

VERENIGING AEGON

ANNUAL REPORT 2003

Vereniging AEGON

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Vereniging AEGON

P.O. Box 202

2501 CE 's-Gravenhage

Telephone: + 31-70-3448288

Fax: + 31-70-3477929

E-mail: Secretariaat@VerenigingAEGON.nl

Registered office in The Hague, The Netherlands
Chamber of Commerce, The Hague Nr. 40531114

This is a fair English translation of the Dutch text of the Annual report 2003 of Vereniging AEGON. Differences in translation may occur; the Dutch text will always govern.

EXECUTIVE COMMITTEE AND MEMBERS

Executive Committee

P.P. Kohnstamm, Chairman
 J.L. Bouma, Vice-Chairman
 J.M. Boll
 P.J. Idenburg
 D.J. Shepard
 J.B.M. Streppel
 J.W.B. Westerburgen

	<u>Year of resignation</u>	
	Periodic	Final
Members		
J.M. Boll	2004	2012
A.F. Bosma	2007	2011
J.L. Bouma	-	2004
W.B. Brouwer	-	2004
H.J.E. Bruins Slot	2006	2018
W.M. van den Goorbergh	2007	2018
J. van Hes	-	2005
P.J. Idenburg	2005	2012
P.P. Kohnstamm	2006	2010
Mrs. Koster-Burbidge	2007	2018
P.M. van der Laan	-	2005
H.J. Lambert	-	2004
Mrs. P.C. Lodders-Elfferich	2006	2010
H.W. Lulofs	-	2004
Mrs. E.J. Mulock Houwer	2006	2011
H.M. Pinedo	2005	2013
R. Spiekerman van Weezelenburg	2007	2010
D.J. Shepard	n/a	2008
J.B.M. Streppel	n/a	2011
J.W.B. Westerburgen	2005	2012
G.G. Witsen Elias	-	2004



J.M. Boll (1942) has been a member of the Vereniging since 1996. In 1996 he joined the Executive Committee. Mr. Boll is a member of the Council of State. Mr. Boll is also Chairman of Vereniging Rembrandt.

A.F. Bosma (1941) has been a member since 1983. Mr. Bosma is an insurance intermediary and Director of MeerPolis Inc. Mr. Bosma was until 1984 Chairman of the "NBvA" (Dutch Association of Independent Insurance Agents) and until now committee member of the "NVA" (Dutch Association of Insurance Agents).

J.L. Bouma (1934) has been a member of the Vereniging since 1973. Mr. Bouma has been a member of the Executive Committee since 1992 and has been its Vice-Chairman since 1996. Mr. Bouma was a professor of business economics at the University of Groningen and is a member of the Royal Netherlands Academy of Arts and Sciences. He holds several commissioners' posts.

W.B. Brouwer (1934) has been a member since 1984. Mr. Brouwer is currently a consultant at Brouwer Advies Inc; before this he was a teacher at the Academy of Amsterdam and Director of Tektronix Holland Inc. in Heerenveen.

H.J.E. Bruins Slot (1948) has been a member of the Vereniging since 1998 lid. Mr. Bruins Slot is currently CEO of the Dutch Public Broadcasting Company. Before this he was, among other things, was Secretary General of the Ministry of Education and Science and mayor of the Municipality of Apeldoorn.

W.M. van den Goorbergh (1948) became a member of the Vereniging in 2003. He currently holds several management and supervisory positions. Before this he was the acting Chairman of the Executive Board of Rabobank the Netherlands.

J. van Hes (1935) joined the Vereniging as a member in 1997. Mr. Van Hes is Director of H.D. Management Inc. (Leeuwarden), Eisma Business Media, Eisma EDU Media en Eisma Publishing Consultants.

P.J. Idenburg (1942) joined the Vereniging in 1989 and has been a member of the Executive Committee from 1996. Mr. Idenburg is a Professional and Personal coach. He also holds certain advisory positions for the European Committee. Before this he was Chairman of the Post Graduate School and of the Faculty Technology Policy and Management of the Delft University of Technology. Beforehand Mr. Idenburg was, among other things, acting Director General at the Ministry of Economic Affairs and a member of the Group Council of Van Leer, Packaging Worldwide.

