactions	16	31	39
Fair value gains on economic hedges for which no hedge accounting is applied	107	311	372
Realized gains on repurchased debt			10
	1,065	**1,269**	**1,290**
Net losses on investments comprise:			
Net losses on investments	201		86
Negative ineffective portion of hedge transactions	13		
Realized losses on repurchased debt	12		
Fair value losses on economic hedges for which no hedge accounting is applied	300	112	1
	526	**112**	**87**
Net gains and losses on investments from:			
- Shares	623	389	353
- Bonds and money market instruments	(10)	332	352
- Loans	61	115	95
- Real estate	135	222	103
- Other	(68)	(131)	(120)
Total net gains and losses on investments	**741**	**927**	**783**

18.37 Other income

	2006	2005	2004
Other income	**11**	**176**	**138**

Other income in 2005 relates to the sale of Seguros Generales, the general insurance company in Spain. The corresponding amount in 2004 relates to the gain on the sale of businesses of Transamerica Finance Corporation.

18.38 Policyholder claims and benefits

	2006	2005	2004
Claims and benefits paid to policyholders	21,197	16,025	11,266
Change in valuation of liabilities for insurance and investment contracts	14,070	18,601	16,072
	35,267	**34,626**	**27,338**

18.39 Profit sharing and rebates

	2006	2005	2004
Amortization of interest rate rebates	48	56	59
Surplus interest bonuses	16	21	24
Profit appropriated to policyholders	69	94	73
	133	**171**	**156**

18.40 Commissions and expenses

	2006	2005	2004
Commissions	3,444	3,317	3,051
Employee expenses	1,821	1,662	1,784
Administration expenses	1,236	1,281	1,208
Deferred expenses	(1,973)	(1,980)	(1,735)
Amortization of deferred expenses	1,286	955	1,103
Amortization of VOBA and future servicing rights	271	287	373
	6,085	5,522	5,784

Included in administration expenses above is depreciation amounting to EUR 112 million (2005: EUR 125 million and 2004: EUR 264 million) that relates to equipment, software and real estate held for own use. The direct operating expenses relating to investments in real estate that generated rental income was EUR 32 million (2005: EUR 33 million and 2004: EUR 25 million). Minimum lease payments recognized as expense amounted to EUR 6 million.

Table of Contents

Employee expenses

	2006	2005	2004
Salaries	1,206	1,139	1,193
Post-employment benefit costs	178	124	182
Social security charges	140	185	197
Other personnel costs	258	171	198
Share appreciation rights and share options	39	43	14
	1,821	**1,662**	**1,784**

Share appreciation rights and share options

Senior executives of AEGON companies, as well as other AEGON employees, have been offered both share appreciation rights and share options. These share appreciation rights and share options have been granted at an exercise price equal to the market price of the shares at the date of the grant. The rights and options granted in 2006, 2005 and 2004 vest after three years and can only be exercised during the four years after the vesting date. The rights and options granted in 2003 and 2002 vest after two years and can only be exercised during the five years after the vesting date. The plan for 2001 can be exercised three years after being granted and then during a period of two years. Vesting and exercisability depend on continuing employment of the individual employee to which the rights and options have been granted. Option plans are settled in equity, whilst stock appreciation rights are settled in cash or provide the employee with the choice of settlement.

Plans for share appreciation rights and share options can only be established with prior consent of the annual General Meeting of Shareholders. If, subsequently, the Executive Board decides to implement such plans, that decision has to be approved by the Supervisory Board. Options granted pursuant to the purchase agreement with Providian have various expiration dates. The options granted in 1997 to senior executives of former Providian business units fully vest in three years and the exercise period is up to ten years, with the latest period ending in August 2008.

In compliance with regulations under Dutch law, share appreciation rights and share options cannot be exercised in blackout periods.

Share appreciation rights

The following tables present the movements in number of share appreciation rights outstanding (SARs), as well as the breakdown by year in which they were granted.

	Number of SARs	Weighted average exercise price in EUR	Weighted average remaining contractual term in years	Aggregate intrinsic value in EUR million
Outstanding at January 1, 2005	46,952,150	22.24	3.43	30
Granted	4,575,600	10.86		
Exercised	(3,843,148)	6.33		
Forfeited	(2,822,552)	16.06		
Expired	(10,609,700)	34.50		
Outstanding at January 1, 2006	**34,252,350**	**19.22**	**3.62**	**79**
Granted	244,300	14.00		
Exercised	(1,249,899)	6.30		

Forfeited	(2,162,563)	18.86		
Expired	(7,218,300)	34.84		
Outstanding at December 31, 2006	**23,865,888**	**15.15**	**3.55**	**77**
Exercisable at December 31, 2006	**11,416,518**	**19.98**	**2.50**	**31**

196

Table of Contents

The weighted average share price at which the share appreciation rights were exercised in 2006 is EUR 14.51 (2005: EUR 11.06).

SARs	Original number granted	Outstanding January 1, 2006	December 31, 2006	Exercise price in EUR	Exercise period
2001	11,288,800	7,299,700	0	34.84	until March 13, 2006
2002	11,555,700	8,643,200	7,655,067	26.70	until March 12, 2009
2003	11,447,300	5,038,700	3,761,451	6.30	until March 11, 2010
2004	11,574,850	8,994,850	8,212,248	10.56	until March 17, 2011
2005	4,575,600	4,275,900	4,010,322	10.86	until March 8, 2012
2006	244,300		226,800	14.00	until March 14, 2013
	50,686,550	**34,252,350**	**23,865,888**		

The following assumptions are used in estimating the fair value of share appreciation rights at December 31:

	2006	2005	2004
Volatility	26.3%	26%	28.7%
Expected dividend yield	3.99%	3.12%	4.19%
Expected term (in years)	5.68	5.22	5.60
Risk-free rate	3.87%	3.36%	3.54%
AEGON share price at year end	14.44	13.75	10.03

Refer to note 18.3 for a description of the method used to estimate the fair value and a description of the significant assumptions.

The liability related to share appreciation rights is valued at fair value at each balance sheet date. Refer to note 18.28 for details. The costs related to the share appreciation rights amount to EUR 26 million (2005: EUR 40 million and 2004: EUR 14 million) and are recognized in the income statement as part of Commissions and expenses .

Share options

The following tables present the movements in number of share options, as well as the breakdown by year in which they were granted.

	Number of share options	Weighted average exercise price in EUR	Weighted average remaining contractual term in years	Aggregate intrinsic value in EUR million
Outstanding at January 1, 2005	1,013,198	17.30	2.33	1
Granted	5,586,160	10.86		
Exercised	(160,150)	9.40		
Forfeited	(410,100)	10.86		
Expired				
Outstanding at January 1, 2006	**6,029,108**	**12.09**	**5.56**	**16**

Granted	9,149,500	14.00		
Exercised	(211,512)	9.84		
Forfeited	(1,047,841)	13.78		
Expired				
Outstanding at December 31, 2006	**13,919,255**	**13.25**	**5.64**	**21**
Exercisable at December 31, 2006	**491,852**	**23.33**	**1.05**	**0**

Table of Contents

The weighted average share price at which the share options were exercised in 2006 is EUR 13.28 (2005: EUR 11.14).

Share options	Original number granted	Outstanding January 1, 2006	December 31, 2006	Exercise price in EUR	Exercise period
Providian	7,204,384	853,048	491,852	23.33[1]	until August 6, 2008
2005	5,586,160	5,176,060	4,768,060	10.86	until March 8, 2012
2006	9,149,500		8,659,343	14.00	until March 14, 2013
	21,940,044	**6,029,108**	**13,919,255**		

1 Weighted average exercise price of the outstanding share options in USD calculated at the closing rate.

The following assumptions are used in estimating the fair value of share options at the grant date:

	2006	2005	2004
Volatility	28.0%	26.3%	33.0%
Expected dividend yield	4.23%	4.19%	4.19%
Expected term (in years)	6.46	6.57	6.13
Risk-free rate	3.47%	3.74%	3.64%
Exercise price	14.00	10.86	10.56

The costs related to the share options amount to EUR 13 million (2005: EUR 3 million and 2004: nil) and are recognized in the income statement as part of Commissions and expenses .

Share appreciation rights and share options

The fair value of a share appreciation right or share option at the grant date in 2006 amounted to EUR 3.14 (2005: EUR 2.32 and 2004: EUR 2.73). These amounts are equal to the weighted average fair value for the respective years.

The total intrinsic value of share options exercised and SARs paid during 2006 amounts to EUR 11 million (2005: EUR 17 million and 2004: nil).

At December 31, 2006, the total compensation cost related to non-vested awards not yet recognized is estimated at EUR 27 million. The weighted average period over which it is expected to be recognized is 1.5 years.

No cash is received from exercise of share options during 2006, 2005 and 2004. Cash used to settle share appreciation rights amounts to EUR 10 million in 2006 (2005: EUR 18 million and 2004: nil).

The exposure from the issued share appreciation rights and share options is economically hedged by a position in treasury shares. At December 31, 2006 AEGON N.V. held 26,123,865 of its own common shares with a face value of EUR 0.12 each by virtue of acquisitions for this purpose.

There have been no modifications to the plans during the financial year.

The breakdown of the share appreciation rights and share options granted in 2006 is as follows: Executive Board nil, other senior executives 4,009,800 and other employees 5,384,000 (2005: nil; 4,711,960 and 5,449,800 and 2004: 200,000; 4,498,250 and 6,876,600).

Refer to note 18.53 for detailed information about the SARs/share options and the shares and options conditionally granted to the Executive Board.

198

Table of Contents

18.41 Impairment charges/(reversals)

	2006	2005	2004
Impairment charges on financial assets, excluding receivables	142	147	275
Impairment reversals on financial assets, excluding receivables	(118)	(160)	(79)
Impact of impairments on the valuation of insurance assets and liabilities		(1)	(13)
	24	**(14)**	**183**
Impairment charges from:			
- Shares	36	20	30
- Bonds and money market instruments	80	91	229
- Loans	15	33	9
- Other	11	3	7
Total impairment charges	**142**	**147**	**275**
Impairment reversals from:			
- Bonds and money market instruments	103	139	80
- Loans	15	21	(1)
Total impairment reversals	**118**	**160**	**79**

18.42 Interest charges and related fees

	2006	2005	2004
Capital securities	29	32	32
Subordinated loans	14	22	31
Borrowings	252	256	335
Other	67	63	
	362	**373**	**398**

18.43 Other charges

	2006	2005	2004
Other charges	1	3	218

In February 2005, AEGON settled legal proceedings brought by Banque Internationale à Luxembourg S.A. (BIL) and Dexia Bank Belgium S.A. (Dexia) in connection with AEGON s sale in 2000 of Labouchere, at that time a subsidiary company of AEGON. Dexia had alleged that AEGON had made certain misrepresentations and breached certain warranties contained in the purchase agreement. The alleged misrepresentations and breaches of warranties related to securities leasing products sold by Labouchere. Without admitting the claims brought by BIL and Dexia, AEGON agreed to pay EUR 218 million in cash to BIL and Dexia in full and final settlement of all and any claims in this regard. The settlement amount was paid on February 14, 2005.

18.44 Income tax

	2006	2005	2004
Current tax			
- Current year	304	751	437
- Adjustments to prior year	(27)	(5)	(17)
	277	746	420
Deferred tax (refer to note 18.27)			
- Origination / (reversal) of temporary differences	616	(14)	42
- Changes in tax rates/bases	(51)	(23)	(35)
- Recognition of previously unrecognized tax loss/tax credit	(65)	(66)	1
- Write off / (reversal of write off) of deferred tax assets	25	8	1
	802	**651**	**429**

Reconciliation between standard and effective income tax:

	2006	2005	2004
Income before tax	3,971	2,796	2,441
Income tax calculated using weighted average applicable statutory rates	1,272	959	834
Difference due to the effects of:			
- Non-taxable income	(247)	(229)	(373)
- Non-tax deductible expenses	22	8	79
- Changes in tax rate/base	(51)	(24)	(35)
- Different tax rates on overseas earnings	(34)	(15)	(19)
- Tax credits	(122)	(143)	(71)
- Other taxes	94	164	28
- Adjustments to prior years	(90)	(5)	(17)
- Origination and change in contingencies	(40)		
- Changes in deferred tax assets as a result of recognition/write off of previously not recognized/recognized tax losses, tax credits and deductible temporary differences	(12)	(66)	1
- Non-recognition of deferred tax assets	47	2	3
- Tax effect of profit/losses from associates	(2)	1	
- Other	(35)	(1)	(1)
	802	**651**	**429**

The weighted average applicable tax rate is 32.0% (2005: 34.3% and 2004: 34.2%). The change from 2005 to 2006 is due to a change in the profitability of the countries and a change in applicable statutory tax rates. The Dutch statutory tax rate has changed from 31.5% in 2005 to 29.6% in 2006 (2004: 34.5%). The rate will decrease to 25.5% in 2007. In Spain, the corporate tax rate of 35% will be reduced in 2007 (to 32.5%) and 2008 (to 30%). In the Czech Republic the corporate tax rate is 24% in 2006 (2005: 26%). In Hungary the so called solidarity tax was introduced at a rate as of 4% as at September 1, 2006 in addition to the already existing corporate tax rate of 16%. The solidarity tax is imposed on the Hungarian accounting profit before tax adjusted for specific items. The general corporate income tax rate of 21% for Canada will be reduced in 2008 to 20.5%, in 2009 to 20% and in 2010 to 19%.

Table of Contents

18.45 Earnings per share

Basic earnings per share:

Basic earnings per share is calculated by dividing the net income attributable to equity holders, after deduction of preferred dividends declared and accrued coupons on perpetuals, by the weighted average number of ordinary shares, excluding ordinary shares purchased by the company and held as treasury shares (refer to note 18.15).

	2006	2005	2004
Net income attributable to equity holders	3,169	2,147	2,010
Dividends on preferred shares	(80)	(79)	(95)
Coupons on perpetuals	(143)	(132)	(84)
Net income attributable to ordinary shareholders for basic earnings per share calculation	**2,946**	**1,936**	**1,831**
Weighted average number of ordinary shares (thousands)	**1,578,631**	**1,548,346**	**1,503,127**
Basic earnings per share (EUR per share)	**1.87**	**1.25**	**1.22**

Diluted earnings per share:

Diluted earnings per share is calculated by adjusting the average number of shares outstanding for the dilutive effect of share options. For the purpose of calculating diluted earnings per share, AEGON assumed that all dilutive share options have been exercised at the exercise price, or adjusted exercise price if necessary. The proceeds are regarded as having been received from the issue of ordinary shares at the average market price of the AEGON N.V. share during the year. The difference between the number of dilutive options issued and the number of ordinary shares that would have been issued at the average market price has been treated as an issue of ordinary shares for no consideration.

The number of share options that has not been included in the weighted average number of ordinary shares used in the calculation of diluted earnings per share, because these share options were anti-dilutive for the periods presented, amounted to 9,151,195 (2005: 853,048 and 2004: 1,013,198). The exercise prices of these share options range from EUR 23.33 to EUR 14.00.

	2006	2005	2004
Net income attributable to equity holders	3,169	2,147	2,010
Dividends on preferred shares	(80)	(79)	(95)
Coupons on perpetuals	(143)	(132)	(84)
Net income attributable to ordinary shareholders for diluted earnings per share calculation	**2,946**	**1,936**	**1,831**
Weighted average number of ordinary shares (thousands)	1,578,631	1,548,346	1,503,127
Adjustments for:			
- Share options (thousands)	1,072	201	
Weighted average number of ordinary shares for diluted earnings per share calculation (thousands)	**1,579,703**	**1,548,547**	**1,503,127**
Diluted earnings per share (EUR per share)	**1.86**	**1.25**	**1.22**

18.46 Dividend per share

The dividend per share paid in 2006 (interim 2006 and final 2005) and 2005 (interim 2005 and final 2004) were EUR 0.47 and EUR 0.43 respectively. A final dividend in respect of book year 2006 of EUR 0.31 per share, resulting in a total dividend of EUR 0.55 per share for 2006, is to be proposed at the Annual General Meeting of Shareholders on April 25, 2007. These financial statements do not reflect the proposed final dividend payable.

201

Table of Contents

18.47 Capital and solvency

AEGON s capital base reflects the capital employed in insurance activities and consists of shareholders equity, capital securities and dated subordinated and senior debt. AEGON targets its capital base to comprise at least 70% shareholders equity (excluding the revaluation reserve), 25% perpetual capital securities (consisting of junior perpetual capital securities and perpetual cumulative subordinated bonds) and a maximum of 5% dated subordinated and senior debt related to insurance activities.

The table that follows reconciles total shareholders equity to the total capital base:

	2006	2005
Total shareholders equity	18,605	18,715
Junior perpetual capital securities	3,447	2,809
Perpetual cumulative subordinated bonds	567	567
Share options not yet exercised	18	3
Minority interest	16	15
Trust pass-through securities	123	437
Subordinated borrowings	34	284
Borrowings	4,991	5,532
Borrowings not related to capital funding of insurance activities	(3,518)	(3,473)
Total capital base	**24,283**	**24,889**

Borrowings not related to capital funding of insurance activities mainly include operational funding of US regulation XXX and guideline AXXX redundant reserves, funding of mortgage warehousing activities, short-term funding of cash and collateral management activities, and the proportional amount of other borrowings not immediately deployed for capital management activities. In the ordinary course of business, AEGON NV may at times have borrowings, which are offset by cash and cash equivalents available for future capital management activities, such as funding capital contributions in its subsidiaries, redemption of borrowings or payment of dividends to its shareholders. The Total Capital Base is a non-IFRS measure, as IFRS does not permit separate presentation of borrowings based on the deployment of the proceeds.

Both insurance and banking companies are required to maintain a minimum solvency margin based on local directives. AEGON s insurance subsidiaries in the United States are subject to risk-based standards established by the National Association of Insurance Commissioners. At December 31, 2006, the combined risk-based capital ratio of AEGON s life insurance subsidiaries in the United States was 365%. Under the Insurance Industry Supervision Act 1993 in the Netherlands, life insurance companies are required to maintain equity of among others 4% of general account technical reserves and, in case of no interest guarantee, 1% of technical reserves with investments for account of policyholders plus 0.3% of the amount at risk under the insurance policies for life insurers. The Financial Services Authority regulates insurance companies in the United Kingdom under the Financial Services and Markets Act 2000 and sets minimum standards for capital adequacy and solvency.

The required solvency margin shown in the table that follows is the sum of the individual margins of all AEGON s insurance and banking companies based on European directives implemented in Dutch legislation. Liability capital available includes shareholders equity, capital securities and subordinated loans of the Group. The solvency position of the Group has been outlined in the following table:

	2006	2005
Liability capital of the Group	23,342	23,391
Required solvency margin	8,503	8,613
Solvency surplus	14,839	14,778
Solvency as a percentage of required solvency margin	275	272

AEGON is subject to legal restrictions on the amount of dividends it can pay to its shareholders. Under Dutch law the amount that is available to pay dividends consists of total shareholders equity less the issued and outstanding capital and less the reserves required by law. At December 31, 2006, the issued and outstanding capital is EUR 255 million, the reserves required by law amount to EUR 1,521 million and EUR 16,796 million is available for dividends. However, certain of AEGON s subsidiaries, principally insurance companies, are subject to restrictions on the amounts of funds they may transfer in the form of cash dividends or otherwise to their parent companies. While management does not believe such restrictions on AEGON s subsidiaries will affect its ability to pay dividends in the future, there can be no assurance that these restrictions will not limit or prevent AEGON from doing so.

