

NOTES TO THE BALANCE SHEETS OF AEGON N.V.

Amounts in EUR millions

ACCOUNTING PRINCIPLES

Unless otherwise stated, balance sheet items are valued in accordance with the accounting principles described in the notes to the consolidated balance sheets.

1 SHARES IN GROUP COMPANIES

	2002	2001
Balance at January 1	11,850	11,251
Capital contribution and acquisitions	3,756	0
Divestitures	-1,149	0
Net income for the financial year	1,511	2,337
Dividend distributed	-	-360
Goodwill	-	-277
Revaluations	-3,504	-1,101
BALANCE AT DECEMBER 31	12,464	11,850

The group companies are stated at their net asset value.

2 LOANS TO GROUP COMPANIES

	2002	2001
Balance at January 1	6,490	3,392
Additional loans	941	4,117
Repayments or payments received	-1,019	-1,224
Other changes	-1,051	205
BALANCE AT DECEMBER 31	5,361	6,490

3 OTHER LOANS

	2002	2001
Balance at January 1	435	524
Repayments or payments received	-83	-89
BALANCE AT DECEMBER 31	352	435

4 CAPITAL AND RESERVES

	Common shares	Preferred shares	Total
SHARE CAPITAL			
Authorized	312	168	480
Unissued	139	115	254
ISSUED AND OUTSTANDING	173	53	226

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

On June 29, 2001 AEGON N.V. entered into a Total Return Swap (TRS) with Vereniging AEGON in order to hedge the stock option plan for 2001. The TRS gives AEGON N.V. effectively the right to the capital gains on 11,288,800 AEGON N.V. shares at the termination date and to the dividends on these shares during the contract period. The capital gains are calculated based on an exercise price of EUR 32.04. Any losses compared to the exercise price will be paid by AEGON N.V. to Vereniging AEGON upon termination. AEGON N.V. in return will pay interest to Vereniging AEGON on a quarterly basis over the (remaining) amount outstanding under the TRS. The interest rate is equal to the three-month EURIBOR plus a spread. The TRS ends on March 12, 2006 but may be terminated earlier, either partly or entirely, at the option of AEGON N.V. The total return swap is carried at fair value with changes in fair value reported in equity.

On March 11, 2002 AEGON N.V. entered into a second Total Return Swap (TRS) with Vereniging AEGON in order to hedge the stock appreciation rights plan for 2002. The TRS gives AEGON N.V. the right to the capital gains on 7,800,000 AEGON N.V. shares at the termination date and to the dividends on these shares during the contract period. The capital gains are calculated based on the exercise price of EUR 26.70. Any losses compared to the exercise price will be paid by AEGON N.V. to Vereniging AEGON upon termination. AEGON N.V. in return will pay interest to Vereniging AEGON on a quarterly basis over the (remaining) amount outstanding under the TRS. The interest rate is equal to the 3-month EURIBOR plus a spread. The TRS matures on March 11, 2009, but may be terminated earlier, either partly or entirely, at the option of AEGON N.V. The TRS is carried at fair value with changes in fair value reported in equity.

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On September 17, 2002 Vereniging AEGON and AEGON N.V. agreed to mark to market the existing TRS agreements that hedge the 2001 and 2002 share option and stock appreciation rights plans based on the EUR 10.04 closing price of AEGON N.V. share on Euronext Amsterdam. This resulted in a payment to Vereniging AEGON of EUR 378.3 million.

	2002	2001
NUMBER OF COMMON SHARES		
Balance at January 1	1,422,253,234	1,350,523,905
Issuance of shares	–	55,000,000
Stock dividend	22,325,888	16,484,329
Exercise of options	–	245,000
BALANCE AT DECEMBER 31	1,444,579,122	1,422,253,234

The weighted average number of EUR 0.12 common shares over 2002 was 1,401,552,845 (2001: 1,357,349,252).

The repurchased own shares, although included in the issued and outstanding number of shares, are eliminated in the calculation of the weighted average number of shares (see page 102).