P.P. Kohnstamm (1940), Chairman, has been a member of the Vereniging since 1990. In 1992 Mr. Kohnstamm was elected as a member of the Executive Committee and as from 1998 he has been the Chairman of the Vereniging. He works as a commissioner, manager and consultant. Before this he was part of the Management Board of Wilma Real Estate and Professor in Real Estate Science at the University of Amsterdam.

Mrs. I.E. Koster-Burbidge (1948) became a member in 1999. Mrs. Koster was Director of the Language Institute Regina Coeli Inc. in Vught. She is currently, among other things, member of the Board of the Stomach-Liver-Intestine Foundation.

P.M. van der Laan (1935) became a member of the Vereniging in 1996. Mr. Van der Laan was a civil notary and partner of Nauta Dutilh in Amsterdam. He is currently a Supervisory Board member of Dexia Bank The Netherlands N.V.

H.J. Lambert (1934) joined the Vereniging in 1969. Mr. Lambert is Director of Lambert Venture Promotion Inc. and before this he was divisional director of the Transport Division of Pakhoed Inc.

Mrs. P.C. Lodders-Elfferich (1940) has been a member of the Vereniging since 2002. Mrs. Lodders is Chairman of the "NOV" (Association of Dutch Voluntary Organizations) and also the Chairman of "I.C.C.O." (Interdenominational Coordination Development Committee).

H.W. Lulofs (1934) became a member of the Vereniging in 1990. Mr. Lulofs has retired but was formerly General Director of Baak Foundation (Management Study centre of the Confederation of Netherlands Industry and Employers). Mr. Lulofs is currently a member of the Supervisory Board of Greif Netherlands Inc.

Mrs. E.J. Mulock Houwer (1941) joined the Vereniging in 2002. Mrs. Mulock Houwer is Director General Prevention, Youth and Sanctions at the Ministry of Justice. She is also a Board member of the VPRO Broadcasting Company.

H.M. Pinedo (1943) has been a member of the Vereniging since 2001. He is a Professor of Medical Oncology at the VUmc and Director of the VUmc Oncology Centre in Amsterdam. Before this he was head of the Medical Oncology department of VUmc.

D.J. Shepard (1946) has been an (Executive Committee) member of Vereniging AEGON since 2002. Mr. Shepard is Chairman of the Executive Board of AEGON N.V. In the United States he is also a Board member of Mercantile Bankshares Corporation and CSX Corporation. Furthermore Mr. Shepard is trustee of the Johns Hopkins Medicine and Johns Hopkins University and Chairman of the Financial Services Roundtable.

R. Spiekerman van Weezenburg (1949) has been a member since 1995. Mr. Spiekerman van Weezenburg was General Major of the Marines and commander of the Marine Corps. Until September 2002 he was a Chancellor of the Dutch Orders.

J.B.M. Streppel (1949) has been an (Executive Committee) member of Vereniging AEGON since 2000. Mr. Streppel is a member of the Executive Board of AEGON N.V. Furthermore he is a member of the Supervisory Board of KPN NV.

J.W.B. Westerburgen (1942) was elected as a member of the Vereniging in 2001 and in 2003 he joined the Executive Committee. Mr. Westerburgen has retired. Formerly he was Joint Secretary Unilever Inc. and Plc. Currently Mr. Westerburgen is a member of the Supervisory Board of ASML Holding Inc. and Unilever The Netherlands Inc.

G.G. Witsen Elias (1932) has been a member of the Vereniging since 1969. Mr. Witsen Elias is a Board member of the Foundation Heirs Koumans Smeding; of which he was formerly a Director. He also holds several management positions in organisation in the social and cultural field.

OBJECTIVE AND HISTORY

Objective

Vereniging AEGON ('the Vereniging') as a shareholder equally represents the direct and indirect interests of AEGON N.V. and the companies with which AEGON N.V. forms a group, insured parties, employees, shareholders and other relations of these companies. The Vereniging endeavours to achieve this by holding shares in the capital of AEGON N.V. and exercising voting rights attributable thereto. The Vereniging's revenue consists of the yields from these shares.

History

Vereniging AEGON is an Association under Dutch law. Until 1983 it was called "Vereniging AGO" and was established in 1978 as the legal successor of AGO Onderlinge Levensverzekering-maatschappij, which because of a legal reorganization of the AGO insurance company, was demutualized. Because of this reorganization, Vereniging AGO became the holder of all issued shares of AGO Holding N.V.