202

Table of Contents

18.48 Summary of total financial assets and financial liabilities at fair value through profit or loss

The table that follows summarizes the carrying amounts of financial assets and financial liabilities that are classified as at fair value through profit or loss, with appropriate distinction between those financial assets and financial liabilities held for trading and those that, upon initial recognition, were designated as at fair value through profit or loss.

	Trading 2006	Designated 2006	Trading 2005	Designated 2005
Investments for general account	785	8,763	774	9,965
Investments for account of policyholders		133,060		126,141
Derivatives with positive values not designated as hedges	1,233		1,498	
Total financial assets at fair value through profit or loss	**2,018**	**141,823**	**2,272**	**136,106**
Investment contracts		167		223
Investment contracts for account of policyholders		22,764		22,258
Derivatives with negative values not designated as hedges	1,137		1,368	
Borrowings		938		1,025
Total financial liabilities at fair value through profit or loss	**1,137**	**23,869**	**1,368**	**23,506**

Investments for general account

The Group manages certain portfolios on a total return basis which have been designated as at fair value through profit or loss. This includes portfolio of investments in limited partnerships and limited liability companies (primarily hedge funds) for which the performance is assessed internally on a total return basis. In addition some investment that include an embedded derivative that would otherwise have required bifurcation, such as convertible instruments, preferred shares and credit linked notes, have been designated as at fair value through profit or loss.

Investment for general account backing insurance and investment liabilities that are carried at fair value with changes in the fair value recognized in the income statement are designated as at fair value through profit or loss. Classification of the financial assets as available-for sale would result in accumulation of unrealized gains and losses in a revaluation reserve within equity whilst changes to the liability would be reflected in net income (accounting mismatch). Therefore the Group elected to designate these investments for account of policyholders as at fair value through profit or loss.

Investments for account of policyholders

Investments held for account of policyholders comprise assets that are linked to various insurance and investment contracts for which the financial risks are borne by the customer. Under the Group s accounting policies these insurance and investment liabilities are measured at the fair value of the linked assets with changes in the fair value recognized in the income statement. To avoid an accounting mismatch the linked assets have been designated as at fair value through profit or loss.

In addition the investment for account of policyholders include with profit assets, where an insurer manages these assets together with related liabilities on a fair value basis in accordance with a documented policy of asset and liability management. In accordance with Group s accounting policies, these assets have been designated as at fair value through profit or loss.

Investment contracts

Investment contracts that have been designated as at fair value through profit or loss include contracts that are considered to contain an embedded derivative that requires measurement at fair value through profit or loss, such as equity-linked or pass-through investment performance features and total return swaps. For consistency, the underlying portfolio has been designated as at fair value through profit or loss. Also contracts that contain embedded derivatives that can not be reliably bifurcated are carried at fair value, such as a fixed annuity issued by AEGON USA containing an investment performance pass-through feature subject to a cumulative minimum guarantee.

Investment contracts for account of policyholders

With the exception of the financial liabilities with discretionary participating features that are not subject to the classification and measurement requirements for financial instruments, all investment contracts for account of policyholders that are carried at fair value or at the fair value of the linked assets are included in the table above.

Derivatives

With the exception of derivatives designated as a hedging instrument, all derivatives held for general account and held for account of policyholders are included in the table above.

Table of Contents

Borrowings

Borrowings designated as at fair value through profit or loss include financial instruments that are managed on a fair value basis together with related financial assets and financial derivatives.

Gains and losses recognized in the income statement on financial assets and financial liabilities classified as at fair value through profit or loss can be summarized as follows:

	Trading 2006	Designated 2006	Trading 2005	Designated 2005
Net gains	543	9,520	666	11,410
Net losses	401	1,161	267	131

No loans and receivables were designated as at fair value through profit or loss.

Changes in the fair value of financial liabilities designated as at fair value through profit or loss were not attributable to changes in credit risk. There are also no differences between the carrying amounts of these financial liabilities and the contractual amounts payable at maturity (net of surrender penalties).

18.49 Commitments and contingencies

Investments contracted

In the normal course of business, the Group has committed itself through purchase and sale transactions of investments, mostly to be executed in the course of 2007. The amounts represent the future outflow and inflow, respectively, of cash related to these investment transactions that are not reflected in the consolidated balance sheet.

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

Mortgage loans commitments represent undrawn mortgage loan facility provided and outstanding proposals on mortgages. Other commitments include future purchases of interests in investment funds and limited partnerships.

Other commitments and contingencies

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

Guarantees include those given on account of asset management commitments and guarantees associated with the sale of investments in low-income housing tax credit partnerships in the United States.

Standby letters of credit amounts reflected above are the liquidity commitment notional amounts.

In addition to the guarantees shown in the table, guarantees have been given for fulfillment of contractual obligations such as investment mandates related to investment funds.

Table of Contents

AEGON N.V. has entered into a net worth maintenance agreement with its indirect subsidiary AEGON Financial Assurance Ireland Limited (AFA), pursuant to which AEGON N.V. will cause AFA to have a tangible net worth of at least 3% of its total liabilities under financial guaranty policies which it issues up to a maximum of EUR 3 billion.

On November 1, 2006, AEGON entered into an agreement to acquire 100% of the outstanding common shares of Clark Inc. (Clark), a public company specializing in the sale of corporate-owned life insurance, bank-owned life Insurance and other benefit programs. The acquisition is expected to be closed in March 2007, after the publication date of the 2006 financial statements. The estimated aggregate purchase price is approximately EUR 263 million, consisting of EUR 208 million cash consideration, EUR 34 million of Clark debt assumed by AEGON, the EUR 21 million cost basis of Clark common stock already owned by AEGON and transaction costs. In addition, a Clark management group will acquire from AEGON some of Clark s other business segments, not considered core to AEGON for EUR 41 million. Currently AEGON holds a 13% interest in Clark.

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

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

Due and punctual payment of payables due under letter of credit agreements applied for by AEGON N.V. as co-applicant with its subsidiary companies AEGON USA, Inc., Commonwealth General Corporation and Transamerica Corporation (EUR 2,528 million). At December 31, 2006, there were no amounts due and payable.

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

Due and punctual payment of any amounts owed to third parties by the consolidated group company AEGON Derivatives N.V. in connection with derivative transactions. AEGON Derivatives N.V. only enters into derivative transactions with counterparties with which ISDA master netting agreements including collateral support annex agreements have been agreed; net (credit) exposure on derivative transactions with these counterparties was therefore minimal as at December 31, 2006.

AEGON is involved in litigation in the ordinary course of business, including litigation where compensatory or punitive damages and mass or class relief are sought. In particular, certain current and former customers, and groups representing customers, have initiated litigation and certain groups are encouraging others to bring lawsuits in respect of certain products in the Netherlands. The products involved include securities leasing products and unit linked products (so called beleggingsverzekeringen including the KoersPlan product). AEGON has established adequate litigation policies to deal with the claims defending when the claim is without merit and seeking to settle in certain circumstances. This and any other litigation AEGON has been involved in over the last twelve months have not had any significant effects on the financial position or profitability of AEGON N.V. or the Group. However, there can be no assurances that AEGON will be able to resolve existing litigation in the manner it expects or that existing or future litigation will not result in unexpected liability.

In addition, in recent years, the insurance industry has increasingly been the subject of litigation, investigations and regulatory activity by various governmental and enforcement authorities concerning certain practices. AEGON subsidiaries have received inquiries from local authorities in various jurisdictions including the United States, the United Kingdom and the Netherlands. In certain instances, AEGON subsidiaries modified business practices in response to such inquiries or the findings thereof. Certain AEGON subsidiaries have been informed that the regulators may seek fines or other monetary penalties or changes in the way AEGON conducts its business.

Future lease payments

	Not later than 1 year	Not later than 1 year

		1-5 years	2006 Later than 5 years		1-5 years	2005 Later than 5 years
Finance lease obligations	2	2				
Operating lease obligations	89	321	363	101	320	286
Operating lease rights	27	84	20	38	87	12

The operating lease obligations relate mainly to office space leased from third parties. The total of future minimum sublease payments expected to be received on non-cancellable subleases is EUR 13 million.

The operating lease rights relate to non-cancellable commercial property leases.

205

Table of Contents

18.50 Collateral

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

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

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

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

Assets pledged as collateral

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

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

When AEGON pays cash collateral as part of security borrowing or reverse repurchase transactions, an asset is recorded to receive back the cash pledged. The balance of these receivables, as also reflected in note 18.13, are as follows:

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

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

206

Table of Contents

Assets accepted as collateral

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

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

As part of security lending and repurchase agreements, AEGON received EUR 23 billion (2005: EUR 22 billion) of cash and non cash collateral. For cash collateral received, AEGON recognized a liability to repay the cash, which is included in other liabilities in note 18.28, for the following amounts:

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

18.51 Business combinations

Acquisitions

In September 2006 AEGON The Netherlands acquired the remaining 55% of the Unirobe shares. The distribution activities of the Dutch operations are placed under the Unirobe Meeùs Group. No operations have been disposed off as a result of the combination. The cost of acquiring the remaining 55% of the shares was EUR 59 million, which was paid in cash. In total an amount of EUR 96 million was paid to acquire the 100% interest. At the acquisition date assets and liabilities were recognized for EUR 186 million and EUR 134 million respectively which included a cash position of EUR 0 million. Since the acquisition date, Unirobe has contributed EUR 5 million to the net income of AEGON. The acquisition resulted in the recognition of EUR 49 million goodwill, of which EUR 18 million had previously been included in the measurement of the interest held in Unirobe as an associate. Goodwill reflects the commission income that is expected to be generated by Unirobe in future years.

In November 2005, AEGON signed a strategic partnership agreement with the Spanish savings bank Caja de Ahorros de Navarra (CN) under which AEGON acquired a 50% stake in CN s life insurance and pensions subsidiary, Seguros Navarra S.A. The acquisition of 50% of Seguros Navarra S.A. took place in two tranches. In the fourth quarter of 2005, 15% was acquired, followed by another 35% in 2006. The acquisition date was April 30, 2006 when approval was obtained from the Spanish and European regulatory authorities. The final price of the acquisition was EUR 61 million, fully paid in cash. The total assets of the joint venture at the acquisition date amounted to EUR 476 million, of which EUR 2 was cash and cash equivalents. CN is entitled to a contingent earn-out payment, the amount of which is dependent on the business performance over the coming five years. AEGON has provided for the expected future payment on a discounted basis (EUR 60 million at December 31, 2006). As a consequence of the acquisition goodwill of EUR 91 million was reported.

In October 2005, AEGON and the Spanish savings bank Caja Badajoz (CB), have reached an agreement to establish a 50/50 joint venture to sell life insurance, accident insurance and pension products through the branch network of CB. The new entity, Caja Badajoz Vida y Pensiones, Sociedad Anónima de Seguros, has been set up with a capital amounting to EUR 11 million of which 50% has been paid in. The remaining 50% shall be paid in within the next 2 years. At the end of the fifth year of the joint venture, CB is entitled to a contingent earn-out payment. AEGON has provided for the expected future payment on a discounted basis (EUR 21 million at December 31, 2006). As a consequence of the acquisition goodwill of EUR 20 million was reported.

AEGON acquired 100% of the shares of Nationwide Towarzystwo Ubezpieczen na Zycie S.A. (Nationwide Poland) in early October 2005 and consolidated the business as of October 1, 2005. AEGON also acquired an investment advisor company, Westcap Investors, LLC during 2005. These business combinations did not have a material impact on the consolidated financial statements of the Group.

Disposals

During 2006 AEGON sold its interest in Scottish Equitable International S.A. for EUR 29 million, together with an earn-out arrangement. The cash and cash equivalents held at the end of March by Scottish Equitable International S.A. prior to the sale was EUR 20 million. The acquiring company, La Mondiale Participations S.A. is a 35% associate of AEGON. 35% of the gain on the sale was eliminated on consolidation.

207

Table of Contents

18.52 Group companies

Subsidiaries

The principal subsidiaries of the parent company AEGON N.V. are listed by geographical segment. All are wholly owned, directly or indirectly, unless stated otherwise, and are involved in insurance or reinsurance business, asset management or services related to these activities. The voting power in these subsidiaries held by AEGON is equal to the shareholdings.

Americas

AEGON USA, Inc., Cedar Rapids, Iowa (United States)

Commonwealth General Corporation, Wilmington, Delaware (United States)

Life Investors Insurance Company of America, Cedar Rapids, Iowa (United States)

Monumental Life Insurance Company, Baltimore, Maryland (United States)

Peoples Benefit Life Insurance Company, Cedar Rapids, Iowa (United States)

Stonebridge Casualty Insurance Company, Columbus, Ohio (United States)

Stonebridge Life Insurance Company, Rutland, Vermont (United States)

Transamerica Corporation, Wilmington, Delaware (United States)

Transamerica Financial Life Insurance Company, Inc., Purchase, New York (United States)

Transamerica Life Canada, Toronto, Ontario (Canada)

Transamerica Life Insurance Company, Cedar Rapids, Iowa (United States)

Transamerica Occidental Life Insurance Company, Cedar Rapids, Iowa (United States)

Veterans Life Insurance Company, Springfield, Illinois (United States)

Western Reserve Life Assurance Co. of Ohio, Columbus, Ohio (United States)

The Netherlands

AEGON Bank N.V., Utrecht

AEGON Financiële Diensten B.V., The Hague

AEGON International N.V., The Hague

AEGON Derivatives N.V., The Hague

AEGON Investment Management B.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

Spaarbeleg Kas N.V., Utrecht

TKP Pensioen B.V., Groningen

Unirobe Meeùs Groep B.V., The Hague

United Kingdom

AEGON Asset Management UK plc, London

AEGON UK Distribution Holdings Ltd., London

AEGON UK plc, London

Guardian Assurance plc, Lytham St Annes

Guardian Linked Life Assurance Limited, Lytham St Annes

Guardian Pensions Management Limited, Lytham St Annes

HS Administrative Services Limited, Chester

Scottish Equitable International Holdings plc, London

Scottish Equitable plc, Edinburgh

Other countries

AEGON España S.A., Madrid (Spain) (99.98%)

AEGON Life Insurance (Taiwan) Inc., Taipei (Taiwan)

AEGON Magyarország Általános Biztosító Zrt., Budapest (Hungary)

AEGON Pension Fund Management Company Slovakia, Bratislava (Slovakia)

AEGON Pojistóvna a.s., Prague (Czech Republic)

AEGON Towarzystwo Ubezpieczen na Zycie S.A., Warsaw (Poland)

Transamerica International Reinsurance Ireland Ltd, Dublin (Ireland)

AEGON Global Institutional markets Plc, Dublin (Ireland)

AEGON Financial Assurance Ireland Ltd, Dublin (Ireland)

The legally required list of participations as set forth in articles 379 and 414 of Book 2 of the Dutch Civil Code has been registered with the Trade Register in The Hague. AEGON N.V. has issued a statement of liability as meant in article 403 of Book 2 of the Dutch Civil Code for its subsidiary company AEGON Derivatives N.V.

Table of Contents

AEGON has an investment (EUR 28 million) in Prisma Enhanced Fixed Income Fund (PREFF), a newly created hedge fund formed as a limited partnership. As of 31 December 2006 AEGON is the only limited partner in this fund. As a limited partner, AEGON does not have any direct voting power. However, in addition to its limited partnership interest, AEGON has an equity interest in the general partner of the fund and also has derivative trading responsibilities through a sub-advisory agreement. Based on these facts, AEGON concluded that it controls the limited partnership and has included the entity in its consolidated financial statements.

AEGON has less than half of the voting power of SERVES, an entity whose primary activity is participating in a total return swap based on the performance of a portfolio of bank loans. In addition to its equity interest (EUR 67 million), AEGON is the owner of 100% of the debt issued by the entity and serves as the investment manager of the bank loan portfolio. As a result, AEGON concluded that it controls the entity and should include the entity in its consolidated financial statements.

Joint ventures

The principal joint ventures are listed by geographical segment.

The Netherlands

AMVEST Vastgoed B.V., Utrecht (50%)

Other countries

AEGON-CNOOC Life Insurance Company Ltd, Shanghai (China) (50%)

Caja Badajoz Vida y Pensiones, Sociedad Anónima de Seguros, Badajoz (Spain) (50%)

Seguros Navarra, Sociedad Anónima de Seguros, Pamplona (Spain) (50%)

Summarized financial information of joint ventures for 2006 accounted for using proportionate consolidation:

	Current assets	Long-term assets	Current liabilities	Long-term liabilities	Income	Expenses
AMVEST	51	982	15	631	81	20
AEGON-CNOOC	6	39	3	36	26	36
Caja Badajoz	4	23		22	23	23
Seguros Navarra	24	305	23	245	20	18
	85	**1,349**	**41**	**934**	**150**	**97**

Investments in associates

The principal investments in associates are listed by geographical segment.

The Netherlands

N.V. Levensverzekering-Maatschappij De Hoop , The Hague (35%)

United Kingdom

Tenet Group Limited, Leeds (19.51%)

Other countries

CAM AEGON Holding Financiero, Alicante (Spain) (49.99%)

La Mondiale Participations S.A., Lille (France) (35%)

Seguros Argos, S.A. de C.V., Mexico City (Mexico) (49%)

Afore Argos, S.A. de C.V., Mexico City (Mexico) (49%)

AEGON owns a 60% limited partnership interest in Prisma Capital Partners LP (Prisma LP) which serves as an investment manager for certain of AEGON s hedge fund investments as well as for other third parties, in exchange for management fees. Two unrelated entities, Prisma Capital Partners I, LP and Prisma Capital Partners EH LLC own 31% and 8% of Prisma LP, respectively. An unrelated entity, Prisma GP LLC is the general partner with a 1% interest and is responsible for day-to-day activities. A management board with seven voting members (three appointed by AEGON, three appointed by Prisma GP LLC and one independent member appointed collectively by the other six voting members) must approve certain actions, including

209

restructuring transactions, hiring senior management and the annual operating budget. As a result, notwithstanding our 60% economic interest, AEGON can not exercise voting control since we only appoint three out of the seven board members, AEGON cannot remove the majority of the management board members and AEGON does not have other arrangements, contractual or otherwise, that would give AEGON more than half of the voting power of Prisma LP.

Refer to note 18.10 for further details on investments in associates.

18.53 Related party transactions

Related party transactions for the period under review include transactions between AEGON N.V. and Vereniging AEGON, as well as selling a 100% subsidiary to the associate La Mondiale Participations S.A.

On November 24, 2006, Vereniging AEGON exercised its option rights to purchase in aggregate 5,440,000 class B preferred shares at par value to correct dilution caused by AEGON s stock dividend issuances during the year.

On December 21, 2006, Vereniging AEGON sold at intrinsic value and transferred to AEGON International N.V. all shares of its subsidiary company Albidus B.V. for an immaterial amount.

In both 2001 and 2002, AEGON N.V. entered into total return swaps with Vereniging AEGON in order to hedge the share option plan for each respective year. On April 15, 2005, these total return swaps were terminated, resulting in a positive impact on shareholders equity of EUR 115 million. The amount has been added to retained earnings.

On May 17, 2005, AEGON N.V. purchased 3,821,645 of its common shares from Vereniging AEGON at a purchase price of EUR 9.847. On December 5, 2005, Vereniging AEGON exercised its option rights to purchase in aggregate 6,950,000 class B preferred shares at par value to correct dilution caused by AEGON s stock dividend issuances and treasury stock sales during the year.

AEGON provide reinsurance, asset management and administrative services for employee benefit plans relating to pension and other post-employment benefits of AEGON employees. Certain post-employment insurance benefits are provided to employees in the form of insurance policies issued by affiliated insurance subsidiaries.

In 2006, AEGON sold its 100% interest in Scottish Equitable International SA for EUR 29 million to La Mondiale Participations S.A., a 35% associate. Details of the transaction are provided in note 18.51.