STOCK OPTIONS AND STOCK APPRECIATION RIGHTS

Senior executives of AEGON companies as well as other AEGON employees have been offered AEGON stock appreciation rights in 2002 which do not entitle to buy AEGON shares but provide the same financial benefits. In previous years also stock options were offered. Rights and options have been granted at an exercise price equal to the market price of the shares at the date of the grant. The rights granted in 2002 are vested after two years and can only be exercised during five years after the vesting date. The plans for 1997 up to and including 2001 can be exercised three years after being granted and then during a period of two years. Plans for stock appreciation rights and in the past stock option plans can only be established after the prior consent of the Annual General Meeting. If, subsequently, the Executive Board decides to implement such plans, that decision has to be approved by the Supervisory Board. Rights and options granted in earlier years can generally be exercised during a period of five years. Options granted pursuant to the purchase agreement with Providian have various expiration dates. The options granted in 1997 to senior executives of former Providian business units fully vest in three years and the exercise period is up to ten years, ending at the latest in August 2008. In compliance with regulations, stock options and appreciation rights cannot be exercised in black-out periods.

The following tables set forth the changes in the years 2000, 2001 and 2002 as well as the breakdown of options and stock appreciation rights (SARs) outstanding.

	Number of options/SARs	Weighted average exercise price in EUR
Balance at January 1, 2000	37,355,628	26.25
Issued	10,609,700	34.50
Exercised	-5,891,026	12.74
Lapsed	-148,018	21.75
Balance at December 31, 2000	41,926,284	30.22
Issued	11,288,800	34.84
Exercised	-3,920,532	12.46
Lapsed	-25,374	49.54
Balance at December 31, 2001	49,269,178	32.69
Issued	11,555,700	26.70
Exercised	-883,376	16.36
Lapsed	-5,004,000	17.31
BALANCE AT DECEMBER 31, 2002	54,937,502	34.98

Options/SARs	Original number ¹	January 1, 2002 ¹	Outstanding December 31, 2002 ¹	Exercise price in EUR ¹	Exercise period ³
1996	9,886,700	138,000	–	9.79	until January 1, 2003
1997	9,479,500	6,059,500	344,500	17.36	until January 1, 2004
Providian	7,204,384	1,216,278	1,186,402	20.84 ²	until August 6, 2008
1998	11,518,000	11,032,000	11,027,500	29.02	until March 23, 2003
1999 ⁴	8,925,300	8,924,900	8,924,900	46.95	until March 6, 2004
2000 ⁴	10,609,700	10,609,700	10,609,700	34.50	until March 14, 2005
2001 ⁴	11,288,800	11,288,800	11,288,800	34.84	until March 13, 2006
2002 ⁵	11,555,700		11,555,700	26.70	until March 12, 2009
	80,468,084	49,269,178	54,937,502		

¹ Adjusted for the stock splits in 1998 and 2000 as appropriate.

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

³ Up to and including the 1999 series the exercise period for a small part of the options is 74 months.

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

⁵ Stock appreciation rights, which do not entitle to buy AEGON shares but provide the same financial benefits; only employees in Canada were granted 263,100 stock options.

Stock options exercisable as of December 31, 2002 amount to 20,395,702 (2001: 18,445,778 and 2000: 10,760,566) and their weighted average exercise price amounts to EUR 35.24 (2001: EUR 24.75 and 2000: EUR 13.45).

The fair value of the stock options and stock appreciation rights granted during the year amounts to EUR 76 million at the grant date (2001: EUR 83 million and 2000: EUR 74 million). This value was estimated using the binomial option pricing model, taking into account that the SARs and options granted in 2002 vest after two years and the options granted in 2001 and 2000 cannot be exercised within the first three years.

The breakdown of the stock options and stock appreciation rights granted in 2002 is as follows: Executive Board 150,000, other senior executives 4,041,000, other employees 7,364,700 (2001: 400,000, 3,824,700 and 7,064,100 and 2000: 640,000, 4,125,300 and 5,844,400 respectively recalculated for the split in May 2000).

For detailed information about the Executive Board's options refer to page 82.