At the time of the merger between AGO en Ennia in 1983, the Vereniging transferred its holding of all the shares in AGO Holding N.V. to the listed company Ennia N.V. (the name of which was changed into AEGON N.V.) in exchange for newly to be issued common and preferred shares AEGON N.V. Vereniging AGO was then renamed Vereniging AEGON. On the basis of the conditions of the Merger Agreement 1983, the Vereniging acquired a substantial (minority) interest in common shares as well as all preferred shares, through which a majority of the voting rights were acquired. Moreover, the Vereniging received with the aforementioned Agreement, the right to acquire, new preferred shares in the case of the dilution of its voting right in order to maintain its majority position as desired by the parties involved in the merger; the so called option right arrangement

In September 2002, the Vereniging agreed upon a Recapitalization Agreement with AEGON N.V. This agreement formed the basis for the sale of 350,000,000 AEGON N.V. common shares by the Vereniging for a net price of EUR 9,76 per share. With a part of the proceeds, the Vereniging reduced its level of debt. For the remaining part of its debt, the Vereniging agreed upon a new credit facility with a syndicate of banks. On behalf of this facility, the Vereniging gave all the common shares and the revenues from the preferred shares as collateral. The remaining part of the proceeds (EUR 2,064,000.000) was paid in on its AEGON N.V. preferred shares by the Vereniging in order to ensure that the economic value of the preferred shares was equal to that of the common shares. The paid-in amount for the preferred shares now amounts to EUR 4,81 per AEGON N.V. preferred share.

Because of this transaction the Vereniging's voting right dropped from approximately 52% to approximately 33%. In the aforementioned Recapitalization Agreement, a provision had been made for the option right arrangement to exist up to this lower voting right level. Furthermore the Vereniging indicated that it was prepared, dependant on the implementation of certain changes in the corporate governance of AEGON N.V., to further reduce its voting right in the near future to approximately 23,6%, this percentage corresponding with the paid-in capital by the Vereniging. This reduction in the voting right was formalized in May 2003, although under certain circumstances the Vereniging is entitled to make use of the multiple voting right on its preferred shares in accordance with the higher nominal value of these shares (25/12 vote per share), this reinstating the voting right for a limited period of time to the level agreed upon in the Recapitalization Agreement.

REPORT OF THE EXECUTIVE COMMITTEE

Developments in 2003

Exercising of voting and dividend rights

As in previous years, the Vereniging met its objectives by holding shares in AEGON N.V. and exercising the thereto-related rights. Those rights are mainly the right to vote and the right to receive dividend.

The right to vote, in accordance with the resolution of the General Meeting of Members of the Vereniging, was exercised at the Annual General Meeting of Shareholders of AEGON N.V., held on April 17, 2003 and the Extraordinary Meeting of Shareholders of AEGON N.V., held on May 9, 2003.

In line with the choices made in the resolutions of the Executive Committee, the final dividend 2002 and interim dividend 2003 were received in shares and these recently received shares were subsequently sold at a price of EUR 9,72 respectively EUR 11,6536 per share.

Change in relationship Vereniging and AEGON N.V.

On May 9, 2003, certain changes to AEGON N.V.'s corporate governance structure and AEGON N.V.'s relationship with Vereniging AEGON were approved in an Extraordinary General Meeting of Shareholders.

AEGON N.V.'s Articles of Incorporation were subsequently amended on May 26, 2003. The relationship between Vereniging AEGON and AEGON N.V., in line with the promises made in September 2002, was changed as follows.

- The 440,000,000 preferred shares with a nominal value of EUR 0.12 held by the Vereniging were converted into 211,680,000 new class A preferred shares, each with nominal value of EUR 0.25, and the paid-in par capital on the preferred shares was increased by EUR 120,000 to EUR 52,920,000. The voting rights pertaining to the new preferred shares (the class A preferred shares as well as the class B preferred shares under the option right arrangement as explained hereafter) was changed accordingly to 25/12 vote per share.