In addition to these transactions, the remuneration and share-based compensation of members of the Executive Board and the Supervisory Board are disclosed in the sections that follow.

Table of Contents

Remuneration of active and retired members of the Executive Board

Amounts in EUR thousands

	SHORT-TERM BENEFITS					
	Periodic payments		Performance related			
	Salary	Other[3]	Cash[4]	Shares[5]	Pension premiums	Total
2006						
D.J. Shepard	796[1]	1,219	4,059[6]		277	6,351
J.B.M. Streppel	679[2]	16	475		220	1,390
J.G. van der Werf	575[2]	13	697		186	1,471
A.R. Wynaendts	575[2]	164	602		186	1,527
Total	**2,625**	**1,412**	**5,833**		**869**	**10,739**
2005						
D.J. Shepard	803[1]	223	2,998[6]		270	4,294
J.B.M. Streppel	679[2]	14	469		217	1,379
J.G. van der Werf	575[2]	11	552		184	1,322
A.R. Wynaendts	575[2]	180	568		183	1,506
Total	**2,632**	**428**	**4,587**		**854**	**8,501**
2004						
D.J. Shepard	804[1]	458	1,878[6]	188	226	3,554
J.B.M. Streppel	668[2]	15	144	144	227	1,198
J.G. van der Werf	566[2]	11	144	144	192	1,057
A.R. Wynaendts	566[2]	13	102	102	192	975
Total for active members	2,604	497	2,268	578	837	6,784
P. van de Geijn (pro rata for the year 2003)			241			241
Total	**2,604**	**497**	**2,509**	**578**	**837**	**7,025**

1 Mr. Shepard earns a salary of USD 1 million.

2 Base salary, including adoption in accordance with the general salary rounds applicable to AEGON employees in the Netherlands, the customary employee profit sharing bonus, as well as a tax deferred employee savings scheme.

3 Other periodic payments are additional remuneration elements, including social security contributions borne by the Group. For Mr. Shepard, the Group has also borne expenses and non-monetary benefits which are provided in his employment agreement with AEGON. These benefits include compensation to the extent that the total actual annual taxation on his total income exceeds the taxation if he were only subject to U.S. taxes, personal life insurance and tax planning. The 2006 amount is affected by the expiration of a tax ruling as a result of which employer and employee pension contributions are no longer tax deferred in the Netherlands. For Mr. Wynaendts, the amount also includes compensation for relocation and cost of living related to his temporary secondment to AEGON USA in 2005 and 2006.

4 In line with the regulations of the Short-Term Incentive (STI) Plan for the years 2005 and 2004, it was established that in 2005 and 2004 the value of new business of the Group and of the relevant country units was positive. Subsequently, operating earnings were calculated and established per area of responsibility. After adoption of the 2004 and 2005 annual accounts by the shareholders, the disclosed STI cash bonuses for the years 2004 and 2005 were paid in 2005 and 2006 respectively. Under the 2003 STI plan, paid in 2004, Mr. Shepard was entitled to receive USD 50,000 per percentage point increase in the preceding year s earnings per share. The other members of the Executive Board were entitled to receive EUR 32,432 per percentage point increase in the preceding year s earnings per share in excess of the rate of European inflation as indicated by the European Central Bank. The relevant percentage was 8.9%. All 2003 bonuses were maximized at 150% of the year s salary. Under the STI plan 2003, Executive Board members could opt for payment in cash or in shares.

5 In 2004, all members of the Executive Board opted for payment of half of the cash value of their 2003 STI bonus in AEGON N.V. common shares. These shares are restricted (non-transferable) for a period of three years. The number of shares for each member was: Mr. Shepard 16,143; Mr. Streppel 12,409; Mr. Van der Werf 12,409; and Mr. Wynaendts 8,771. After the three-year holding period, the

Executive Board members will be entitled to bonus shares, provided that they are still employed by AEGON. The number of bonus shares will be calculated through performance based matching, on the basis of earnings per share growth over inflation in the preceding three years, i.e. 2004, 2005 and 2006. The number of bonus shares varies from 0 to 100% of the number of shares mentioned above.

6 In addition to the STI plan, Mr. Shepard is entitled to a short-term incentive bonus equal to 0.1% of the net income of AEGON N.V. according to the adopted accounts. The amount included in the 2006 table is based on net income over 2005 as reported in accordance with IFRS as reported in our Form 20F, filed with the SEC on March 30, 2007. The amounts included in the 2005 and 2004 tables are based on 2004 and 2003 net income respectively as reported in accordance with Dutch accounting principles.

211

Table of Contents

In accordance with the 2006 LTI Plan, non-vested (conditional) AEGON common shares and options were granted to each of the Executive Board members. Vesting of these rights is conditional upon AEGON s total shareholders return performance relative to that of the peer group over a three-year period. The number of shares and options vesting after the three year period is in the range from 0% to 200% of the granted number. The number of shares and options in the table represent a 100% vesting of the grant (target award).

The date of grant for the 2006 LTI Plan was April 26, 2006 and the closing price of that day was EUR 14.55. The grant is a 50/50 combination of the value of the performance shares and performance options. Regarding the granted shares and options of the reference period 2004-2006 the Executive Board members are entitled to 0% vesting of the target award.

Total overview of conditionally granted shares

	Grant date	Number of shares per January 1, 2006	Number of shares granted in 2006	Number of shares vested in 2006	Number of shares expired/ forfeited in 2006	Number of shares per December 31, 2006	Reference period	
D.J. Shepard	23-Apr-04	35,767				35,767[1]	2004	2006
	22-Apr-05	38,542				38,542	2005	2007
	26-Apr-06		26,213			26,213	2006	2008
J.B.M. Streppel	23-Apr-04	16,661				16,661[1]	2004	2006
	22-Apr-05	20,169				20,169	2005	2007
	26-Apr-06		13,909			13,909	2006	2008
J.G. van der Werf	23-Apr-04	14,106				14,106[1]	2004	2006
	22-Apr-05	17,066				17,066	2005	2007
	26-Apr-06		11,769			11,769	2006	2008
A.R. Wynaendts	23-Apr-04	14,106				14,106[1]	2004	2006
	22-Apr-05	17,066				17,066	2005	2007
	26-Apr-06		11,769			11,769	2006	2008

1 These shares have not vested in 2006 and have subsequently expired.

Total overview of conditionally granted options

	Grant date	Number of options per January 1, 2006	Number of options granted in 2006	Number of options vested in 2006	Number of options expired/ forfeited in 2006	Number of options per December 31, 2006	Number of exercisable options	Exercise price	Reference period	
D.J. Shepard	23-Apr-04	71,534				71,534[1]		11.74	2004	2006
	22-Apr-05	77,084				77,084		9.91	2005	2007
	26-Apr-06		150,989			150,989		14.55	2006	2008
J.B.M. Streppel	23-Apr-04	33,322				33,322[1]		11.74	2004	2006
	22-Apr-05	40,338				40,338		9.91	2005	2007
	26-Apr-06		80,115			80,115		14.55	2006	2008
J.G. van der Werf	23-Apr-04	28,212				28,212[1]		11.74	2004	2006
	22-Apr-05	34,132				34,132		9.91	2005	2007
	26-Apr-06		67,789			67,789		14.55	2006	2008
A.R. Wynaendts	23-Apr-04	28,212				28,212[1]		11.74	2004	2006
	22-Apr-05	34,132				34,132		9.91	2005	2007
	26-Apr-06		67,789			67,789		14.55	2006	2008

1 These options have not vested in 2006 and have subsequently expired.

The numbers of shares and options conditionally granted were based on the closing price on the day of the grant. This was also the exercise price of the options. The fair value information on the conditionally granted shares will be provided when the shares and options vest.

Table of Contents

Share options and share appreciation rights and interests in AEGON N. V. held by active members of the Executive Board

	Grant date	Number of options per January 1, 2006	Number of options granted in 2006	Number of options exercised in 2006	Number of options expired/ forfeited in 2006	Number of options per Dec. 31, 2006	Number of exercisable options	Exercise price EUR	Shares held in AEGON at Dec. 31, 2006
D.J. Shepard	12-Mar-01	100,000			100,000				
	10-Mar-02	50,000[1]				50,000[1]	50,000	26.70	
	16-Mar-04	50,000[1]				50,000[1]		10.56	330,180
J.B.M. Streppel	12-Mar-01	100,000			100,000				
	10-Mar-02	50,000[1]				50,000[1]	50,000	26.70	
	16-Mar-04	50,000[1]				50,000[1]		10.56	13,595
J.G. van der Werf	12-Mar-01	50,000			50,000				
	10-Mar-02	50,000[1]				50,000[1]	50,000	26.70	
	16-Mar-04	50,000[1]				50,000[1]		10.56	140,293
A.R. Wynaendts	12-Mar-01	20,000[1, 2]			20,000				
	12-Mar-01	15,000[2]			15,000				
	10-Mar-02	40,000[1,2]				40,000[1]	40,000	26.70	
	10-Mar-03	50,000[1, 2]				50,000[1]	50,000	6.30	
	16-Mar-04	50,000[1]				50,000[1]		10.56	9,546

1 Share appreciation rights.

2 The share appreciation rights were granted before becoming a member of the Executive Board.

The above rights have been granted under the LTI plan in force until December 31, 2003. Details of the exercise period are provided in note 18.40.

For each of the members of the Executive Board, the shares held in AEGON as shown in the above table do not exceed 1% of total outstanding share capital at the balance sheet date.

At the balance sheet date, the following members of the Executive Board had loans with AEGON or any AEGON related company: Mr. Streppel had a 5% mortgage loan of EUR 608,934; Mr. Van der Werf had a mortgage loan of EUR 1,240,000, with half of the amount at 3.4% fixed rate and half of the amount at 3.4% floating-rate at year end; and Mr. Wynaendts had two mortgage loans totalling EUR 635,292, with interest rates of 3.9% and 4.1% respectively. In accordance with the terms of the contracts, no principal repayments were received on the loans in 2006. The terms of the board members loans have not been amended.

Severance payment arrangements

Termination of the employment contracts requires a three months notice period for the current members of the Executive Board. In the event of contract termination by AEGON, the company must adhere to a notice period of six months and, unless terminated for urgent cause, the member of the Executive Board would be entitled to a severance arrangement.

Under his Employment Agreement, Mr. Shepard shall be entitled to a specified amount of severance upon termination of his employment for reasons specified in the Employment Agreement. Under his Employment Agreement, Mr. Shepard shall be entitled to severance in the amount of three year s base salary and the aggregate short-term incentive compensation he received during the three years prior to the termination in the event that Mr. Shepard s employment is terminated (a) by AEGON other than for urgent cause, death, disability, voluntary resignation or retirement, (b) by AEGON in connection with a merger, take-over or fundamental changes of policy and related organizational amendments, or (c) by Mr. Shepard in the event that his responsibilities or position are diminished by such circumstances. Any such severance payments received by Mr. Shepard shall be taken into account in determining the amounts payable to him under his AEGON USA Supplemental Executive Retirement Plan (SERP). In addition, three additional years of service will be credited for the purpose of calculating his benefits under the SERP.

Mr. Streppel would be entitled to compensation according to the Zwartkruis formula , which means that the severance payment would be calculated on the basis of and depending on age, years of service, functional level and the probability of finding an equivalent position. Messrs. Van der Werf and Wynaendts would be entitled to three years fixed salary, only in the case of termination in connection with a merger or take-over.

Table of Contents

Remuneration of active and retired members of the Supervisory Board

in EUR	2006	2005	2004
D.G. Eustace	79,000	82,565	58,904
O.J. Olcay	65,000	66,250	34,034
I.W. Bailey, II (as of April 22, 2004)	56,669	48,750	23,562
R. Dahan (as of April 22, 2004)	59,500	59,500	23,562
S. Levy (as of April 21, 2005)	65,000	46,808	
T. Rembe	60,000	60,000	51,050
W.F.C. Stevens	73,000	74,750	48,214
K.J. Storm	46,250	47,500	34,034
L.M. van Wijk	47,500	48,750	34,034
Total for active members	**551,919**	**534,873**	**307,394**
P.R. Voser (up to April 25, 2006)	15,138	54,000	34,906
C. Sobel (from April 25, 2006 up to July 17, 2006)	9,231		
M. Tabaksblat (up to April 21, 2005)		22,769	56,722
H. de Ruiter (up to April 22, 2004)			14,137
F.J. de Wit (up to April 22, 2004)			10,603
Total	**576,288**	**611,642**	**423,762**

Starting January 1, 2005, a three-components structure has been introduced for the remuneration of the Supervisory Board: (1) a base fee (for membership of the Supervisory Board); (2) an additional fee for membership of a Committee; and (3) an attendance fee for face-to-face Committee meetings.

Share options and share appreciation rights of active members of the Supervisory Board

	Grant date	Number of options per January 1, 2006	Number of options granted in 2006	Number of options vested in 2006	Number of options expired/forfeited in 2006	Number of options per December 31, 2006	Number of exercisable options	Expiration date	Exercise price EUR
K.J. Storm	12-Mar-01	100,000			100,000			12-Mar-06	

The options have been granted by reason of membership of the Executive Board in the related years.

Common shares held by Supervisory Board members

Shares held in AEGON at December 31

	2006	2005	2004
I.W. Bailey, II	29,759	29,759	29,759
R. Dahan	25,000	25,000	25,000
T. Rembe	6,658	6,658	6,658
K.J. Storm	276,479	276,479	276,479
Total	**337,896**	**337,896**	**337,896**

214

Table of Contents

18.54 Events after the balance sheet date

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

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

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

On March 7, 2007, AEGON announced the expiration of its tender offer to purchase all the outstanding shares of Clark, Inc. (Clark) common stock at USD 17.21 per share. Based on preliminary information, the shares tendered, together with the shares already owned by AEGON, represent approximately 94% of the outstanding shares of Clark. AEGON intends to complete this transaction as soon as practical. Reference is made to note 18.49.

The Hague, March 7, 2007

Supervisory Board	Executive Board
D.G. Eustace	D.J. Shepard
O.J. Olcay	J.B.M. Streppel
I.W. Bailey, II	A.R. Wynaendts
R. Dahan	
S. Levy	
T. Rembe	
W.F.C. Stevens	
K.J. Storm	
L.M. van Wijk	

215

Table of Contents

18.55 Information based on US accounting principles

The consolidated financial statements of the AEGON Group have been prepared in accordance with International Financial Reporting Standards (IFRS), which differ in certain respects from those principles generally accepted in the United States (US GAAP).

RECONCILIATION OF SHAREHOLDERS EQUITY AND NET INCOME BASED ON IFRS TO US GAAP

	Shareholders equity December 31,		Net income / (loss)		
Amounts in EUR millions	**2006**	**2005**	**2006**	**2005**	**2004**
Amounts in accordance with IFRS:	18,605	18,715	3,169	2,147	2,010
Share options[1]	18	3			
	18,623	18,718			
Adjustments for:					
a. Goodwill	2,816	2,992	0	0	(144)
b. Deferred expenses / VOBA	235	235	61	226	24
c. Real estate	(1,410)	(1,109)	(296)	(202)	(47)
d. Financial assets	(95)	(77)	(261)	(65)	91
e. Derivatives	57	87	(46)	13	(420)
f. Insurance and investment contracts	694	1,467	(729)	397	337
g. Pensions and other post-employment benefits	1,025	1,268	(147)	(278)	15
h. Other equity instruments	238	12	(215)	(200)	(129)
i. Balance of other items	(105)	(115)	2	57	(58)
j. Tax	(229)	(565)	508	(6)	35
g. Cumulative effect of adopting SFAS 158, net of tax	(855)	0	0	0	0
Amounts determined in accordance with US GAAP	**20,994**	**22,913**			
Income before cumulative effect of accounting changes			**2,046**	**2,089**	**1,714**
Cumulative effect of adopting SOP 03-1, net of tax			0	0	(207)
Cumulative effect of adopting DIG B36, net of tax			0	0	(77)
Cumulative effect of adopting SFAS 123, net of tax			0	(5)	0
Net income in accordance with US GAAP			**2,046**	**2,084**	**1,430**
Other comprehensive income, net of tax:					
Foreign currency translation adjustments			(1,491)	1,987	(971)
Unrealized gains and (losses) on available-for-sale financial assets			(379)	840	911
Reclassification adjustment for (gains) and losses included in net income			(433)	(538)	(526)
Net unrealized gains and (losses) on cash flow hedges			(96)	97	66
Minimum pension liability adjustment			0	30	(47)
Other comprehensive income			(2,399)	2,416	(567)
Comprehensive income in accordance with US GAAP			**(353)**	**4,500**	**863**

1 Share options not yet exercised are treated as Other equity instruments, and are therefore not part of shareholders equity under IFRS. In the reconciliation of shareholders equity they are added to the amount of shareholders equity on an IFRS basis to reconcile to shareholders equity on an US GAAP basis.

Table of Contents

I Summary of differences between IFRS and US GAAP, which have an impact on reported shareholders equity or net income

a. Goodwill

IFRS

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

US GAAP

Under US GAAP goodwill is capitalized and reviewed and tested for impairment under a fair value approach. Goodwill must be tested for impairment at least annually or more frequently as a result of an event or change in circumstances that would indicate impairment may be necessary. Impairment testing requires the determination of the fair value for each of the identified reporting units. The reporting units identified for AEGON based upon the Statement of Financial Accounting Standards 142 *Goodwill and other Intangible Assets* include: AEGON Americas, AEGON The Netherlands, AEGON UK insurance companies, AEGON UK distribution companies and other countries. The fair value of the insurance operations is determined using valuation techniques consistent with market appraisals for insurance companies, a discounted cash flow model requiring assumptions as to a discount rate, the value of existing business and expectations with respect to future growth rates and term. The valuation utilized the best available information, including assumptions and projections considered reasonable and supportable by management. The assumptions used in the determination of fair value involve significant judgment and estimates. The discount rates used are believed to represent market discount rates, which would be used to value businesses of similar size and nature.

The adjustment in the shareholders equity column of the reconciliation represents the goodwill capitalized under US GAAP before January 1, 2004. The 2004 net income column includes EUR 148 million, representing the write off of goodwill related to the sale of TFC businesses. Under US GAAP goodwill was capitalized for these businesses; under IFRS the goodwill was charged to shareholders equity in the year of acquisition (pre January 1, 2004).

b. Deferred expenses and VOBA

IFRS

Deferred expenses comprise DPAC and deferred transaction costs.

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

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

When unrealized gains or losses arise on available-for-sale assets, DPAC is adjusted to equal the effect that the realization of the gains or losses would have had on its measurement. The adjustment is recognized directly in the related revaluation reserve in equity.

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

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

217

Table of Contents

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

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

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

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

When unrealized gains or losses arise on available-for-sale assets, VOBA is adjusted to equal the effect that the realization of the gains or losses would have had. The adjustment is recognized directly in equity.

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

US GAAP

Under US GAAP the accounting for fixed premium products is the same as under IFRS in all countries. For flexible premium products sold in the Americas, US GAAP is the same as IFRS. For flexible premium products sold in the Netherlands, the United Kingdom and Other countries an unlocking adjustment is made for US GAAP, using a revised DPAC amortization schedule based on actual gross profits earned to date and revised estimates of future gross profits.

Acquisition costs related to non-insurance investment type products related to 401(k) plans in the United States and investment products in the United Kingdom are deferred and amortized in terms of SFAS 97, Accounting and Reporting by Insurance Enterprises for Certain Long-Duration Contracts and for Realized Gains and Losses from the Sale of Investments (SFAS 97). US GAAP allows for the deferral of costs that vary directly with production, while IFRS is more restrictive limiting deferral to costs that are incremental and directly attributable to the issuance of the contract. In addition, some service contracts are sold in the United States for which advertising costs are deferred and amortized under Statement of Position (SOP) 93-7, Reporting on Advertising Costs (SOP 93-7). IFRS does not allow the deferral and future amortization of these costs.

