

**INTRODUCTION**

These financial statements have been drawn up in accordance with the rules for financial statements of insurance companies in the Netherlands, embodied in Title 9, Book 2 of the Dutch Civil Code. A summarized consolidated income statement has been added to the required formats for balance sheet and profit and loss account in order to present a comprehensible view of the results of the AEGON Group.

For some of the required information refer to the separate publication of AEGON's Historical Data 1992-2002, which is an integral part of the financial statements.

AEGON is exposed to a variety of risks. Some risks are related to the international nature of the group, such as currency translation risk. Other risks include insurance related risks, such as changes in mortality and morbidity. However, the largest part of the risk lies in the exposure to financial markets: changes in financial markets affect the value of the investments and provisions (including deferred policy acquisition costs) through the exposure to interest rate, credit and equity market risks.

For an extensive description and detailed information about risks and sensitivity of the group for movements in the interest rate markets, the currency markets and the equity and real estate markets, and their effects on net income and shareholders' equity, refer to the financial review on page 30.

Application of the accounting policies in the preparation of the annual accounts requires management to use judgements involving assumptions and estimates concerning future results or other developments including the likelihood, timing or amount of future transactions or events. There can be no assurance that actual results will not differ from those estimates. Accounting policies that are critical to the financial statement presentation and that require significant judgement or involve complex estimates are the policies concerning the determination of default provisions for fixed rate investments, the other than temporary impairments of equity securities, the technical provisions for life insurance including amortization of deferred policy acquisition costs, the provisions for minimum benefit guarantees, and the pension expense. For further explanation refer to the notes of the related items.

As of 2002, in line with a new accounting guideline of the Council for Annual Reporting (CAR), the amount of dividend on common shares is not accrued until it is declared. The impact on shareholders' equity at December 31, 2002 was EUR 516 million positive and on shareholders' equity at January 1, 2002 EUR 631 million positive.

Also in line with CAR accounting guidelines, valuation and classification of non-redeemable preferred shares were changed. These investments are now recognized under shares and valued at market value. In previous years these investments were shown under bonds and valued at amortized cost. The impact on shareholders' equity at January 1, 2002 and on net income 2002 is not material. Prior year's amounts have been adjusted for comparability.

In 1997 AEGON put a cap of 7% after tax on the indirect return. As announced in the annual report 2000, to bring the application of this method in line with current general practice, the cap on indirect return was removed in 2001. The positive impact on 2001 pretax earnings amounted to EUR 72 million.

In 1993 AEGON acquired Diversified Investment Advisors Inc., the former group pension operation of Mutual Life Insurance Company of New York. The original transaction involved the transfer of general account assets and liabilities which were classified and aggregated as assets and liabilities for the account of policyholders as the risks remained at the seller. Therefore the transaction was structured in such a way that AEGON did not participate in the earnings of the existing business for the subsequent nine years, whereas renewals from the existing business and new business would be fully for the benefit of AEGON from 1994 onwards.

In 2002, according to the agreement AEGON purchased the remainder of the existing business pursuant to a formula described in the agreement. As AEGON is now the full owner, the assets and liabilities have been classified as general account assets and liabilities. This includes a shift from policyholders account assets and liabilities to general account assets and liabilities for an amount of EUR 1.3 billion for the related assets and liabilities.

On May 9, 2002, AEGON and the China National Offshore Oil Corporation (CNOOC) announced the establishment of a joint venture for life insurance activities in China. CNOOC and AEGON entered this joint venture as equal partners and will each contribute 50% to the initial capital base of approximately EUR 27 million. The joint venture's headquarters will be located in Shanghai and, subject to receiving regulatory approval, will launch its operations in the course of 2003.

On September 5, 2002, AEGON and La Mondiale, established in Lille, France, announced that they had entered into an alliance for the development of new pension ventures in Europe. La Mondiale is a mutual life insurance company, specialized in life insurance and pensions. The cooperation has been given shape by AEGON taking a 20% participation in La Mondiale Participations, the holding company under which the non-mutual activities of La Mondiale have been grouped. The participation was realized on December 26, 2002. The agreement provides for extension of the participation to 35% in the next few years.