- AEGON N.V. and the Vereniging have entered into a Preferred Shares Voting Rights Agreement, pursuant to which the Vereniging has voluntarily waived its right to cast 25/12 vote per class A or class B preferred share. Instead the Vereniging has agreed to exercise one vote only per preferred share, except in the event of a special cause, such as the acquisition of a 15% interest in AEGON N.V., a tender offer for AEGON N.V. shares or a proposed business combination by any group or group of persons whether individually or as a group, other than in a transaction approved by the Executive Board and the Supervisory Board. If, at its sole discretion, the Vereniging determines that a 'special cause' has occurred, Vereniging AEGON will notify the General Meeting of Shareholders and retain its right to exercise the full voting right of 25/12 vote per preferred share for a limited period of six months.

- AEGON N.V. and the Vereniging have amended the option right arrangement under the 1983 Merger Agreement. Under the amended option arrangement, Vereniging AEGON, in the case AEGON N.V. issues new shares, has the right to have as many class B preferred shares as shall enable the Vereniging to prevent or correct dilution to below its actual percentage of total voting shares. Class B preferred shares B will then be issued at par value (EUR 0,25), unless a higher issue price is agreed. On September 19, 2003 and December 29, 2003, Vereniging AEGON exercised its option rights following the dilution caused by the stock dividend issuances of AEGON N.V. and acquired 10,220,000 respectively 880,000 class B preferred shares at par value to correct this dilution.

Under normal circumstances the voting right of the Vereniging, based on the number of outstanding and voting shares (excluding issued common shares held in treasury by AEGON N.V.) at December 31, 2003, amounts to approximately 23%. In the event of a 'special cause', Vereniging AEGON's voting rights will increase to currently 32,60% for up to six months per 'special cause'.

Reorganisation

A number of changes have been implemented in the structure and organisation of the Vereniging. The Vereniging and AEGON N.V. have entered into a service level agreement in which the services AEGON N.V. renders to the Vereniging are recorded. Furthermore the financial administration and communication have been outsourced. The Vereniging now has its own Secretary, certain points of the Articles of Association have been changed and the Vereniging will have its own website.

Adjustment in structure of the Executive Committee

On April 17, 2003 the General Members' Meeting decided to amend the Articles of Association. This amendment to the Articles of Association was effectuated on May 26, 2003. This change was the consequence of the decision of the "members-supervisory" to step down from the Vereniging. Having taken these changes into account, a number of clauses in the Articles of Association with regard to the members (of the Executive Committee) and the decision making process have been amended. In conjunction with the above-mentioned preferred shares voting right arrangement, the amended Articles have given the Executive Committee a number of extra powers. These relate mainly to the adoption of the policy concerning the exercising of the full voting right and the direction in which this should be done.

Members and Executive Committee

The General Members' Meeting of the Vereniging consisted per December 31, 2003 of 21 members (2002:23). The majority of the voting rights is with nineteen of the members who are not employees or former employees of AEGON N.V. or one of the group companies, nor current or former members of the Supervisory Board or the Executive Board of AEGON N.V. The two other members are both elected by the General Meeting of Members from among the members of the Executive Board of AEGON N.V.

The Executive Committee of the Vereniging consists of seven members, five of whom, including the Chairman and the vice-chairman, are not, nor have ever been, related to the AEGON Group. The other two members

are also members of the Executive Board of AEGON N.V. When a vote in the Executive Committee results in a tie, the General Meeting of Members has the deciding vote.

During the year under review, Messrs. H. de Ruiters, M. Tabaksblat and J. van Rijn stepped down as members and Mr. J.W.B. Westerburchen joined the Executive Committee.

Furthermore, Mrs. I.E. Koster-Burbidge and Messrs. A.F. Bosma, P.M. van der Laan and R. Spiekerman van Weezenburg stepped down as members and were re-elected. Mr. W.M. van den Goorbergh joined the Vereniging in 2003.

Messrs. Tabaksblat and De Ruiters have played an active role since 2000 and 1 respectively 1996 as "members-supervisory". The Executive Committee is grateful for their efforts. Mr. Van Rijn has made important contributions to the Vereniging since 1998. The Executive Committee would also like to thank him very much.

Remuneration

The members of the Executive Committee receive a fixed fee for their activities. The other members receive a fixed fee and an attendance fee. The General Meeting of Members adopts all fees.