The adjustment in the shareholders equity column of the reconciliation and the adjustment in the net income column of the reconciliation include the effect of unlocking for DPAC on flexible premium products in the United Kingdom and the Netherlands and the difference in accounting for acquisition costs related to non-insurance investment type products and service contracts in the United States and the United Kingdom.

c. Real estate

IFRS

Property that is occupied by the Group and that is not intended to be sold in the near future is classified as real estate held for own use. Investments in real estate is property held to earn rentals or for capital appreciation, or both. Considering the Group s asset liability management policies, under which both categories of property can be allocated to liabilities resulting from insurance and investment contracts, both are classified as investments.

Property is initially recognized at cost. Subsequently, investments in real estate are measured at fair value with the changes in fair value recognized in the income statement. Property held for own use is carried at its revalued amount, which is the fair value at the date of revaluation less any subsequent accumulated depreciation and impairment losses. On revaluation the accumulated depreciation is eliminated against the gross carrying amount of the asset and the net amount is restated to the revalued amount. Increases in the net carrying amount are recognized in the related revaluation reserve in equity and are released to retained earnings over the remaining useful life of the property.

Valuations of both, investments in real estate and real estate held for own use, are conducted with sufficient regularity to ensure the value correctly reflects the fair value at the balance sheet date. Valuations are mostly based on active market prices, adjusted for any difference in the nature, location or condition of the specific property. If such information is not available, other valuation methods are applied, considering the current cost of reproducing or replacing the property, the value that the property s net earning power will support and the value indicated by recent sales of comparable properties.

218

Table of Contents

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

US GAAP

Under US GAAP real estate is carried at historical cost less accumulated depreciation and is adjusted for any impairment in value. Depreciation is provided over the estimated economic life of the real estate. Realized gains or losses and all other operating income and expense are reported in the income statement.

The adjustment shown in the shareholders equity column of the reconciliation represents the reduction from fair value to the depreciated historical cost basis.

The adjustment shown in the net income column of the reconciliation represents:

- The reversal of the unrealized gains (losses) under IFRS on investments in real estate, the difference in realized gains (losses) on disposed real estate reflecting different carrying values for both investment real estate and real estate held for own use under IFRS; and

- The annual depreciation charge on investment property under US GAAP and the difference in depreciation charge on property held for own use.

d. Financial assets

A number of differences still exist between IFRS and US GAAP. These differences can be summarized as follows:

- Write offs on impaired debt instruments can be partially or fully reversed under IFRS if the value of the impaired assets increase. Such reversals are not allowed under US GAAP. Under IFRS certain mortgage loan securitizations of AEGON The Netherlands have been derecognized and realized gains have been reported, while for US GAAP these mortgage loans are recognized on the balance sheet.

- Some assets are reported as available-for-sale financial assets under IFRS, while US GAAP requires the equity method of accounting.

- Additional impairments have been recorded for US GAAP. If a particular asset does not fit AEGON s long-term investment strategy and is in an unrealized loss position due solely to interest rate changes, the security has been impaired to the fair value under US GAAP while such impairment would not be required under IFRS. For securities not impaired under US GAAP, AEGON has the intent and ability to hold these securities until recovery or maturity.

e. Derivatives

Derivatives are measured at fair value under both IFRS and US GAAP.

The adjustment shown in the net income column of the reconciliation represents the effect of different starting dates for certain hedge transactions. Under IFRS, these transactions were designated retrospectively, and under US GAAP, these transactions were designated at the time the formal SFAS 133 documentation requirements were established.

In 2004, a change in estimate with regards to the assumptions used in the valuation of embedded derivatives included in the Canadian segregated funds business resulted for US GAAP in a net loss, after DPAC offset and tax, of EUR 114 million.

f. Insurance and investment contracts

IFRS

Refer to Note 18.2 of the consolidated financial statements for a discussion of the accounting for technical reserves under IFRS.

219

Table of Contents

US GAAP

For AEGON Americas all life insurance liabilities on an IFRS basis are determined following US GAAP as these local accounting principles were followed previously for DAP. Therefore no reconciling item exists for AEGON Americas.

The adjustment in the shareholders equity column of the reconciliation represents the effect of different models used in calculating insurance liabilities under US GAAP for the Netherlands and the United Kingdom.

Under US GAAP, the technical reserves for traditional life insurance contracts are computed using the net level premium method with investment yields, mortality, lapses and expenses based on historical assumptions and include a provision for adverse deviation. For universal life contracts and investment type contracts (annuities) the technical reserves are equal to the policyholder account balances at the balance sheet date. The technical reserve in the United Kingdom is reduced to equal the contractholder balance. The technical reserve for fixed annuities, guaranteed investment contracts and funding agreements is the same as under IFRS.

For AEGON UK, investment contracts without discretionary participation features are recognized using a funded value for IFRS and a nominal value for US GAAP. Furthermore, profits on reinsurance contracts are recognized directly in net income under IFRS and deferred and amortized under US GAAP.

For AEGON The Netherlands, traditional life and universal life type contracts, the insurance liabilities under IFRS are based on current assumptions for longevity and future administration expenses. Furthermore, DPAC is amortized on a straight line basis over the duration of the contracts. Under US GAAP traditional life contract liabilities are adjusted using historical assumptions and a deferred revenue liability is established. For universal life type contracts the liabilities for US GAAP are adjusted to the policyholder account balance and an unearned revenue liability is established. For traditional limited pay products a deferred profit liability is established.

In various countries products are sold that contain minimum guarantees. For these products the regular technical reserve is recognized under technical reserves with investments for account of policyholders. The liabilities for life insurance includes liabilities for guaranteed minimum benefits related to contracts where the policyholder otherwise bears the investment risk. The valuation of these guarantees under IFRS is the same as under SOP 03-1 for US GAAP, with the exception of the guarantees on the group pension contracts in the Netherlands. The minimum interest guarantees on group pension contracts in the Netherlands are given for nominal benefits, based on the 3% or 4% actuarial interest rate, after retirement of the employees. Due to the nature of the product, these guarantees have a long-term horizon of about 30 to 60 years. Under IFRS the liability is measured at fair value. Under US GAAP an additional annuitization benefit liability is set up in accordance with SOP 03-1.

Under IFRS, a charge to shareholders equity is recorded in connection with shadow loss recognition to the extent that a loss recognition charge to the income statements would have been recognized when unrealized results would have been realized. The reinvestment return assumption in the IFRS shadow loss recognition calculation is based on current market swap rates. Under US GAAP shadow loss recognition is calculated using reinvestment return assumptions based on management best estimate.

SOP 03-1 changed the reserving for mortality on universal life contracts and for guaranteed living and death benefits on variable annuity and variable life contracts. The implementation mainly changed the timing of the recognition of mortality profits in earnings. The liability for guaranteed living and death benefits on variable annuity and variable life contracts in the United States is the same as described for IFRS. For US GAAP, the impact from the adoption of SOP 03-1 was recorded as a cumulative effect of a change in accounting principles as at January 1, 2004.

g. Pensions and other post-retirement benefits

IFRS

For defined benefit plans, a liability is recognized for the excess of the defined benefit obligation over the fair value of the plan assets, together with adjustments for unrecognized actuarial gains and losses and past service costs. However, actuarial gains and losses that occurred before the transition to IFRS on January 1, 2004 are not reflected in the measurement of the liability as they were recognized on transition to IFRS.

Some countries issued group life insurance policies covering own employee benefit obligations. These policies are generally at market-consistent terms and subject to policyholder protection legislation. However, the policies are not recognized in the consolidated financial statements as they do not meet the definition of a liability. The employee benefit obligation is therefore considered unfunded. The assets held by the country to cover the benefits payable under the eliminated contract do not qualify as plan assets, but are classified as investments.

220

Table of Contents

US GAAP

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

The adjustment in the shareholders equity column of the reconciliation represents the cumulative unrecognized actuarial gains and losses at January 1, 2004 that were, as part of the conversion to IFRS, directly recognized in equity. For US GAAP, the unrecognized actuarial gains and losses at January 1, 2004 not recognized.

The amount in reconciliation in the net income column represents the difference between the pension expenses on SFAS 87 basis including the amortization of the cumulative actuarial gains and losses outside the corridor and the pension expenses based on IAS 19, Employee benefits (IAS 19) taking into account the amortization of the cumulative actuarial gains and losses outside the corridor since January 1, 2004. Furthermore, it includes the different treatment related to assets held by country units that do not qualify as plan assets but are classified as investments. As a result the direct income on these investments is included in net income and the expected return on plan assets is not taken into account for the determination of the pension expenses.

In September 2006, the Financial Accounting Standards Board (FASB) issued SFAS 158 Employers Accounting for Defined Benefit Pension and Other Postretirement Plans (SFAS 158), which requires an employer to recognize the funded status of a benefit plan in its statement of financial position, measured as the difference between plan assets at fair value and the benefit obligation, and to recognize as a component of accumulated other comprehensive income (AOCI), net of tax, actuarial gains or losses and prior service costs or credits that arise during the period, but which are not recognized as components of net periodic benefit cost pursuant to SFAS 87, or SFAS 106, Employers Accounting for Postretirement Benefits Other Than Pensions. AEGON adopted SFAS 158 as of December 31, 2006; the adopting did not affect AEGON s results of operations or liquidity as SFAS 158 does not affect the determination of net periodic pension cost.

The effect on shareholders equity of adopting SFAS 158 amounted to EUR 855 million and has been presented on a separate line in the reconciliation.

h. Other equity instruments

IFRS

Other equity instruments comprise junior perpetual capital securities and perpetual cumulative subordinated bonds.

Under IFRS the junior perpetual capital securities, as well as perpetual cumulative subordinated bonds, are classified as equity instruments and are valued at face value. In the consolidated balance sheet these instruments are shown as a separate component of group equity and are not part of shareholders equity. Accrued coupons are charged to retained earnings within shareholders equity.

US GAAP

Under US GAAP the junior perpetual capital securities, as well as perpetual cumulative subordinated bonds, are treated as debt instruments. Interest charges, based on the effective interest rate, are included in net income.

The adjustment in the net income column of the reconciliation represents the interest charges for the respective years.

i. Balance of other items

Certain items are recorded differently or in different periods on the two bases of accounting. It includes the effect of securitizations of mortgage portfolios that for IFRS purposes have been derecognized and for US GAAP purposes are held on our balance sheet. The adjustment in the equity column of the reconciliation represents the reversal of the realized gains under IFRS.

221

Table of Contents

j. Taxation

Reflects taxation on reconciling items between IFRS and US GAAP and include some differences in tax-treatment between IFRS and US GAAP.

ii Presentation differences between IFRS and US GAAP

The following is a summary of classification differences between IFRS and US GAAP, which have no effect on reported Net Income or Shareholders Equity. The description of the IFRS is shown first followed by a description of US GAAP.

Premiums collected on Universal Life-type contracts;

Classified as revenues;

Accounted for as deposit in the technical provisions.

Premiums to reinsurers;

Classified as a separate expense item;

Reflected as a reduction of premium revenues.

Change in unearned premiums;

Reflected as a change in the technical provisions;

Reflected as a change in revenues.

Owned and occupied real estate;

Reflected as investment;

Reflected as property and equipment.

Joint ventures;

Accounted for using proportionate consolidation, reflecting the share in ownership;

Recorded as an equity investment using the equity method.

Closed block of business;

Reported in detail in the income statement;

Reported on a net basis in the income statement.

Securitization of mortgage loans;

AEGON Levensverzekering N.V. entered into several mortgage securitizations. The mortgage loan receivables related to these securitizations were removed from the balance sheet and the cash proceeds received were recorded from the transfer of the economic ownership to third parties (see Note 18.7 for a complete description of the transactions);

EUR 5.8 billion of mortgage loan receivables related to these securitizations remain on the balance sheet and a liability has been established for the cash proceeds received.

Cash flow from operations;

Annuity and GIC/funding agreement deposits and withdrawals reported in cash flow from operating activities; Cash flows from purchases, sales and maturities of available for sale securities are reported in cash flows from operating activities;

Annuity and GIC/funding agreement deposits and withdrawals reported in cash flow from financing activities. Cash flows from purchases, sales and maturities of available for sale securities are reported in cash flows from investing activities.

222

This information should be read in conjunction with the Consolidated Cash Flow Statements. Certain items included in cash flow from operating activities under IFRS would be included as cash flow from financing activities or investing activities in a statement of cash flows prepared in accordance with US GAAP. For the years ended December 31, 2006, 2005 and 2004, annuity, GIC and funding agreement deposits amounted to EUR 17 billion, EUR 15 billion and EUR 14 billion, respectively, and annuity, GIC and funding agreement repayments amounted to EUR 23 billion, EUR 18 billion and EUR 15 billion respectively.

In addition purchases of available for sale securities amounted to respectively EUR 64 billion, EUR 64 billion and EUR 70 billion for the years ended December 31, 2006, 2005 and 2004. Sales and maturities amounted to respectively EUR 64 billion, EUR 62 billion, EUR 63 billion for the years ended December 31, 2006, 2005 and 2004.

Pursuant to SOP 03-1, unit-linked life insurance products offered in the UK and the Netherlands are reclassified to general account assets and liabilities. Since the unit-linked products are not legally insulated from the general account liabilities of AEGON, they do not meet the conditions for separate account reporting under SOP 03-1.

Pursuant to FIN 46R, Consolidation of Variable Interest Entities , certain investment structures, primarily limited partnerships, are consolidated for US GAAP, while Trust Pass-through Securities (TRUPS) and debentures issued to affiliated trusts are deconsolidated since AEGON is not the primary beneficiary of these Variable Interest Entities.

Table of Contents

18.56 Additional Information

The additional disclosures in Note 18.56 are required by US GAAP reporting rules. The information has been prepared following IFRS unless it specifically states that it is based upon US GAAP. All amounts are in million EUR, except per share data.

18.56.1 New Accounting Standards

i Adoption of new US GAAP accounting standards

Derivatives Implementation Group SFAS 133 Implementation Issue B36, Modified Coinsurance Arrangements and Debt Instruments That Incorporate Credit Risk Exposures That Are Unrelated or Only Partially Related to the Creditworthiness of the Obligor under Those Instruments (DIG B36)

In April 2003, the Financial Accounting Standards Board (FASB) cleared DIG B36. The effective date of the implementation guidance was January 1, 2004. DIG B36 concluded that modified coinsurance (Modco) arrangements in which funds are withheld by the ceding company and a return on those withheld funds is paid based on the ceding company s return on certain of its investments contain an embedded derivative feature that is not clearly and closely related to the host contract. Therefore, the embedded derivative feature must be measured at fair value on the balance sheet with changes in fair value reported in income.

AEGON reviewed all reinsurance arrangements that it is party to and identified several Modco, coinsurance with funds withheld and other similar arrangements which contain embedded derivatives that require separate accounting treatment based on the provisions of DIG B36. AEGON believes that the embedded derivative in each of these cases is a total return swap. As of December 31, 2003, the funds withheld and the amount of Modco on these arrangements was approximately EUR 5.8 billion.

DIG B36 allows companies that have ceded insurance under existing Modco and funds withheld arrangements to reclassify securities related to the embedded derivative from the held to maturity or available-for-sale categories to the trading category without calling into question the intent to hold other debt securities to maturity.

Upon the adoption of DIG B36 on January 1, 2004, AEGON recorded a cumulative effect of an accounting change adjustment loss of approximately EUR 77 million (net of EUR 40 million tax), which represents the initial impact of recording the embedded derivative. AEGON also reclassified certain securities from available-for-sale to trading on January 1, 2004. The fair value of these securities was EUR 2.9 billion at that date. The reclassification of securities related to the embedded derivative from available for sale to trading resulted in the recognition of EUR 73 million of net realized gains (net of EUR 38 million tax) in net income that were previously recorded as a component of cumulative other comprehensive income as net unrealized gains. On an ongoing basis, the changes in the fair value of the embedded derivative and the assets designated as a trading portfolio will be reported in net income.

Statement of Position 03-1, Accounting and Reporting by Insurance Enterprises for Certain Nontraditional Long-Duration Contracts and for Separate Accounts (SOP 03-1)

In July 2003, the Accounting Standards Executive Committee (AcSEC) of the American Institute of Certified Public Accountants (AICPA) issued SOP 03-1. AcSEC developed SOP 03-1 to address the evolution of product designs since the issuance of SFAS 60, Accounting and Reporting by Insurance Enterprises, and SFAS 97, Accounting and Reporting by Insurance Enterprises for Certain Long-Duration Contracts and for Realized Gains and Losses from the Sale of Investments , and the need for interpretive guidance to be developed in three areas: separate account presentation and valuation; the accounting recognition given sales inducements (bonus interest, bonus credits, persistency bonuses); and the classification and valuation of certain long-duration contract liabilities.

AEGON adopted the provisions of SOP 03-1 as of January 1, 2004 and recorded a charge to US GAAP net income for the cumulative effect of a change in accounting of EUR (207) million. This amount is net of corresponding changes in deferred policy acquisition costs, including value of business acquired of EUR 270 million, and income taxes of EUR 84 million.

Table of Contents

The most significant accounting implications of SOP 03-1 were as follows:

- Reporting and measuring assets and liabilities of separate account products as general account assets and liabilities when specified criteria are not met;
- Reporting and measuring seed money in separate accounts as general account assets based on the insurer s proportionate beneficial interest in the separate account s underlying assets;
- Capitalizing sales inducements that meet specified criteria and amortizing such amounts over the life of the contracts using the same methodology as used for amortizing deferred acquisition costs, but immediately expensing those sales inducements accrued or credited if such criteria are not met;
- Recognizing contract-holder liabilities for:
  - a) Modified guaranteed (market value adjusted) annuities at accreted balances that do not include the then current market value surrender adjustment;
  - b) Two-tier annuities at the lower (non-annuitization) tier account value;
  - c) Persistency bonuses at amounts that are not reduced for expected forfeitures; and
  - d) Group pension participating and similar general account pass through contracts that are not accounted for under SFAS 133 at amounts based on the fair value of the assets or index that determines the investment return pass through.
- Establishing an additional GMDB features and for contracts containing a GMIB feature; and
- Establishing an additional liability for contracts determined to have an insurance benefit feature that is assessed in such a manner that it is expected to result in profits in earlier years and losses in subsequent years.

AEGON has reported its unit-linked life insurance products offered in the UK and the Netherlands in for account of policyholders assets and liabilities through December 31, 2003. The assets for unit-linked products in the UK and the Netherlands and for Gegarandeerde Beleggingsdepots in the Netherlands totaled EUR 31 billion as of December 31, 2003. Since these products are not legally insulated from the general account liabilities of AEGON, they do not meet the conditions for separate account reporting under SOP 03-1. On January 1, 2004 these separate account assets were reclassified to general account assets. Certain real estate assets carried at fair value in the For account of policyholders assets, are now recorded at depreciated cost in the general account. There was no material impact on net income or other comprehensive income at adoption.

AEGON offers enhanced or bonus crediting rates to contract-holders on certain annuity products. Through December 31, 2003, the expense associated with offering these bonuses was already being deferred and amortized in a manner similar to SOP 03-1 and therefore this had no material impact on net income or other comprehensive income at adoption for this item.

AEGON had an established practice of reserving for GMDB and GMIB in variable annuity products prior to the issuance of SOP 03-1. The change to the SOP 03-1 methodology resulted in a positive cumulative effect of a change in accounting of EUR 9 million.