In September 2002, AEGON effectuated a non-dilutive capital restructuring whereby Vereniging AEGON sold 350 million common shares, of which 143.6 million common shares were sold directly in a secondary offering outside the United States and 206.4 million shares were purchased by AEGON and subsequently sold in a global offering. The purchase price for the 206.4 million common shares was EUR 2,064 million, which amount Vereniging AEGON contributed as paid-in capital on AEGON 's existing preferred shares, all of which Vereniging AEGON holds. Vereniging AEGON and AEGON agreed to set off their respective payment obligations to each other; accordingly, no cash was exchanged as part of these transactions. Due to this restructuring, the voting interest of Vereniging AEGON reduced from approximately 52% to approximately 33% (excluding issued common shares held in treasury).

On December 2, 2002, AEGON announced that an agreement had been reached with Paramount Life & General Insurance Corporation in the Philippines for the transfer of AEGON's activities in the Philippines with immediate effect. The agreement includes the transfer of the existing book of business. Approval of the relevant regulatory authorities has been received for this transaction.

In the course of the financial year AEGON announced the acquisition in whole or in part of several independent advisory companies in the United Kingdom. The purchases were realized through AEGON UK plc and form part of the strategic goal to invest in distribution capability in the United Kingdom.

#### CONSOLIDATION PRINCIPLES

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

Consolidated entities also include special purpose entities set up in connection with the sale of investment products in the United States.

Participations in joint ventures have been consolidated proportionally.

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

A list of names and locations of the most important group companies is given on page 96.

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

CAPITAL BASE	EUR mln	2002 %	EUR mln	2001 %
	Shareholders' equity	14,231	70.9	15,923
Capital securities	2,008	10.0	2,101	9.3
Subordinated debt	616	3.1	670	3.0
Senior debt related to insurance activities	3,203	16.0	3,982	17.5
<b>TOTAL CAPITAL BASE</b>	<b>20,058</b>	<b>100.0</b>	<b>22,676</b>	<b>100.0</b>

AEGON's capital base reflects the capital employed in its insurance activities. AEGON endeavors to manage its capital base to contain at least 70% shareholders' equity, between 5% and 15% capital securities, and a maximum of 25% subordinated and senior debt. The decrease in senior debt is primarily caused by redemption of long-term liabilities out of the proceeds received from the transactions with Vereniging AEGON, and translation results on USD denominated debt.

**FOREIGN CURRENCY**

Assets and liabilities denominated in foreign currencies are converted into euro at the year-end exchange rates after consideration of transfer risks, where necessary. Currency exchange rate differences resulting from the conversion of foreign currencies investments in equities and real estate are accounted for in shareholders' equity.

Income statement items in foreign currencies are converted at the weighted average currency exchange rates for the reporting period. Calculation differences resulting from using year-end exchange rates in the balance sheet and weighted average exchange rates in the income statement are charged or credited directly to shareholders' equity under the caption currency exchange rate differences.

Equity held in subsidiaries not accounted for in euro, to the level of self-imposed requirements applied within the group, is not hedged against currency exchange rate movements. Equity amounts in excess of these requirements held in subsidiaries can be hedged. All currency results related to equity held in subsidiaries and the funding thereof, including results and related costs from hedging transactions on those subsidiaries, are accounted for in shareholders' equity under the caption currency exchange rate differences. Other currency exchange rate differences are included in the income statements.

The most important closing rates are:	2002	2001	
US Dollar (USD)	1.04870	0.88130	
Swiss Franc (CHF)	1.45240	1.48290	
Pound Sterling (GBP)	0.65050	0.60850	
Canadian Dollar (CAD)	1.65500	1.40770	
Japanese Yen (JPY)	124.39000	115.33000	
Hungarian Forint (HUF)	235.90000	246.33000	
Taiwan Dollar (NTD)	36.11000	30.47000	
Weighted average exchange rates applied for income statement items:	2002	2001	2000
US Dollar (USD)	0.94680	0.89540	0.92350
Pound Sterling (GBP)	0.62830	0.62130	0.60900
Canadian Dollar (CAD)	1.48470	1.38850	1.37450
Hungarian Forint (HUF)	242.88000	257.30000	260.05000
Taiwan Dollar (NTD)	32.77000	29.68200	28.78500