Members received in 2003 a fee of EUR 5,000 per year and EUR 1,500 per meeting attended. The members of the Executive Committee are not entitled to an attendance fee. The chairman of the Executive Committee received over the year 2003 a fee of EUR 23,000. The compensation for the other members of the Executive Committee was EUR 17,500.

Because the responsibilities and activities have increased as a consequence of the changed role of the Vereniging, the General Meeting of Members has decided to increase the fixed fee for members to EUR 7,000; EUR 28,500 for the chairman; EUR 23,000 for the vice-chairman, and EUR 20,000 for the other members of the Executive Committee. The attendance fee was reduced from EUR 1,500 to EUR 1,000. These changes have taken effect from January 1, 2004.

Dutch corporate governance code

Under the guidance of Mr. M. Tabaksblat, a committee with representatives from several sections of society has drawn up a Dutch corporate governance code. The code is intended primarily to set out rules and best practice provisions in the field of corporate governance for listed companies. In addition to this, institutional investors are also put under obligations. The Vereniging is neither a listed company nor an institutional investor in the sense of the code. As a large shareholder of AEGON N.V., the Vereniging appreciates the efforts AEGON N.V. has made and has announced to be making in the field of corporate governance from the perspective of the aforementioned code.

Annual accounts 2003

The value of the shareholding amounted to EUR 4,136 on December 31, 2003 against EUR 4,225 million per December 31, 2002. As a result of the accounting principles

applied, the shareholding of the Vereniging is carried at market value. During the book year, unrealized gains and losses are accounted for in equity, as long as the revaluation account is positive.

The result for 2003 amounted EUR 15,4 million positive against EUR 2.694,5 million in 2002. The result for 2002 was the consequence of a steep decline in the market value of the shares in that year.

The Executive Committee proposes that the General Meeting of Members adopts the annual accounts and releases the Executive Committee from liability for its management in 2003.

On behalf of the Executive Committee,
P.P. Kohnstamm, Chairman

The Hague, April 16, 2004

CONSOLIDATED BALANCE SHEETS AT 31 DECEMBER

(after profit appropriation)

Amounts in thousands of euro

	2003	2002
Fixed assets		
Financial fixed assets		
Participations	4,136,831	4,225,202
Current assets		
Prepayments and accrued income	95,289	30,631
Liquid assets	2,705	48
Total current assets	97,994	30,679
Total Assets	4,234,825	4,255,881
Capital and reserves	2,499,019	2,483,582
Long-term liabilities	1,685,498	1,719,796
Current liabilities	50,308	52,503
Total Liabilities	4,234,825	4,255,881

CONSOLIDATED INCOME STATEMENTS

Amounts in thousands of euro

	2003	2002
Revenues		
Dividend common shares participation	99,418	431,075
Dividend preferred shares participation	95,289	30,631
Result total return swap	4,590	336,476
Interest gain	19	-
Total Revenues	199,316	798,182
Interest and Expenses		
Realized losses common shares	42,173	1,775,516
Unrealized losses common shares	45,740	1,568,743
Interest charges	95,426	145,751
Expenses	540	2,709
Total Interest and expenses	183,879	3,492,719
Result	15,437	-2,694,537

CONSOLIDATED CASH FLOW STATEMENTS

Amounts in thousands of euro

	2003	2002
Cash flow from operating activities		
Dividend common shares	–	307,926
Dividend preferred shares	30,631	3,432
Interest received	6,179	–
Paid dividend total return swap	-11,394	-15,844
Interest paid	-97,979	-137,059
Expenses paid	-475	-2,680
	-73,038	155,775
Cash flow from investing activities		
Invested and acquired		
Common shares	–	–
Preferred shares	-2,775	2,064,000
Disposed and redeemed		
common shares	102,651	3,416,000
total return swap mark to market	–	378,302
	99,876	1,730,302
Cash flow from financing activities		
Redemption long-term liabilities	-2,269	-30,000
Redemption long-term liabilities from credit facilities	-2,219,402	–
Withdrawal long-term liabilities from credit facilities	2,197,490	1,675,150
Change in current liabilities	–	-3,531,682
	-24,181	-1,886,532
Net change in liquid assets	2,657	-455

The consolidated cash flow statements have been set up according to the direct method. Under the heading cash flow from financing activities a credit facility has been accounted for. The nominal value of this credit facility will be fixed monthly, dependent as well on the underlying value of the AEGON N.V.'s guaranteed shares. For a more detailed explanation see page 15.