Many universal life-type contracts include certain secondary guarantees, such as a guarantee that the policy will not lapse, even if the account value is reduced to zero, as long as the policyholder makes scheduled premium payments. AEGON already provided a reserve for these products using assumptions consistent with those used in determining estimated gross profits for purposes of amortizing deferred policy acquisition costs.

Universal life-type contracts that assess charges for a mortality benefit feature in a manner that is expected to result in profits in earlier years and losses in subsequent years are now required to establish a reserve in addition to the account balance to recognize the portion of such assessments that compensates the insurance enterprise for benefits to be provided in future periods. The consequence of SOP 03-1 is that a product that fails this test for any future year is required to establish a reserve that would cause mortality margins to be more level over the policy life. The reserve is not limited to the amount of the losses for those years with a mortality loss.

AEGON increased its reserves related to universal life products at adoption of SOP 03-1 on January 1, 2004 and recorded a negative cumulative effect of a change in accounting of EUR 216 million. The calculation was revised based upon application of guidance provided in the AcSEC Technical Practice Aid and FASB Staff Position SFAS 97-1, Situations in which Paragraphs 17(b) and 20 of SFAS 97 Permit or Require Accrual of an Unearned Revenue Liability . No impact on cash flows is expected. It is important to understand that this reserve does not reflect a change in the total earnings expected from the products but rather only changes the pattern of earnings emergence by reversing previously reported earnings and increasing earnings in future periods.

Table of Contents

Statement of Financial Accounting Standards 123 (Revised 2004), Share-Based Payment (SFAS 123(R))

In December 2004, the FASB issued SFAS 123(R), which is a revision of SFAS 123, Accounting for Stock-Based Compensation . SFAS 123(R) supersedes Accounting Principles Board (APB) Opinion 25, Accounting for Stock Issued to Employees and SFAS 148, Accounting for Stock-Based Compensation-Transition and Disclosure an Amendment of SFAS 123 , and amends SFAS 95, Statement of Cash Flows.

SFAS 123(R) eliminates the alternative to apply the intrinsic value method of accounting for employee stock-based compensation awards that was provided in SFAS 123 as originally issued. SFAS 123(R) requires recognition in the income statement of all share-based payments to employees based on their fair values. SFAS 123(R) also provides additional guidance on determining whether certain financial instruments awarded in share-based payment transactions are liabilities.

SFAS 123(R) requires all entities to apply the fair value based measurement method in accounting for share-based payment transactions with employees, except for equity instruments held by employee share ownership plans. Under this method, compensation costs of awards to employees, such as stock options, stock appreciation rights, and most tax-qualified employee stock purchase plans, are measured at fair value and expensed over the period during which an employee is required to provide service in exchange for the award (the vesting period).

Under SFAS 123(R), the cost of equity-settled awards generally is based on fair value at date of grant, adjusted for subsequent modifications of terms or conditions, while cash-settled awards require remeasurement of fair value at the end of each reporting period. SFAS 123(R) does not prescribe or specify a preference for a particular valuation technique or model for estimating the fair value of employee stock options and similar awards, but instead requires consideration of certain factors in selecting one that is appropriate for the unique substantive characteristics of the instruments awarded.

SFAS 123(R) generally requires adoption using a modified version of prospective application. Under modified prospective application, SFAS 123(R) applies to new awards granted and to awards modified, repurchased, or cancelled after the required effective date. Additionally, compensation cost for unvested awards outstanding as of the required effective date must be recognized prospectively over the remaining requisite service/vesting period based on the fair values of those awards as already calculated under SFAS 123 for either recognition or pro forma disclosure purposes. Entities may further elect to apply SFAS 123(R) on a modified retrospective basis to give effect to the fair value based method of accounting for awards granted, modified, or settled in cash in earlier periods. The cumulative effect of initial application, if any, is recognized as of the required effective date.

SFAS 123(R) also clarifies the accounting for certain grants of equity awards to individuals who are retirement eligible on the date of grant. SFAS 123(R) states that an employee s share-based award becomes vested at the date that the employee s right to receive or retain equity shares is no longer contingent on the satisfaction of a market, performance or service condition. If an award does not include a market, performance or service condition upon grant, the award shall be recognized at fair value on the date of grant.

In April 2005, the SEC approved a new rule delaying the effective date of SFAS 123(R) to annual periods that begin after June 15, 2005. AEGON adopted the provisions of SFAS 123(R) under the modified prospective method effective January 1, 2005, and recorded a charge to US GAAP net income for the cumulative effect of a change in accounting of EUR 5 million.

Under this method, the fair value of all employee stock options vesting on or after the adoption date will be included in the determination of net income. The fair value of stock options and stock appreciation rights will be estimated using the binomial option-pricing model. The fair value of the option grants will be measured on the grant date and amortized on a straight-line basis over the vesting period. Stock appreciation rights will be remeasured at fair value at the end of each reporting period and amortized on a straight line basis over the vesting period.

AEGON previously accounted for employee stock options using the intrinsic value method of APB Opinion 25, and related interpretations, and disclosed the impact of the fair value method prescribed by SFAS 123 through footnote disclosure only. Under APB Opinion 25, AEGON did not recognize any stock-based compensation expense for such stock options because all options granted have an exercise price equal to the market value of the underlying stock on the date of grant. Stock appreciation rights were previously accounted for using the intrinsic value method with changes reported in net income (SEC Staff Accounting Bulletin (SAB) 107).

The following table illustrates the effect on net income and earnings per share if the company had applied the fair value recognition provisions of SFAS 123(R) to options and stock appreciation rights granted under the company s stock option plans for the year ended December 31, 2004. For purposes of this pro forma disclosure, the value of the options is estimated using a binomial option-pricing formula and amortized to expense over the options vesting periods.

226

Table of Contents

In million EUR	Year Ended December 31, 2004
Net income based on US GAAP as reported for 2004	1,430
Add: stock based compensation expense included in reported net income	14
Deduct: total stock-based compensation expense determined under fair value based method for all awards, net of tax	(35)
Pro forma net income based on US GAAP	1,409
Basic earnings per share (in EUR)	
as reported	0.89
pro forma	0.88
Diluted earnings per share (in EUR)	
as reported	0.89
pro forma	0.88

Statement of Financial Accounting Standards 154, Accounting Changes and Error Corrections (SFAS 154)

In May 2005, the FASB issued SFAS 154, which replaces APB Opinion 20, Accounting Changes and SFAS 3, Reporting Accounting Changes in Interim Financial Statements. The statement is a result of a broader effort by the FASB to converge standards with the International Accounting Standards Board (IASB).

SFAS 154 changes the requirements for the accounting and reporting of a change in accounting principle. SFAS 154 requires retrospective application (restatement) to prior periods financial statements of a voluntary change in accounting principle unless it is impracticable to determine either the period-specific effects or the cumulative effect of the change. The cumulative effect of the change is reported in the carrying value of assets and liabilities as of the first period presented, with the offset applied to opening retained earnings. Each period presented is adjusted to show the period specific effects of the change. Only direct effects of the change will be retrospectively recognized; indirect effects will be recognized in the period of change.

SFAS 154 also requires that a change in method of depreciation, amortization, or depletion for long-lived, non-financial assets be accounted for as a change in accounting estimate rather than a change in accounting principle. SFAS 154 carries forward without change the guidance contained in APB Opinion 20 for reporting the correction of an error in previously issued financial statements and a change in accounting estimate, as well as the provisions in SFAS 3 governing reporting accounting changes in interim financial statements.

SFAS 154 applies to all voluntary changes in accounting principles and corrections of errors made in fiscal years beginning after December 15, 2005, and also applies when a new accounting pronouncement does not provide transition provisions. SFAS 154 does not change the transition provisions of any existing accounting pronouncements.

AEGON adopted SFAS 154 effective January 1, 2006. The adoption of SFAS 154 did not have an immediate material impact on AEGON s consolidated financial position or results of operations, although it could impact presentation of future voluntary accounting changes, if such changes occur.

FASB Staff Position SFAS 115 1 and SFAS 124 1, The Meaning of Other-Than-Temporary Impairment and Its Application to Certain Investments (FSP SFAS 115 1)

In November 2005, the FASB issued FSP SFAS 115-1, which amends SFAS 115, Accounting for Certain Investments in Debt and Equity Securities and SFAS 124, Accounting for Certain Investments Held by Not-for-Profit Organizations.

FSP SFAS 115-1 nullifies the guidance set forth in paragraphs 10-18 of Emerging Issues Task Force (EITF) 03-1 related to evaluating whether an impairment is other-than-temporary, and references existing other-than-temporary impairment guidance.

FSP SFAS 115-1 supersedes the guidance set forth in EITF Topic D-44, Recognition of Other-Than-Temporary Impairment on the Planned Sale of a Security whose Cost Exceeds Fair Value, and clarifies that an investor should recognize an impairment loss no later than when the impairment is deemed other-than-temporary, even if a decision to sell has not been made. FSP SFAS 115-1 carries forward requirements of paragraphs 8 and 9 of EITF 03-1 with respect to cost method investments and the disclosure requirements included in paragraphs 21 and 22 of EITF 03-1 and related examples.

227

Table of Contents

FSP SFAS 115-1 also provides guidance on accounting for debt securities subsequent to an other-than-temporary impairment. In periods subsequent to an other-than-temporary impairment an investor shall account for the debt security as if it had been purchased on the measurement date of the other-than-temporary impairment. That is, the discount or reduced premium recorded for the debt security, based on the new cost basis, would be amortized over the remaining life of the debt security in a prospective manner based on the amount and timing of future cash flows.

AEGON adopted FSP SFAS 115-1 effective January 1, 2006. AEGON has complied with the disclosure requirements of EITF 03-1, which were effective December 31, 2003 and carried forward to this statement. For the year ended December 31, 2006, AEGON recognized EUR 426 million in additional impairment losses.

Statement of Financial Accounting Standards 158, Employers Accounting for Defined Benefit Pension and Other Postretirement Plans an Amendment of SFAS 87, SFAS 88, SFAS 106, and SFAS 132(R) (SFAS 158)

In September 2006, the FASB issued SFAS 158, which requires an employer to recognize the funded status of a benefit plan as an asset or liability in its statement of financial position, measured as the difference between plan assets at fair value and the benefit obligation, and to recognize as a component of accumulated other comprehensive income, net of tax, actuarial gains or losses and prior service costs or credits that arise during the period, but which are not recognized as components of net periodic benefit cost pursuant to SFAS 87, Employers Accounting for Pensions , or SFAS 106, Employers Accounting for Postretirement Benefits Other Than Pensions. The standard also requires that plan assets and benefit obligations be measured as of the annual balance sheet date.

SFAS 158 was effective for fiscal years ending after December 15, 2006, with certain exceptions not applicable to AEGON; therefore, the provisions of SFAS 158 were adopted effective December 31, 2006. The adoption of SFAS 158 did not affect AEGON s results of operations or liquidity as SFAS 158 does not affect the determination of net periodic pension cost.

The effect on shareholders equity of adopting SFAS 158 to the consolidated balance sheet to record the funded status of pension benefits and other postretirement benefits as of December 31, 2006 is as follows:

SFAS 158 adjustment on a pre-tax basis	(1,280)
Deferred taxes	425
Net impact on shareholders equity	(855)

Amounts recognized in accumulated other comprehensive income on a pre-tax basis consist of:

	Pension Benefits	Other Post-retirement Benefits
Net loss/(gain)	1,115	54
Prior service cost/(credit)	108	3
Total	1,223	57

The accumulated benefit obligation for the defined benefit pension plans amounts to EUR 3,866 million at December 31, 2006 (2005: EUR: 3,979 million).

The prior year service cost and actuarial gains and losses included in accumulated other comprehensive income and expected to be recognized in net periodic pension cost during the year ended December 31, 2007 are EUR 11 million and EUR 85 million, net of tax, respectively.

Staff Accounting Bulletin 108, Considering the Effects of Prior Year Misstatements when Quantifying Misstatements in Current Year Financial Statements (SAB 108)

In September 2006, the SEC issued SAB 108, which provides guidance on quantifying and evaluating the materiality of financial statement misstatements, as well as guidance on correcting errors using a dual approach. When evaluating materiality, registrants should consider the effects of present and prior year misstatements on both the balance sheet and income statement, and also the present year effects on each of adjusting prior year misstatements that were appropriately considered immaterial under the previous approach.

SAB 108 is effective for fiscal years ending after November 15, 2006; therefore AEGON adopted its provisions effective December 31, 2006. The adoption of SAB 108 did not have an immediate material impact on AEGON s consolidated financial position or results of operations, although it could impact future presentation, if misstatements are identified.

228

Table of Contents

ii. Future adoption of new US GAAP accounting standards

Statement of Position 05-1, Accounting by Insurance Enterprises for Deferred Acquisition Costs in Connection with Modifications or Exchanges of Insurance Contracts (SOP 05-1)

In September 2005, the AcSEC of the AICPA issued SOP 05-1. SOP 05-1 addresses the accounting for Deferred Acquisition Costs (DAC) on internal replacements other than those described in SFAS 97. An internal replacement is defined by SOP 05-1 as a modification in product benefits, features, rights or coverages that occurs by (a) exchanging the contract for a new contract, (b) amending, endorsing or attaching a rider to the contract, or (c) electing a feature or coverage within a replaced contract. Contract modifications that result in a substantially unchanged contract will be accounted for as a continuation of the replaced contract. Contract modifications that result in a substantially changed contract should be accounted for as an extinguishment of the replaced contract, and any unamortized DAC, unearned revenue and deferred sales charges must be written-off. SOP 05-1 is to be applied prospectively and is effective for internal replacements occurring in fiscal years beginning after December 15, 2006.

AEGON will adopt SOP 05-1 effective January 1, 2007. AEGON is currently evaluating the potential effects of SOP 05-1 on its consolidated financial condition and results of operations.

Statement of Financial Accounting Standards 155, Accounting for Certain Hybrid Financial Instruments an Amendment of SFAS 133 and SFAS 140 (SFAS 155)

In February 2006, the FASB issued SFAS 155, which amends SFAS 133, Accounting for Derivative Instruments and Hedging Activities, and SFAS 140, Accounting for Transfers and Servicing of Financial Assets and Extinguishments of Liabilities.

SFAS 155 (1) permits fair value remeasurement for any hybrid financial instrument that contains an embedded derivative that otherwise would require bifurcation, (2) clarifies which interest-only and principal-only strips are not subject to the requirements of SFAS 133, (3) establishes a requirement to evaluate interests in securitized financial assets to identify interests that are freestanding derivatives or that are hybrid financial instruments that contain an embedded derivative requiring bifurcation, (4) clarifies that concentrations of credit risk in the form of subordination are not embedded derivatives, and (5) amends SFAS 140 to eliminate the prohibition on a qualifying special-purpose entity from holding a derivative financial instrument that pertains to a beneficial interest other than another derivative financial instrument. This Statement is effective for all financial instruments acquired or issued after the beginning of an entity s fiscal year that begins after September 15, 2006. At adoption, the fair value election may also be applied to hybrid financial instruments that have been bifurcated under SFAS 133 prior to adoption of this Statement. Any changes resulting from the adoption of this Statement should be recognized as a cumulative effect adjustment to beginning retained earnings.

AEGON will adopt this guidance effective January 1, 2007. AEGON does not anticipate the adoption of SFAS 155 will have any material impact on AEGON s consolidated financial position or results of operations.

FASB Interpretation 48, Accounting for Uncertainty in Income Taxes an Interpretation of SFAS 109 (FIN 48)

In June 2006, the FASB issued FIN 48, which clarifies the accounting for uncertainty in income taxes and applies to all tax positions accounted for in accordance with SFAS 109, Accounting for Income Taxes. FIN 48 provides criteria which an individual tax position must meet for any part of the benefit of the tax position to be recognized in the financial statements. The evaluation is a two-step process. The recognition step determines whether it is more-likely-than-not that a tax position will be sustained upon examination by the appropriate taxing authority, based upon the technical merits of the position. If the tax position meets the more-likely-than-not recognition threshold, the position is measured as the largest amount of benefit that is greater than fifty percent likely of being realized upon ultimate settlement. If a tax position does not meet the more-likely-than-not recognition threshold, the benefit is not recognized in the financial statements. Upon adoption of FIN 48, the guidance will be applied to all tax positions, and only those tax positions meeting the more-likely-than-not threshold will be recognized or continue to be recognized in the financial statements. Tax positions that previously failed to meet the more-likely-than-not recognition threshold should be recognized in the first subsequent financial reporting period in which that threshold is met. In addition, FIN 48 expands disclosure requirements to include additional information related to unrecognized tax benefits. FIN 48 is effective for fiscal years beginning after December 15, 2006.

Table of Contents

AEGON will adopt FIN 48 effective January 1, 2007. The differences between the amounts recognized in the statements of financial position prior to the adoption of FIN 48 and the amounts reported after adoption will be accounted for as a cumulative-effect adjustment recorded to the beginning balance of retained earnings. AEGON is currently evaluating the potential effects of FIN 48 on its consolidated financial condition and results of operations.

Statement of Financial Accounting Standards 157, Fair Value Measurements (SFAS 157)

In September 2006, the FASB issued SFAS 157, which defines fair value, establishes a framework for measuring fair value and enhances disclosures about fair value measurements. SFAS 157 applies to other accounting pronouncements that require or permit fair value measurements. SFAS 157 establishes a fair value hierarchy that prioritizes the market inputs to valuation techniques used to measure fair value into three levels: observable market inputs that reflect quoted prices of identical assets or liabilities, observable market inputs other than quoted market prices, and unobservable market inputs. SFAS 157 is effective for fiscal years beginning after November 15, 2007.

AEGON will adopt this guidance effective January 1, 2008. AEGON has certain product riders, including GMWB and GMAB, that are recorded at fair value and require assumptions to be made that cannot be observed in the market (ex. lapse rates). The new standard requires fair value to be calculated based on the price that a company would pay to transfer the liability (an exit value concept) and requires an adjustment for the risk inherent in a particular valuation technique and an adjustment for the credit risk of the reporting entity (nonperformance risk). AEGON is currently assessing the impact of SFAS 157 on its consolidated financial condition, results of operations, and cash flows.

Statement of Financial Accounting Standards 159, The Fair Value Option for Financial Assets and Financial Liabilities (SFAS 159)

In February 2007, the FASB issued SFAS 159 which permits entities to choose, at specified election dates, to measure eligible items at fair value (i.e., the fair value option). Items eligible for the fair value option include certain recognized financial assets and liabilities, rights and obligations under certain insurance contracts that are not financial instruments, host financial instruments resulting from the separation of an embedded nonfinancial derivative instrument from a nonfinancial hybrid instrument, and certain commitments. The fair value option (a) may be applied instrument by instrument, with certain exceptions, (b) is irrevocable (unless a new election date occurs), and (c) is applied only to entire instruments and not to portions of instruments. Entities electing the fair value option would be required to recognize changes in fair value in earnings and to expense upfront costs and fees associated with the item for which the fair value option is elected. SFAS 159 is effective for fiscal years beginning after November 15, 2007. Upon adoption, an entity is permitted to elect the fair value option irrevocably for any existing asset or liability within the scope of the standard. The adjustment to reflect the difference between the fair value and the carrying amount would be accounted for as a cumulative-effect adjustment to retained earnings as of the date of initial adoption.

AEGON expects to adopt SFAS 159 on January 1, 2008, but has not yet determined the items to which we may apply the fair value option and the impact on our consolidated financial condition and results of operations.