5 SURPLUS FUNDS

	Paid-in surplus	Revaluation account	Other surplus fund	Total 2002	Total 2001
Balance at January 1 (2001 after appropriation of profit)	5,074	4,640	3,591	13,305	12,629
Reversal of presentation final dividend 2000					580
Balance at January 1 after change in presentation	5,074	4,640	3,591	13,305	13,209
Net income 2001 excluding preferred dividend			2,394	2,394	–
Final dividend and interim dividend			-731	-731	-541
Issuance of new shares				–	1,677
Paid in on preferred shares	2,053			2,053	–
Repurchased and sold own shares				0	-21
Valuation equity swap			-318	-318	-19
Exercised options				0	3
Stock dividend	-2			-2	-2
Revaluation group companies:					
– Goodwill			-70	-70	-286
– Sale Mexico				–	602
– Currency exchange rate differences		-90	-1,397	-1,487	430
– Other revaluations		-1,952	5	-1,947	-1,531
Currency exchange rate differences			-703	-703	-50
Cash settlement subordinated convertible loan				–	-68
Settlement stock option plans			-6	-6	-71
Other movements			0	0	-27
BALANCE AT DECEMBER 31	7,125	2,598	2,765	12,488	13,305

The minimum of the revaluation account for the consolidated investments as required by law amounts to EUR 542 million (2001: EUR 739 million).

The legal reserve for currency differences on foreign subsidiaries refers to accumulated translation differences amounting to EUR 166 million (2001: EUR 1,653 million) and is included in the other surplus fund.

The paid in amount on preferred shares is EUR 2,064 million contributed by Vereniging AEGON less EUR 11 million related costs.

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	2002	2001
CONSOLIDATED REVALUATION ACCOUNT REAL ESTATE AND SHARES		
Balance of revaluations at January 1	4,640	6,177
Unrealized gains and losses on real estate and shares	-1,560	-1,051
Unrealized gains and losses in previous years on real estate and shares sold in the reporting year	1,337	517
Realized gains and losses on real estate and shares	-1,343	-507
Transfer to the income statements of indirect income on real estate and shares	-758	-723
Changes in the provision for deferred taxation	323	306
Other changes	-41	-79
BALANCE AT DECEMBER 31	2,598	4,640

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

The indirect income is released from these revaluations if and as far as the balance for real estate and shares separately is positive. Impairments of shares are charged to the realised part of the revaluation account. Moreover, the minimum reserves as required by law are to be maintained. These minimum reserves consist of the unrealized difference between the bookvalue and the cost prices of real estate and shares, respectively. In relation to this, as at December 31, 2002, an amount of EUR 2,056 million after tax is presently available for release from the revaluations whereas the remainder is only available after realization.

OTHER SURPLUS FUND

By virtue of acquisition in accordance with article 98, paragraph 5 of Book 2 of the Dutch Civil Code, per balance sheet date AEGON kept 30,918,580 own common shares with a face value of EUR 0.12 each. The shares have been purchased to hedge stock option rights granted to executives and employees.

Movements in the numbers of shares were as follows:

Balance at January 1	30,923,080
Purchase: 1 transaction, average price EUR 10.00	206,400,000
Sale: 4 transactions, average price EUR 10.00	-206,404,500
BALANCE AT DECEMBER 31	30,918,580

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

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

6 LONG-TERM LIABILITIES

	2002	2001
Remaining terms up to 3 years	1,215	1,458
Remaining terms 4-5 years	7	-
Remaining terms over 5 years	396	430
TOTAL LONG-TERM LIABILITIES	1,618	1,888
Redemptions due in 2003/2002	521	719

Redemptions are included in long-term liabilities.

The repayment periods of borrowings vary from in excess of one year up to a maximum of 28 years. The interest rates vary from 1.42% to 9.875% per annum.

The market value of the long-term liabilities amounts to EUR 1,552 million (2001: EUR 1,911 million).

COMMITMENTS AND CONTINGENCIES

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

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

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

FGH BANK N.V., for the sake of

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

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

THE HAGUE, MARCH 5, 2003

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