Table of Contents

18.56.2 Other comprehensive income in accordance with US GAAP

The related tax effects allocated to each component of Other comprehensive income are as follows:

In million EUR		2006	2005	2004
Foreign currency translation adjustment	pre-tax	(1,515)	1,987	(985)
	tax	24		14
	net of tax	(1,491)	1,987	(971)
Unrealized gains (losses) during period	pre-tax	(649)	1,087	1,277
	tax	270	(247)	(366)
	net of tax	(379)	840	911
Less: reclassification adjustment for gains and losses included in net income	pre-tax	(369)	(672)	(670)
	tax	(64)	134	144
	net of tax	(433)	(538)	(526)
Net unrealized result on Cash flow hedges	pre-tax	(147)	168	102
	tax	51	(71)	(36)
	net of tax	(96)	97	66
Minimum pension liability adjustment	pre-tax		44	(69)
	tax		(14)	22
	net of tax		30	(47)
Other comprehensive income (loss)		(2,399)	2,416	(567)

Accumulated other comprehensive income consists of:

	December 31, 2006	December 31, 2005	December 31, 2004
Accumulated foreign currency adjustment	(2,964)	(1,583)	(3,570)
Unrealized gains (losses)	1,782	2,411	2,565
Cash flow hedges	80	169	66
Minimum pension liability adjustment		(17)	(47)
Defined Benefit Pension Plans	(872)		
Total	(1,974)	980	(986)

Table of Contents

18.56.3 Earnings per share

SFAS 128 Earnings Per Share requires dual presentation of basic earnings per share (EPS) and diluted EPS for entities with complex capital structures. Basic EPS excludes dilution and is computed by dividing income available to common shareholders, after deduction of dividends on the preferred shares, by the weighted average number of common shares (EUR 0.12 par value) outstanding. Diluted EPS is computed based on the weighted average number of common shares outstanding during the year, plus dilutive potential common shares considered outstanding during the year (treasury stock method). The weighted average number of common shares has been adjusted retroactively for all periods presented, to reflect stock dividends.

	2006	2005	2004
Net income per share, based on US GAAP (in EUR)			
Basic	1.25	1.29	0.89
Diluted	1.24	1.29	0.89

Per share amounts for net income were calculated using (1) an earnings per common share basic calculation and (2) an earnings per common share-assuming dilution calculation. A reconciliation of the factors used in the two calculations and between the IFRS and US accounting basis is as follows:

	2006	2005	2004
Numerator:			
IFRS:			
Net income	3,169	2,147	2,010
Less: dividends on preferred shares	(80)	(79)	(95)
Less: coupons on perpetuals	(143)	(132)	(84)
Net income used in basic and diluted calculation	2,946	1,936	1,831
US GAAP:			
Net income on IFRS used in basic and diluted calculation	2,946	1,936	1,831
US GAAP adjustments to net income	(1,123)	(63)	(580)
Coupons on perpetuals	143	132	84
Net income on US GAAP used in basic and diluted calculation	1,966	2,005	1,335
Denominator: (number of shares, in millions)			
Weighted average shares, as used in basic calculation	1,578.6	1,548.3	1,503.1
Addition for stock options outstanding during the year	1.1	0.2	
Weighted average shares, as used in diluted calculation	1,579.7	1,548.5	1,503.1

232

Table of Contents

18.56.4 Fair value of financial instruments

SFAS 107, Disclosures about Fair Value of Financial Instruments, requires disclosure of fair value information about financial instruments, whether or not recognized in the balance sheet, for which it is practicable to estimate that value. Statement 107 defines the fair value of a financial instrument as the amount at which the instrument could be exchanged in a current transaction between willing parties. In cases where quoted market prices are not available, fair values are based on estimates using present value or other valuation techniques.

Those techniques are significantly affected by the assumptions used, including the discount rate and estimates of future cash flows. In that regard, the derived fair value estimates cannot be substantiated by comparison to independent markets and, in many cases, could not be realized in immediate settlement of the instrument. Statement 107 excludes certain financial instruments and all non-financial instruments from its disclosure requirements. Accordingly, the aggregate fair value amounts presented do not represent the underlying value of the Company.

The following table reflects the disclosure of fair values and carrying amounts of assets and liabilities as provided for in SFAS 107.

	December 31, 2006		December 31, 2005	
	Carrying amount	Fair value	Carrying amount	Fair value
Shares	7,745	7,745	7,896	7,896
Bonds	105,225	105,281	113,971	114,031
Loans guaranteed by mortgage	16,171	16,462	17,231	17,944
Private loans	307	332	609	651
Policy loans	1,557	1,557	1,543	1,543
Receivables out of share lease agreements	373	373	772	776
Investments for the account of policyholder	133,060	133,060	126,141	126,141
Trust pass-through securities	123	123	437	574
Subordinated loans	34	35	284	309
Borrowings	4,991	5,081	5,532	5,743
Investment contracts without discretionary participation feature	36,027	34,611	38,140	37,658
Investment contracts without discretionary participation feature for the account of policyholder	22,764	22,764	22,258	22,258
Derivative assets	1,883	1,883	2,295	2,295
Derivative liabilities	1,788	1,788	2,202	2,202

Refer to Note 18.3 for a description of the methods used for the fair value calculations. For more information on derivatives see Note 18.9.

233

Table of Contents

18.56.5 Additional disclosure for unrealized investment losses

The table presented below represents the composition by investment type of all bonds and money market instruments in an unrealized loss status held by AEGON USA and AEGON The Netherlands at December 31, 2006. The following information has been prepared in accordance with IFRS:

	Less than 12 months		12 months and more			Total
In million EUR	**Carrying value of securities with unrealized losses**	**Unrealized losses**	**Carrying value of securities with unrealized losses**	**Unrealized losses**	**Carrying value of securities with unrealized losses**	**Unrealized losses**
US Government	774	(10)	1,033	(27)	1,807	(37)
Dutch government	1,092	(25)	134	(2)	1,226	(27)
Other government	2,801	(38)	561	(19)	3,362	(57)
Mortgage backed	2,091	(15)	2,272	(57)	4,363	(72)
Asset backed	1,564	(11)	2,442	(59)	4,006	(70)
Corporate	10,306	(181)	10,803	(369)	21,109	(550)
Other	156	(11)	89	(13)	245	(24)
Total	18,784	(291)	17,334	(546)	36,118	(837)

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

Unrealized losses bonds and money market investments

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

As of December 31, 2006, there are EUR 1,875 billion of gross unrealized gains and EUR 813 million of gross unrealized losses in the AFS Bonds portfolio of AEGON USA and AEGON The Netherlands. No one issuer represents more than 4% of the total unrealized position.

234

Table of Contents

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

Asset Backed Securities

ABS Housing and ABS Other

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

There are no individual issuers rated below investment grade in this sector which have unrealized loss positions greater than EUR 15 million (USD 20 million).

Collateralized Mortgage-Backed Securities

The unrealized loss on collateralized mortgage-backed securities is EUR 71 million (USD 93 million), of which EUR 52 million (USD 68 million) relates to commercial mortgage-backed securities (CMBS). The fundamentals of the CMBS market are, on average, strong. Aggressive underwriting at the loan level and an unprecedented amount of capital chasing commercial real estate continue to be the themes. Capitalization rates have compressed to historically low levels following the decline in interest rates as well as a compression in risk spread. A spike in interest-only loans coupled with a decrease in the amount of reserves collected highlight the current aggressive state of loan underwriting. The introduction of the 20% and 30% subordinated super senior AAA classes provides an offset to these negative fundamentals. Of the CMBS unrealized loss, 22% is attributed to the Lehman Brothers and UBS origination platform (LBUBS) deal shelf which is collateralized by diversified mortgages. We believe that these deals are well underwritten and have performed relatively better than other comparable CMBS deals. The unrealized loss overall (and specific to LBUBS) is not credit driven but rather a reflection of the move in interest rates relative to where these deals were originally priced. For those securities in an unrealized loss position, the market to book ratio is 98%. As the unrealized losses on AEGON s collateralized mortgage-backed securities are attributable to interest rate increases and not fundamental credit problems with the issuer or collateral, the unrealized losses are not considered by AEGON to be impaired as of December 31, 2006.

There are no other individual issuers rated below investment grade in this sector which have unrealized loss positions greater than EUR 15 million (USD 20 million).

Financial

Banking

The fundamentals of the banking sector continue to be solid. It is a high credit quality sector and represents a large portion of the corporate debt market. As a result, the absolute exposure to the banking sector in AEGON s portfolio is also large and of high quality. Because of the sector s size, the absolute dollar amount of unrealized losses is large, but the overall market value as a percentage of book value on public and private securities in an unrealized loss position is high at 98%. Unrealized losses in the banking sector are not a result of fundamental problems with individual issuers. Banking accounts for the majority of losses in the financial sector. Since the securities with unrealized losses are trading so close to par, the market is indicating there is little or no risk of default. The unrealized losses are more a reflection of interest rate movements, general market volatility and duration than credit related concerns. AEGON evaluated the near-term prospects of the issuers in relation to the severity and duration of the unrealized loss and does not consider those investments to be impaired as of December 31, 2006.

There are no individual issuers rated below investment grade in this sector which have unrealized loss positions greater than EUR 15 million (USD 20 million).

235

Table of Contents

Insurance

The fundamentals of the insurance sector continue to be solid. It is a high credit quality sector and represents a modest portion of the corporate debt market. The overall market to book ratio on all securities in an unrealized loss position is 98%. Unrealized losses in this sector are not a result of fundamental problems with individual issuers; rather it is more a reflection of interest rate movements, general market volatility and duration. AEGON has evaluated the near-term prospects of issuers in relation to the severity and duration of the unrealized loss and does not consider those investments to be impaired as of December 31, 2006.

There are no individual issuers rated below investment grade in this sector which have unrealized loss positions greater than EUR 15 million (USD 20 million).

Industrial

Basic Industries and Capital Goods

The basic and capital goods industries encompass various sub-sectors ranging from aerospace/ defense to packaging. The most significant of these are addressed individually. Packaging accounts for 6% of the basic and capital goods industries. The packaging sector s performance is dependent on the underlying credits, raw material structure and pricing power. Due to the fact that resin prices fluctuate with the price of oil, plastic packaging credits that have resins as their major raw material have struggled. Significant increases in aluminum have caused metal packaging credits that use aluminum to make cans to struggle.

As the cost of the raw materials has dramatically risen, the companies have been trying to offset these costs with price increases and variable contracts. In the short term, this lag between increasing raw material costs and increased pricing has hurt margins and profitability, however new variable pricing contracts have shortened the lag. Additionally, high input costs such as oil, energy, and transportation have also hurt the results. With a market to book ratio on securities in an unrealized loss position of 98%, AEGON is well positioned in the packaging sector.

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

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

While the performance of some of the individual credits and sub sectors was somewhat below expectations, overall, valuations remain largely stable. The overall market to book ratio on securities in an unrealized loss position is 97%. Since the securities with unrealized losses are trading so close to par, the market is indicating there is little or no risk of default. The unrealized losses are more a reflection of interest rate movements, general market volatility and duration than credit related concerns. AEGON evaluated the near-term prospects of the issuers in relation to the severity and duration of the unrealized loss and does not consider those investments to be impaired as of December 31, 2006.

There are no individual issuers rated below investment grade in this sector which have unrealized loss positions greater than EUR 15 million (USD 20 million).

Consumer Cyclical

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

The automotive sub sector accounts for approximately 20% of the unrealized loss position. The underlying fundamentals driving sales and earnings performance continue to be pressured as a result of declining Big 3 market share. The lost market share and high raw material costs have negatively impacted suppliers. The Big 3 have made progress with their respective restructuring plans to modestly improve credit profiles, but the pressure to further improve costs and stabilize market share remains. As of December 31, 2006, AEGON USA held USD 34 million B-rated shares of General Motors, which carried unrealized losses of EUR 1 million (USD 1 million). AEGON USA held USD 48 million B rated and USD 20 million CCC+ rated shares of Ford Motor Company, which carried no unrealized losses. For autos, the overall market to book ratio is 97% on all securities in an unrealized loss position.

Table of Contents

With respect to the other groups, fundamentals have held up relatively well, but a slowing economy and moderating consumer sentiment is likely to weaken results in the upcoming year. Homebuilders, retailers, and gaming companies have showed signs of stress as higher interest rates, oil/gas prices, and utility costs are taking their toll on discretionary spending. Lodging continues to perform well as results are tied more closely to business spending than consumer tourism spending. Many of the consumer sectors have been the target of leveraged buyouts and merger and acquisition activity, which could lead to credit deterioration. Higher interest rates than a few years ago have clearly been one of the primary drivers of those securities with unrealized losses in this sector with the homebuilding sector likely the most affected. Fundamentals in the homebuilding sector have weakened due to higher interest rates and oversupply which have led to a decrease in order activity and high cancellation rates. The key question will be when the supply imbalance moderates. In the home building sector as of December 31, 2006, AEGON held EUR 15 million (USD 20 million) of debt rated less than BBB- and EUR 222 million (USD 293 million) of debt rated investment grade, which carried unrealized losses of EUR 0.8 million (USD 1 million) and EUR 1.5 million (USD 2 million), respectively. In the retail sector, investors have been negatively impacted by increased mergers and acquisitions and leveraged buyout activity.

The overall market to book ratio is 97% on all securities in an unrealized loss position. Since the securities with unrealized losses are trading so close to par, the market is indicating there is little or no risk of default. The unrealized losses are more a reflection of interest rate movements, general market volatility and duration than credit-related concerns. AEGON evaluated the near-term prospects of the issuers in relation to the severity and duration of the unrealized loss and does not consider those investments to be impaired as of December 31, 2006.

There are no individual issuers rated below investment grade in this sector which have unrealized loss positions greater than EUR 15 million (USD 20 million).

Consumer Non-Cyclical

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

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

There are no individual issuers rated below investment grade in this sector which have unrealized loss positions greater than EUR 15 million (USD 20 million).

Transportation

The transportation segment has seen weakness due to rising fuel costs. The airlines are a material portion of the sector, and their results, although positive, have a negative correlation with fuel costs. Fuel costs have receded from their peak levels which is a positive for the airlines. In the short-term, the airlines have historically had a difficult time increasing fares to compensate for higher fuel costs. In the longer-term, however, the companies should be able to increase their pricing in order to reflect the cost environment given the consumer demand. Over 67% of the unrealized losses are from the railway sector. However, these unrealized losses as well as the other unrealized losses in this sector are not a result of fundamental problems with individual issuers; rather it is more a reflection of interest rate movements, general market volatility and duration. The overall market to book ratio on all securities in an unrealized loss position is 97%. AEGON has evaluated the near-term prospects of issuers in relation to the severity and duration of the unrealized loss and does not consider those investments to be impaired as of December 31, 2006.

There are no individual issuers rated below investment grade in this sector which have unrealized loss positions greater than EUR 15 million (USD 20 million).

Table of Contents

Communications

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

The overall market to book ratio on all securities in an unrealized loss position is 97%. Since the securities with unrealized losses are trading so close to par, the market is indicating there is little or no risk of default. The unrealized losses are more a reflection of interest rate movements, general market volatility and duration rather than credit related concerns. Based on the near-term prospects of the issuers in relation to the severity and duration of the unrealized loss, AEGON does not consider the remaining book values to be impaired as of December 31, 2006.

There are no individual issuers rated below investment grade in this sector which have unrealized loss positions greater than EUR 15 million (USD 20 million).

Utility

Electric and Energy

In the aftermath of 2002 s melt-down, the theme for electric utilities, and energy companies as a whole turned to a focus on the basics of good business. Companies focused on optimizing their regulated operations and minimizing the volatility in other areas of their businesses. The industry also focused on strengthening their balance sheets through debt-reduction and maximizing cash flows. During 2006 fundamentals continued to improve, and are generally expected to remain stable through 2007. Looking forward, the most concerning issues on the horizon appear to be continued merger and acquisition activity, growing capital expenditures programs, and an increasingly uncertain regulatory environment driven by rising energy prices. The overall market to book ratio on all securities in an unrealized loss position is 97%. Since the securities with unrealized losses are trading so close to par, the market is indicating there is little or no risk of default. The unrealized losses are more a reflection of interest rate movements, general market volatility and duration than credit related concerns. AEGON evaluated the near-term prospects of the issuers in relation to the severity and duration of the unrealized loss and does not consider those investments to be impaired as of December 31, 2006.

There are no individual issuers rated below investment grade in this sector which have unrealized loss positions greater than EUR 15 million (USD 20 million).

Natural Gas

Pipeline companies have strengthened their credit fundamentals via asset sales, strong cash flows, and renewed strength in select non-regulated business segments. Specifically, those companies with natural gas production units and/or gas processing have enjoyed very strong margins. At the same time, those companies with legacy energy trading books continue to be burdened by these now largely discontinued operations. With respect to capital deployment, pipeline companies are increasingly emphasizing organic growth projects over acquisitions. This has been driven by the higher cost of doing acquisitions in this sector, as well as the need to develop new infrastructure as natural resources are extracted from new regions and basins. The maintenance and replacement of existing energy infrastructure has also been an area of increased investment by pipeline and distribution companies. Acquisition activity that is taking place is focused more on asset sales/purchases, as some industry participants are sharpening their business focus by moving away from the energy/utility conglomerate business model, or focusing their activities on regulated or non-regulated activities, respectively. One area of ongoing and increasing concern is the prospect for leveraged buy-outs within the sector. The overall market to book ratio on all securities in an unrealized loss position is 97%. AEGON evaluated the near-term prospects of the issuers in relation to the severity and duration of the unrealized loss and does not consider those investments to be impaired as of December 31, 2006.

There are no individual issuers rated below investment grade in this sector which have unrealized loss positions greater than EUR 15 million (USD 20 million).

Sovereigns

Sovereigns include government issued securities including Dutch government bonds, US Treasury, agency and state bonds; substantially all of the unrealized losses relate to A or higher rated securities. Only one issuer in this sector has unrealized losses greater than EUR 15 million (USD 20 million). AEGON owns EUR 1.8 billion (USD 2.4 billion) of US Treasuries, of which all are AAA rated securities with unrealized losses of EUR 21 million (USD 28 million). Over EUR 12 million (USD 16 million) of the unrealized losses in this sector relate to Small Business Administration (SBA) debt. When SBA holdings in the

238

Table of Contents

sovereign sector are combined with SBA holdings in the ABS other sector, AEGON holds EUR 0.9 billion (USD 1.2 billion) AAA rated shares of the issuer s securities with unrealized losses of 20 million. The overall market to book ratio is 98% on all SBA debt in an unrealized loss position. As the unrealized losses on AEGON s sovereign holdings are attributable to interest rate increases, the unrealized losses are not considered by AEGON to be impaired at December 31, 2006.

There are no other individual issuers rated below investment grade in this sector which have unrealized loss positions greater EUR 15 million (USD 20 million).

18.56.6 Summary description of US GAAP goodwill accounting

Under US GAAP goodwill is recognized and tested for impairment at least annually or more frequently as a result of an event or change in circumstances that would indicate impairment would be necessary.

In 2006 the required annual goodwill impairment test was performed in the fourth quarter and resulted in no goodwill impairment.

Impairment testing required the determination of the fair value for each of the identified reporting units. The fair value of the insurance operations in the Americas was determined using discounted cash flow valuations techniques consistent with market appraisals for insurance companies. This model utilized various assumptions, with the most significant and sensitive of those assumptions being a 9% discount rate and 15 years of projected annual new business production increases of 2%. A sensitivity analysis was performed using increases in the discount rate of 1% and 2%. There was no goodwill impairment with 1% increase in the discount rate, and approximately EUR 298 million (USD 375 million) of impairment write-off when the risk discount rate was increased by 2%. Fair value of the operations in the United Kingdom has been determined using appraisal value methodology which also uses discounted cash flow techniques. The valuation utilized the best available information, including assumptions and projections considered reasonable and supportable by management. The assumptions used in the determination of fair value involve significant judgments and estimates. The discount rates used are believed to represent market discount rates, which would be used to value businesses of similar size and nature.

AEGON has recognized two purchased intangible assets, goodwill and value of business acquired (VOBA). The excess of the cost over the fair value of identifiable assets acquired in business combinations, including VOBA, is recorded as goodwill. VOBA is equal to the present value of estimated future profits of insurance policies in force related to business acquired.

Table of Contents

The changes in the carrying value of goodwill on an US GAAP basis presented for each business segment, for the year ended December 31, 2006, were as follows:

	Americas	The Netherlands	United Kingdom	Other Countries	Total
Goodwill balance at January 1, 2006	1,838	347	781	91	3,057
Goodwill acquired during the period		49	1	111	161
Deferred tax adjustment				(1)	(1)
Foreign currency differences and other	(191)		16	(5)	(180)
Goodwill balance December 31, 2006	1,647	396	798	196	3,037

18.56.7 Additional information on VOBA

Estimated amortization expense of VOBA under IFRS for the years 2007 through 2011 is EUR 318 million, EUR 301 million, EUR 268 million, EUR 243 million and EUR 239 million, respectively.

Table of Contents

18.56.8 Variable interest entity

Financial Accounting Standards Board Interpretation 46 and 46 (Revised 2003), Consolidation of Variable Interest Entities (FIN 46 and FIN 46(R))

In December 2003, the FASB revised FIN 46, which was originally issued in January 2003. FIN 46(R) clarifies the application of Accounting Research Bulletin (ARB) 51, Consolidated Financial Statements , for certain entities in which equity investors do not have the characteristics of a controlling financial interest, or do not have sufficient equity at risk for the entity to finance its activities without additional subordinated financial support from other parties (variable interest entities). If a variable interest entity (VIE) does not effectively disperse risks among the parties involved, then the VIE is required to be consolidated by the primary beneficiary. A primary beneficiary has a variable interest that will absorb a majority of the VIEs expected losses, or receive a majority of the VIEs expected returns, or both. All other entities that are not considered VIEs are evaluated for consolidation under accounting principles ARB 51, and SFAS 94, Consolidation of All Majority-Owned Subsidiaries .

Additional liabilities recognized as a result of consolidating VIEs with which AEGON is determined to be the primary beneficiary do not represent additional claims on the general assets of AEGON, rather they represent claims against additional assets recognized as a result of consolidating the VIEs. Conversely, the additional assets that AEGON consolidates per FIN 46(R) are not available to settle AEGON s general obligations. The additional assets consolidated will be used to settle the additional liabilities recognized as a result of consolidating these VIEs.

Pursuant to FIN 46(R), certain investment structures, primarily limited partnerships, are now consolidated for US GAAP. Upon consolidating the VIEs at January 1, 2004, the investment in VIEs of EUR 328 million was increased by EUR 391 million to establish the total VIE assets of EUR 719 million. The liabilities of the VIEs at January 1, 2004 were EUR 391 million, including EUR 159 million for non-controlling interests. There was no material effect to AEGON s consolidated financial condition or results of operations from the consolidation of these entities.

Interests in Variable Interest Entities Deconsolidation required

FIN 46(R) affected AEGON s accounting for TRUPS and debentures issued to affiliated trusts. Previously, AEGON consolidated the affiliated trusts. These trusts are VIEs as defined by FIN 46(R), and since AEGON is not the primary beneficiary, these trusts need to be deconsolidated. At December 31, 2006, the impact of deconsolidation was to decrease the TRUPS by EUR 102 million (2005: EUR 437 million), decrease long-term liabilities payable for debentures by EUR 379 million (2005: EUR 434 million), and establish an offsetting amount for long-term liabilities.

Interests in Variable Interest Entities When AEGON is the primary beneficiary

Pursuant to FIN 46(R), certain investment structures, primarily limited partnerships, are now consolidated for US GAAP. AEGON owns interests in several limited partnerships in which AEGON is a passive investor. As of December 31, 2006, AEGON holds the majority of the interests in eight of the partnerships, which represents an increase over the number of limited partnerships consolidated as of December 31, 2005, as a result of investing in two new VIEs during 2006. AEGON has determined that these limited partnerships are VIEs and that AEGON is the primary beneficiary. As a result, AEGON has consolidated these VIEs. Seven of the limited partnerships are hedge funds, which employ a variety of investment strategies to both manage risks and earn superior returns over the long-term. The other limited partnership has investments in the oil and gas industry. AEGON uses these funds to diversify its portfolio and to earn a higher rate of return when compared to conventional investments. Total assets and liabilities for these limited partnerships as of December 31, 2006 were approximately EUR 652 million and EUR 210 million, respectively. A minority interest liability was also established for EUR 150 million. The additional assets will be reported as part of AEGON s invested assets. The additional liabilities are current (i.e. short-term) in nature and are non-recourse to AEGON. The net income reported for 2006 by these limited partnerships was approximately EUR 44 million. AEGON s share of this net income was approximately EUR 27 million. The consolidation of two of the limited partnerships was based on data available as of September 30, 2006. At December 31, 2006, AEGON s investment in the limited partnerships was EUR 292 million, which represents the maximum exposure to loss.

241

As of December 31, 2005, AEGON was the primary beneficiary of six limited partnerships. Five of the limited partnerships were hedge funds, and the other had investments in the oil and gas industry. Total assets and liabilities for these limited partnerships as of December 31, 2005, were approximately EUR 245 million and EUR 21 million, respectively. A minority interest liability was also established for EUR 51 million. The net income reported for 2005 by these limited partnerships was approximately EUR 32 million. AEGON s share of this net income was approximately EUR 30 million. The consolidation of three of the limited partnerships was based on data available as of September 30, 2005. At December 31, 2005, AEGON s investment in the limited partnerships was EUR 173 million, which represented the maximum exposure to loss.

AEGON owns debt and equity interests in an entity whose primary activity is participating in a total return swap based on the performance of a reference portfolio of bank loans. In addition to its variable interests, AEGON is the investment manager of the EUR 409 million reference bank loan portfolio. As of December 31, 2006, AEGON owns notes of EUR 66 million and equity of EUR 1 million. AEGON has determined it is the primary beneficiary and has consolidated this entity. As of December 31, 2006, the entity had assets of approximately EUR 90 million and liabilities of approximately EUR 70 million (including the EUR 66 million of notes owned by AEGON), which are non-recourse to AEGON. The net income reported for 2006 by this entity was approximately EUR 2.5 million. AEGON s share of this net income was approximately EUR 2.0 million. As of December 31, 2005, AEGON owned notes of EUR 74 million and equity of EUR 0.8 million. As of December 31, 2005, the entity had assets of approximately EUR 97 million and liabilities of approximately EUR 76 million (including the EUR 74 million) of notes owned by AEGON), which are non-recourse to AEGON. The net income reported for 2005 by this entity was approximately EUR 5.1 million. AEGON s share of this net income was approximately EUR 4.2 million.

AEGON also owns 100% of the debt and equity interests issued by another entity whose primary activity is participating in a total return swap based on the performance of a reference portfolio of bank loans. In addition to its variable interests, AEGON is the investment manager of the EUR 288 million reference bank loan portfolio. As of December 31, 2006, AEGON owns notes of EUR 49 million and equity of EUR 2 million. Since AEGON owns 100% of the debt and equity, AEGON is the primary beneficiary and has consolidated this entity. As of December 31, 2006, the entity had assets of approximately EUR 54 million and liabilities of approximately EUR 51 million (including the EUR 48 million of notes owned by AEGON), which are non-recourse to AEGON. The net income reported for 2006 by this entity was approximately EUR 1.2 million. As of December 31, 2005 AEGON owned notes of EUR 32 million and equity of EUR 2.5 million. As of December 31, 2005, the entity had assets of approximately EUR 36 million and liabilities of approximately EUR 33 million (including the EUR 32 million of notes owned by AEGON), which are non-recourse to AEGON. The net income reported for 2005 by this entity was approximately EUR 0.8 million.

AEGON owned all of the interests in certain trusts that were established to hold passive investments in fixed income financial instruments and derivative contracts. AEGON had entered into agreements with these trusts to provide credit and collateral support on the derivative contracts and a standby liquidity asset purchase agreement to purchase the fixed income investments at par in certain circumstances. AEGON was the primary beneficiary and consolidated these trusts until they were liquidated in 2006. The fixed income financial instruments and derivatives owned by the trusts were reflected on the balance sheet at December 31, 2005 in the amount of EUR 132 million. The derivative contracts were part of a hedging relationship.

AEGON is the primary beneficiary and consolidates certain VIEs which hold investments in low-income housing tax credit partnerships and limited liability companies (the Consolidated Properties). In some cases, AEGON has sold these investments to the VIEs, and in other cases the VIEs have purchased these investments from external parties. Each VIE has an external party as the primary investor. A VIE controlled by AEGON is the managing member. The Consolidated Properties generate tax credits and other tax deductions for the investor. In some cases, these Consolidated Properties require additional future capital commitments from the investor. AEGON provides a guarantee of the minimum annual and cumulative return on the investor s contributed capital for a fee. AEGON is not at risk for changes in tax law or the investors inability to fully utilize the tax benefits. An investment in partnerships has been recorded on the balance sheet at December 31, 2006 in the amount of EUR 110 million (USD 145 million) (2005: EUR 66 million). An offsetting liability is recorded for the same amount.

AEGON uses consolidated VIEs to issue medium-term notes and commercial paper that are backed by funding agreements written by its life insurance subsidiaries. The notes and commercial paper are sold to third party institutional investors. The outstanding notes balance at December 31, 2006 was EUR 7,954 million (2005: EUR 8,155 million). The outstanding commercial paper balance at December 31, 2006, was EUR 538 million (2005: EUR 600 million). These entities have been consolidated previous to FIN 46(R). Refer to notes to the Consolidated Financial statements, Note 18.4.1.5 addressing Institutional guaranteed products for disclosures related to these products.

Table of Contents

AEGON administers mutual funds of which the equity holders do not control the fund as they are not able to replace AEGON as fund manager. The majority investors in these mutual funds are AEGON subsidiaries and therefore AEGON is the primary beneficiary. The minority investors are numerous unrelated parties. The consolidation of the mutual funds did not have an effect on net income or shareholders equity.

Interests in Variable Interest Entities When AEGON is not the primary beneficiary

AEGON receives federal income tax benefits by investing in limited partnerships and limited liability companies (the Properties), which own apartment properties that qualify for low income housing tax credits. AEGON receives US Federal income tax credits and deductible losses in recognition of its investments in each of the Properties for a period of ten years. In some cases, AEGON receives distributions from the Properties that are based on a portion of the actual cash flows. The Properties are organized as limited partnerships or limited liability companies, and each Property has a managing general partner or managing member. AEGON is often the sole limited partner or investor member in each Property, but is typically not the general partner or managing member. In a few situations where AEGON is the general partner or managing member, the investment has been consolidated.

AEGON has determined that the Properties are VIEs in accordance with FIN 46(R) and that AEGON is not the primary beneficiary of any of them. The Properties typically obtain additional financial support by issuing long-term debt in the form of mortgages secured by their real estate holdings, or as unsecured debt. None of the debt has any recourse to the general assets of AEGON. The equity method of accounting is followed for investments in the Properties. The isolation of the assets and the liabilities of the Properties from the claimants and assets of AEGON would continue in the event AEGON commenced consolidation accounting for any of the Properties. The maximum exposure to loss in relation to the Properties is limited to AEGON s investment in the Properties. AEGON s relationships with the Properties, taken as a group, are significant because of the VIE nature of the Properties, the size of the group, and AEGON s relatively high ownership of each Property s equity. As of December 31, 2006, the total assets of the Properties were EUR 1.6 billion (USD 2.1 billion) and total debt and liabilities were EUR 0.8 billion (USD 1.1 billion) (based on the latest available audited financial statements as of December 31, 2005). AEGON s equity investment in the Properties was EUR 506 million (USD 666 million) and outstanding equity commitments totaled EUR 216 million (USD 285 million). The maximum exposure to loss is limited to EUR 722 million (USD 951 million) (including future commitments). As of December 31, 2005, the total assets of the Properties were EUR 1.4 billion (USD 1.9 billion) and total debt and liabilities were EUR 0.7 billion (USD 0.9 billion) (based on the latest available audited financial statements as of December 31, 2004). AEGON s equity investment in the Properties was EUR 418 million (USD 569 million) and outstanding equity commitments totaled EUR 170 million (USD 232 million). The maximum exposure to loss was limited to EUR 588 million (USD 801 million) (including future commitments).

AEGON owned a fixed income asset with embedded derivatives issued by a VIE that was expected to mature in 2009. The VIE was established to hold indirect interests (through other VIEs) in residential mortgage backed securities. AEGON sold its investment in this VIE during 2006. The notional amount of the assets in the VIE was approximately EUR 1,439 million (USD 1,960 million) at December 31, 2005, and the variable interests issued by the VIE had various seniority rights. AEGON determined it was not the primary beneficiary of this VIE or any of the related VIEs.

18.56.9 Account balances of contracts with guarantees

Refer to Note 18.9 and 18.19 for details on our products with guarantees. Account balances of contracts with guarantees were invested as follows[1]:

	December 31,	
Asset Type	**2006**	**2005**
Equity fund	37,302	39,383
Bond funds	27,311	28,425
Money markets and other	5,205	4,455
Total	69,818	72,263

1 Includes account balances related to assumed elective guaranteed minimum withdrawal benefit riders of a ceding company s variable annuity contract; refer to Note 18.9.

243

Table of Contents

18.56.10 Sales inducements

AEGON defers costs related to sales inducements offered on sales to new customers, principally on investment contracts and primarily in the form of additional credits to the customer s account value or enhancements to interest credited for a specified period, which are beyond amounts currently being credited to existing contracts. All other sales inducements are expensed as incurred. Deferred sales inducements are amortized to income using the same methodology and assumptions as DPAC and are reviewed for recoverability and written down when necessary.

Amounts in million EUR	**2006**	**2005**
Balance at January 1	417	376
Capitalization	34	30
Amortization	(69)	(50)
Disposal	(20)	
Currency exchange and other	(12)	61
Balance at December 31	350	417

18.56.11 Guarantees

Financial Accounting Standards Board Interpretation 45, Guarantor s Accounting and Disclosure Requirements for Guarantees, Including Indirect guarantees of Indebtedness of Others (FIN 45)

FIN 45 requires certain types of guarantees to be recorded at fair value by the guarantor at inception. FIN 45 does not apply to guarantees that are accounted for under existing insurance accounting principles. FIN 45 requires additional disclosure for certain categories of guarantees, including certain categories of guarantees, which are already accounted for under specialized accounting principles, such as SFAS 133, Accounting for Derivative Instruments and Hedging Activities , (subsequently amended by SFAS 137, SFAS 138, and SFAS 149), even when the likelihood of making any payments under the guarantees is remote.

AEGON has various arrangements that require guarantor disclosures per FIN 45:

AEGON issues synthetic GICs that require disclosure under FIN 45, as described in Note 18.4.1.5 to our consolidated financial statements. In return for the contracts book value benefit responsive guarantee provided by the synthetic GICs, AEGON receives a fee that can vary based on such elements as benefit responsive exposure and contract size. AEGON underwrites the contract for the possibility of having to make benefit payments and also must agree with the proposed investment guidelines to ensure appropriate credit quality and cash flow. At December 31, 2006, the notional amount of synthetic GICs was EUR 37 billion (2005: EUR 36 billion), which represents the maximum amount of potential future payments (undiscounted). Generally, these contracts do not have maturity schedules. Funding requirements to date have been minimal. Management does not anticipate any future funding requirements that would have a material effect on reported financial results.

AEGON enters into agreements to provide liquidity for multi-seller asset backed commercial paper conduits. These liquidity agreements generally provide for AEGON to purchase non-defaulted assets or provide loans secured by assets from the securitization structure at market interest rates or better. AEGON earns a fee in exchange for providing these agreements. At December 31, 2006, the total notional amount was EUR 822 million (2005: EUR 818 million), which represents the maximum amount of potential future payments (undiscounted). The maturities of the notional amount of the agreements were EUR 806 million in 2007 and EUR 16 million in 2019. AEGON does not anticipate any future funding requirements that would have a material effect on reported financial results.

Table of Contents

AEGON enters into principal protection agreements with financial institutions or fund of fund managers on certain financial instruments. These agreements provide for AEGON to pay a percentage of the excess of the principal protected value over the fair value of the underlying assets under certain remote events. AEGON earns a fee in exchange for providing this principal protection. The notional amount of the principal protection at December 31, 2006 was EUR 907 million (2005: EUR 281 million), which represents the maximum amount of potential future payments (undiscounted). At December 31, 2006, the maturities of the underlying fund portfolios were: EUR 109 million in 2007, EUR 71 million in 2008, EUR 297 million in 2009, and EUR 431 million in 2010. Management does not anticipate any future funding requirements with respect to the principal protection that would have a material effect on reported financial results.

AEGON has entered into guarantees associated with VIEs which own investments in low-income housing tax credit partnerships. Refer to the disclosure in Consolidation of Variable Interest Entities (FIN 46R) for more details. At December 31, 2006, the notional amount of the investors capital accounts covered by these guarantees is EUR 139 million (2005: EUR 117 million). These agreements mature approximately five to seven years after the last tax compliance period for the underlying low-income housing tax credit property with none maturing in the next five years. Management does not anticipate any future funding requirements with respect to these guarantees that would have a material effect on reported financial results.

For the year ending December 31, 2006, AEGON sold approximately EUR 105 million (2005: EUR 21 million) of AAA-wrapped municipal debt securities to qualifying Special Purpose Entities (QSPEs). Due to AEGON s continuing involvement with the assets in these QSPEs, AEGON consolidates these entities for IFRS reporting, but consolidation is not appropriate for US GAAP reporting. The fair value of all such debt securities reflected in investments and also measured at fair value through profit or loss as of December 31, 2006, is EUR 678 million (2005: EUR 866 million). The acquisition of these securities was financed by the QSPEs through issuance of floating rate notes at par value to third parties and issuance of a de minimus residual investment to AEGON. Upon early termination of a QSPE, up to 10% of the excess of the fair value of the securities over the notes value may be shared with the noteholders, with residual flowing to AEGON. In the event that the fair value of the securities is less than the notes value at early termination and the securities have maintained their investment grade rating, AEGON will reimburse the QSPE liquidity provider for this shortfall. AEGON must pledge collateral to support these shortfall agreements. At December 31, 2006, the fair value of the bonds was in excess of the par value of the floating rate notes and no collateral was pledged. The maximum exposure to loss resulting from AEGON s involvement is the December 31, 2006 unpaid principal and accrued interest on the notes of EUR 648 million (2005: EUR 840 million) reflected in Financial liabilities-investment contracts. Management does not anticipate any future funding requirements with respect to these guarantees that would have a material effect on reported financial results.

18.56.12 Information related to Transamerica Finance Corporation

AEGON has fully and unconditionally guaranteed all of the outstanding public indebtedness of TFC, a wholly owned subsidiary of AEGON. The guarantees were issued on January 14, 2004. The following condensed consolidating financial information presents the condensed balance sheets, condensed income statements and cash flow statements of (i) AEGON NV (parent company only), (ii) TFC, (iii) other subsidiaries of, (iv) the eliminations necessary to arrive at the information for AEGON on a consolidated basis and (v) the total. The condensed consolidating balance sheets are shown as of December 31, 2006, 2005 and 2004 and the condensed consolidating income statements and condensed cash flow statements are shown for the years ended December 31, 2006, 2005, and 2004. The information is prepared in accordance with IFRS and accompanied by a reconciliation to US GAAP.

The AEGON NV parent company only column in this condensed consolidating financial information presents investments in subsidiaries under the equity method of accounting. The TFC column in this condensed consolidating financial information presents the individual line items for TFC. TFC is reported as a component of Holdings and other activities, which includes additional parent company interest charges.

A further description of the adjustments in the reconciliation from IFRS to US GAAP can be found in Note 18.55 of the notes to consolidated financial statements.

Table of Contents

The condensed consolidating balance sheets as at December 31, 2006 and 2005 are shown below:

As at December 31, 2006

Amounts in million EUR	AEGON NV	TFC	Other Subsidiaries	Eliminations	Total
Investments general account			136,151	(20)	136,131
Investments for account of policyholders			135,557	(20)	135,537
Investments in associates			478		478
Group companies & loans	24,873		2,570	(27,443)	
Other assets and receivables	7,413	534	42,522	(7,802)	42,667
Total assets	32,286	534	317,278	(35,285)	314,813
Shareholders equity	18,605	34	17,562	(17,596)	18,605
Other equity instruments	4,032				4,032
Minority interest			16		16
Group equity	22,637	34	17,578	(17,596)	22,653
Trust pass-through securities			123		123
Subordinated borrowings	34				34
Insurance contracts general account			89,194		89,194
Insurance contracts for account of policyholders			72,143		72,143
Investment contracts general account			36,618		36,618
Investment contracts for account of policyholders			64,097		64,097
Group companies & loans	5,803		11,886	(17,689)	
Other liabilities	3,812	500	25,639		29,951
Total equity and liabilities	32,286	534	317,278	(35,285)	314,813
Reconciliation to US GAAP:					
Shareholders equity in accordance with IFRS	18,605	34	17,562	(17,596)	18,605
Adjustments for:					
Share options	18				18
Goodwill			2,816		2,816
Deferred expenses / VOBA			235		235
Real estate			(1,410)		(1,410)
Financial assets			(95)		(95)
Derivatives			57		57
Insurance and investment contracts			694		694
Pensions and other post-employment benefits			1,025		1,025
Other equity instruments	238				238
Balance of other items	(11)		(94)		(105)
Tax	(58)		(171)		(229)
Cumulative effect of accounting changes			(855)		(855)
TFC and Other Subsidiaries	2,202			(2,202)	
	20,994	34	19,764	(19,798)	20,994

246

Table of Contents

As at December 31, 2005

Amounts in million EUR	**AEGON NV**	**TFC**	**Other Subsidiaries**	**Eliminations**	**Total**
Investments general account	72		146,031	(28)	146,075
Investments for account of policyholders			127,583	(36)	127,547
Investments in associates			542		542
Group companies & loans	24,223		441	(24,664)	
Other assets and receivables	6,648	615	37,404	(7,616)	37,051
Total assets	30,943	615	312,001	(32,344)	311,215
Shareholders equity	18,715	14	17,014	(17,028)	18,715
Other equity instruments	3,379				3,379
Minority interest			15		15
Group equity	22,094	14	17,029	(17,028)	22,109
Trust pass-through securities			437		437
Subordinated borrowings	284				284
Insurance contracts general account			96,597		96,597
Insurance contracts for account of policyholders			70,171		70,171
Investment contracts general account			38,842		38,842
Investment contracts for account of policyholders			58,724		58,724
Group companies & loans	3,889		7,187	(11,076)	
Other liabilities	4,676	601	23,014	(4,240)	24,051
Total equity and liabilities	30,943	615	312,001	(32,344)	311,215
Reconciliation to US GAAP:					
Shareholders equity in accordance with IFRS	18,715	14	17,014	(17,028)	18,715
Adjustments for:					
Share options	3				3
Goodwill			2,992		2,992
Deferred expenses / VOBA			235		235
Real estate			(1,109)		(1,109)
Financial assets			(77)		(77)
Derivatives			87		87
Insurance and investment contracts			1,467		1,467
Pensions and other post-employment benefits			1,268		1,268
Other equity instruments	12				12
Balance of other items	19		(134)		(115)
Tax	(10)		(555)		(565)
TFC and Other Subsidiaries	4,174			(4,174)	
	22,913	14	21,188	(21,202)	22,913

247

Table of Contents

The condensed consolidating income statements for the years ended December 31, 2006, 2005 and 2004:

Year ended December 31, 2006

Amounts in million EUR	AEGON NV	TFC	Other Subsidiaries	Eliminations	Total
Income					
Total revenues	3,514	29	36,080	(3,008)	36,615
Income from reinsurance ceded			1,468		1,468
Net fair value and foreign exchange gains	35		906	(4)	937
Net gains on investments			10,280	(2)	10,278
Other income			11		11
Total income	3,549	29	48,745	(3,014)	49,309
Charges					
Benefits and expenses	86	45	43,025		43,156
Net fair value and foreign exchange losses	(4)		131		127
Net losses on investments and impairment charges	(13)		1,737		1,724
Interest charges and related fees	303		134	(75)	362
Other charges			1		1
Total charges	372	45	45,028	(75)	45,370
Share in profit/(loss) of associates			32		32
Income before tax	3,177	(16)	3,749	(2,939)	3,971
Income tax	(8)	52	(846)		(802)
Minority interest					
NET INCOME	3,169	36	2,903	(2,939)	3,169
Reconciliation to US GAAP					
Net income determined in accordance with IFRS	3,169	36	2,903	(2,939)	3,169
Adjustments for:					
Goodwill					
Deferred expenses / VOBA			61		61
Real estate			(296)		(296)
Financial assets			(261)		(261)
Derivatives			(46)		(46)
Insurance and investment contracts			(729)		(729)
Pensions and other post-employment benefits			(147)		(147)
Other equity instruments	(215)				(215)
Balance of other items	(33)		31	4	2
Tax	82		426		508
Cumulative effect of accounting changes					
TFC and Other Subsidiaries	(957)			957	
Net income in accordance with US GAAP	2,046	36	1,942	(1,978)	2,046

248

Table of Contents

Year ended December 31, 2005

Amounts in million EUR	AEGON NV	TFC	Other Subsidiaries	Eliminations	Total
Income					
Total revenues	2,588	68	29,807	(2,127)	30,336
Income from reinsurance ceded			1,691		1,691
Net fair value and foreign exchange gains	108		597	(7)	698
Net gains on investments			12,620	(11)	12,609
Other income			176		176
Total income	2,696	68	44,891	(2,145)	45,510
Charges					
Benefits and expenses	66	81	41,726		41,873
Net fair value and foreign exchange losses	198		187		385
Net losses on investments and impairment charges	(8)		108		100
Interest charges and related fees	265		137	(29)	373
Other charges	3				3
Total charges	524	81	42,158	(29)	42,734
Share in profit/(loss) of associates			20		20
Income before tax	2,172	(13)	2,753	(2,116)	2,796
Income tax	(25)	7	(633)		(651)
Minority interest			2		2
NET INCOME	2,147	(6)	2,122	(2,116)	2,147
Reconciliation to US GAAP					
Net income determined in accordance with IFRS	2,147	(6)	2,122	(2,116)	2,147
Adjustments for:					
Goodwill					
Deferred expenses / VOBA			226		226
Real estate			(202)		(202)
Financial assets			(65)		(65)
Derivatives	8		5		13
Insurance and investment contracts			397		397
Pensions and other post-employment benefits			(278)		(278)
Other equity instruments	(200)				(200)
Balance of other items	68		(11)		57
Tax	46		(52)		(6)
Cumulative effect of accounting changes	(5)				(5)
TFC and Other Subsidiaries	20			(20)	
Net income in accordance with US GAAP	2,084	(6)	2,142	(2,136)	2,084

Table of Contents

Year ended December 31, 2004

Amounts in million EUR	AEGON NV	TFC	Other Subsidiaries	Eliminations	Total
Income					
Total revenues	2,447	655	28,293	(2,095)	29,300
Income from reinsurance ceded			1,548		1,548
Net fair value and foreign exchange gains	7		198	1	206
Net gains on investments	52		7,110	1	7,163
Other income			138		138
Total income	2,506	655	37,287	(2,093)	38,355
Charges					
Benefits and expenses	60	484	34,297		34,841
Net fair value and foreign exchange losses	5		194		199
Net losses on investments and impairment charges			283		283
Interest charges and related fees	184		208	6	398
Other charges	218				218
Total charges	467	484	34,982	6	35,939
Share in profit/(loss) of associates			25		25
Income before tax	2,039	171	2,330	(2,099)	2,441
Income tax	(29)		(400)		(429)
Minority interest			(2)		(2)
NET INCOME	2,010	171	1,928	(2,099)	2,010
Reconciliation to US GAAP					
Net income determined in accordance with IFRS	2,010	171	1,928	(2,099)	2,010
Adjustments for:					
Goodwill		(176)	32		(144)
Deferred expenses / VOBA			24		24
Real estate			(47)		(47)
Financial assets			91		91
Derivatives	(108)		(312)		(420)
Insurance and investment contracts			337		337
Pensions and other post-employment benefits			15		15
Other equity instruments	(129)				(129)
Balance of other items	2		(60)		(58)
Tax	79		(44)		35
Cumulative effect of accounting changes			(284)		(284)
TFC and Other Subsidiaries	(424)			424	
Net income in accordance with US GAAP	1,430	(5)	1,680	(1,675)	1,430

250

Table of Contents

The condensed consolidating cash flow statements for the years ended December 31, 2006, 2005 and 2004 are presented below:

Year ended December 31, 2006

Amounts in million EUR	**AEGON NV**	**TFC**	**Other Subsidiaries**	**Eliminations**	**Total**
Cash flow from operating activities					
Income before tax	3,177	(16)	3,749	(2,939)	3,971
Adjustments	(2,587)	21	3,510	2,939	3,883
	590	5	7,259		7,854
Cash flow from investing activities					
Purchase and disposal of intangible assets			(9)		(9)
Purchase and disposal of equipment		38	(81)		(43)
Purchase, disposal and dividend of subsidiaries and associates	168		(236)	(60)	(128)
Other	(64)	11	34		(19)
	104	49	(292)	(60)	(199)
Cash flow from financing activities					
Issuance and repayments of share capital and dividends paid	(751)		20		(731)
Issuance, repayment and coupons of perpetuals	434				434
Issuance and repayment on borrowings	839	(60)	(1,394)	60	(555)
Other			(22)		(22)
	522	(60)	(1,396)	60	(874)
Net increase/(decrease) in cash and cash equivalents	1,216	(60)	5,571	60	6,781

251

Table of Contents

Year ended December 31, 2005

Amounts in million EUR	AEGON NV	TFC	Other Subsidiaries	Eliminations	Total
Cash flow from operating activities					
Income before tax	2,172	(13)	2,753	(2,116)	2,796
Adjustments	(170)	50	(5,878)	2,116	(3,882)
	2,002	37	(3,125)		(1,086)
Cash flow from investing activities					
Purchase and disposal of intangible assets	(1)		(16)		(17)
Purchase and disposal of equipment	(1)	252	(322)		(71)
Purchase, disposal and dividend of subsidiaries and associates	(538)	(98)	889	(105)	148
Other		(55)	55		
	(540)	99	606	(105)	60
Cash flow from financing activities					
Issuance and repayments of share capital and dividends paid	(56)	10	(150)		(196)
Issuance, repayment and coupons of perpetuals	314		1		315
Issuance and repayment on borrowings	(979)	(155)	494	105	(535)
Other		2	(4)		(2)
	(721)	(143)	341	105	(418)
Net increase/(decrease) in cash and cash equivalents	741	(7)	(2,178)		(1,444)

Table of Contents

Year ended December 31, 2004

Amounts in million EUR	AEGON NV	TFC	Other Subsidiaries	Eliminations	Total
Cash flow from operating activities					
Income before tax	2,039	171	2,330	(2,099)	2,441
Adjustments	(2,823)	(216)	(705)	2,099	(1,645)
	(784)	(45)	1,625		796
Cash flow from investing activities					
Purchase and disposal of intangible assets			(16)		(16)
Purchase and disposal of equipment		98	(327)		(229)
Purchase, disposal and dividend of subsidiaries and associates	(655)	5,203	5,107	(4,401)	5,254
Other		(88)	88		
	(655)	5,213	4,852	(4,401)	5,009
Cash flow from financing activities					
Issuance and repayments of share capital and dividends paid	(112)		(216)		(328)
Issuance, repayment and coupons of perpetuals	1,223				1,223
Issuance and repayment on borrowings	691	(4,401)	(3,706)	4,401	(3,015)
Other		(809)	810		1
	1,802	(5,210)	(3,112)	4,401	(2,119)
Net increase/(decrease) in cash and cash equivalents	363	(42)	3,365		3,686

253

Table of Contents

18.56.13 Closed block of business AEGON UK with profit funds

Refer to Note 18.4.1.2 for more information on the AEGON UK with profit funds. Summarized financial information on IFRS/EU basis for the With profit funds as of December 31, 2006 and 2005 and for each of the three years in the period ended December 31, 2006 is as follows:

	2006	2005	2004
ASSETS			
Property	150	140	
Fixed maturities at fair value	15,098	16,766	
Equity securities at fair value	6,470	6,567	
Other assets	1,055	835	
	22,773	24,308	
LIABILITIES			
Investment/Insurance Contracts	22,773	24,308	
	22,773	24,308	
REVENUES AND EXPENSES			
Premium income	0	0	244
Investment income	1,237	1,142	1,209
Income from Reinsurance ceded	67	145	102
Net gains on investments	828	2,085	833
Total Revenue and Other Income	2,132	3,372	2,388
Benefits paid and expenses	(2,132)	(3,372)	(2,388)
Net income	0	0	0

Table of Contents

18.56.14 Events after the balance sheet date

In addition to the events after the balance sheet included in note 18.54:

On March 15, 2007 AEGON announced an agreement to acquire OPTAS N.V., a Dutch life insurance company specializing in employee benefit products and services within the Dutch group pension market. The net consideration for AEGON of this transaction is approximately EUR 100 million. OPTAS N.V., the successor of Stichting Pensioenfonds voor de Vervoer- en Havenbedrijven (a pension fund for companies active in the transport and port industries) was converted into a public company in 1997. At the end of 2005, OPTAS had 60,000 policyholders and reported total gross written premiums of EUR 92 million, with total assets of EUR 4.3 billion. AEGON will acquire OPTAS N.V. for a gross amount of approximately EUR 1.3 billion. Taking into account the excess capital of OPTAS, the net consideration is estimated to be approximately EUR 100 million. A portion of the shareholders equity of OPTAS is subject to restrictions as set out in the articles of association of the company. These restrictions assure continued fulfillment of existing policy obligations and will remain in force after the acquisition. The combination of OPTAS and AEGON s existing pension activities will lead to a more efficient platform to serve the group pension market. The transaction will have a slightly positive effect on AEGON N.V. s earnings per share. This acquisition agreement is subject to the consultation of the Works Councils of both OPTAS and AEGON The Netherlands, in addition to the approvals of the relevant regulatory authorities.

Table of Contents

SCHEDULE I

SUMMARY OF INVESTMENTS

OTHER THAN INVESTMENTS IN RELATED PARTIES

	December 31, 2006		
In million EUR	**Cost [1]**	**Fair value**	**Book value**
Shares			
Available-for-sale	4,017	4,963	4,963
Fair value through profit or loss	2,354	2,782	2,782
Bonds:			
Available-for-sale and held-to-maturity:			
US government	3,192	3,241	3,241
Dutch government	2,301	2,327	2,327
Other government	11,735	12,270	12,215
Mortgage backed	10,519	10,525	10,525
Asset backed	9,993	9,979	9,979
Corporate	53,852	54,853	54,853
Money market investments	4,387	4,387	4,387
Other	868	933	933
Sub-total	96,848	98,514	98,458
Fair value through profit or loss	4,275	4,415	4,415
Other investments at fair value through profit or loss	2,352	2,351	2,351
Mortgages	16,171		16,171
Private loans	307		307
Deposits with financial institutions	1,995		1,995
Policy loans	1,557		1,557
Receivables out of share lease agreements	373		373
Other	202		202
Sub-total	20,605		20,605
Real estate:			
Investments in real estate	2,243		2,243
Real estate for own use	169		313
Grand total	132,863		136,131

[1] Cost is defined as original cost for available-for-sale shares and amortized cost for available-for-sale and held-to-maturity bonds. For fair value through profit or loss investments, including investments in real estate, cost is set equal to fair value.

Table of Contents

SCHEDULE III

SUPPLEMENTARY INSURANCE INFORMATION

Column A Segment In million EUR	Column B Deferred policy acquisitions Costs	Column C Future policy benefits	Column D Unearned premiums	Column E Other policy claims and benefits	Column F Premium revenue
2006					
Life insurance	10,210	252,340			21,768
Non-life insurance [1]	728		2,632	2,254	2,802
2005					
Life insurance	10,054	254,393			16,079
Non-life insurance [1]	735		2,609	2,284	2,803
2004					
Life insurance	7,898	214,075			15,275
Non-life insurance [1]	601		2,139	2,236	3,054

In million EUR	Column G Net investment income	Column H Benefits, claims and losses	Column I Amortization of deferred policy acquisition costs	Column J Other operating expenses	Column K Premiums written
2006					
Life insurance	9,812	19,753	1,111	1,230	20,435
Non-life insurance [1]	288	1,444	132	570	2,464
2005					
Life insurance	9,360	14,606	810	3,444	14,871
Non-life insurance [1]	280	1,419	126	940	2,454
2004					
Life insurance	8,799	9,750	1,016	3,210	14,112
Non-life insurance [1]	267	1,516	121	1,018	2,654

[1] Includes Accident and Health insurance

257

Table of Contents

SCHEDULE IV

REINSURANCE

In million EUR	Gross amount	Ceded to other companies	Assumed from other companies	Net amount	% of amount assumed to net
For the year ended December 31, 2006					
Life insurance in force	888,112	485,133	594,013	996,992	60%
Premiums					
Life insurance	20,270	1,333	1,498	20,435	7%
Non-Life insurance	2,802	338		2,464	
Total Premiums	23,072	1,671	1,498	22,899	7%
For the year ended December 31, 2005					
Life insurance in force	919,974	554,286	577,334	943,022	61%
Premiums					
Life insurance	14,584	1,208	1,495	14,871	10%
Non-Life insurance	2,803	346		2,457	
Total Premiums	17,387	1,554	1,495	17,328	9%
For the year ended December 31, 2004					
Life insurance in force	768,048	367,011	420,562	821,599	51%
Premiums					
Life insurance	14,051	1,163	1,224	14,112	9%
Non-Life insurance	3,054	400		2,654	
Total Premiums	17,105	1,563	1,224	16,766	7%

Table of Contents

SCHEDULE V

VALUATION AND QUALIFYING ACCOUNTS

In million EUR	Years ended December 31, 2006	2005	2004
Balance at January 1	244	258	274
Addition charged to earnings	15	33	9
Amounts written off and other changes	(19)	(52)	(23)
Currency translation	(7)	5	(2)
Balance at December 31	233	244	258

The provisions can be analyzed as follows:

	December 31, 2006	2005	2004
Mortgages	31	46	59
Other loans	44	50	38
Receivables	158	148	161
Total	233	244	258

259

Table of Contents

ITEM 19. EXHIBITS

Index to Exhibits

7 Ratio of earnings to fixed charges.
14 Consent of independent registered public accounting firm.

The Company agrees to furnish to the Securities and Exchange Commission upon request copies of instruments with respect to long-term debt of the Company and its consolidated subsidiaries.