NOTES ON THE CONSOLIDATED FINANCIAL STATEMENTS

Introduction

If the Supervisory Board of AEGON N.V. does not allocate the profit of the year to reinforcing equity or reserves, an annual dividend is paid on the 223 million preferred shares. These shares pay an annual dividend on the paid-in capital equal to the European Central Bank refinancing rate on the first business day of the year plus 1.75 percentage points. The dividend on the preferred shares for the current year is 4.5%.

At December 31, 2003, the Vereniging owned 172 million of the outstanding common shares.

The Vereniging has assets of approximately EUR 4.1 billion (based on the closing share price of the common shares AEGON N.V. on Euronext Amsterdam on December 31, 2003 of EUR 11.73) and outstanding debt of EUR 1.7 billion, for which a committed bank facility with maturity till 2005 has been arranged.

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

Consolidation principles

In the consolidated financial statements of Vereniging AEGON, the group companies Albidus B.V. and AEGON Mirror Fund have been included.

Change of presentation

The results from the total return swap are included in the income statement as one item. The breakdown of these results is included in the notes.

Commissions and fees due to credit institutions from 2003, are included in the interest charges. In previous years these costs have been accounted for in expenses.

The Executive Committee is of the opinion that these changes will increase the understanding of the structure of the results of the Vereniging.

The comparative figures are restated according to the changes.

NOTES TO THE CONSOLIDATED BALANCE SHEETS

Amounts in thousands of euro

Accounting principles

Unless mentioned otherwise, balance sheet items are carried at face value.

Participations

This item concerns the participation in AEGON N.V. and is made up as follows:

	2003	2002
Common shares	2,017,256	2,108,402
Preferred shares A	2,116,800	2,116,800
Preferred shares B	2,775	–
Total	4,136,831	4,225,202

Shares are valued at their quoted price or, if unquoted, at estimated market value. Any revaluation is accounted for in the Revaluation account as far as this reserve is available. Realized gains and losses on shares sold are accounted for in the income statement. When dividend is taken up in shares, an amount equal to the cash dividend is credited to income. The market value of the common shares, per 31 December 2003, amounted to EUR 2,017,256 (EUR 11.73 per share). On 31 December 2002, the market value amounted to EUR 2,108,402 (EUR 12.26 per share).

Overview of changes in common shares at market value:

	2003		2002	
	Number	Amount	Number	Amount
Balance at 1 January	171,974,055	2,108,402	517,271,586	15,725,056
Stock final dividend 2002 (2001)	6,878,962	63,630	4,702,469	118,972
Stock interim dividend 2003 (2002)	3,070,965	35,788	–	–
Sold:				
Price net of costs:				
e 9.72 (2002: e 9,76)	-6,878,962	-66,863	-350,000,000	-3,416,000
Price net of costs:				
e 11.65 (2002: –)	-3,070,965	-35,788	–	–
Revaluation	–	-87,913	–	-10,319,626
Balance at 31 December	171,974,055	2,017,256	171,974,055	2,108,402

Overview of changes in preferred shares:

	2003		2002	
	Number	Amount	Number	Amount
Balance at 1 January	440,000,000	2,116,800	440,000,000	52,800
Paid in capital preferred shares	–	–	–	2,064,000
Purchases	11,100,000	2,775	–	–
Conversion	-228,320,000	–	–	–
Balance at 31 December	222,780,000	2,119,575	440,000,000	2,116,800

The preferred shares are valued at cost. The holder of preferred shares expects a dividend, the percentage of which, on an annual basis, is equal to the rate for basic refinancing transactions applied by the European Central Bank, increased by 1.75 percentage points, applicable to the first trading day on the Amsterdam Exchanges in the financial year to which the dividend is related to. For 2003, a dividend equal to 4.5% is expected (2002: 5.0%).

The conversion relates to a change of the face value of the preferred shares from EUR 0.12 to EUR 0.25 per share and an issue of shares paid-out from the share premium reserve. As a result the number of preferred shares decreased by 228,320,000.

	2003	2002
Prepayments and accrued income		
Expected preferred dividend	95,289	30,631

Long-term liabilities	2003	2002
Loans	–	2,269
Deposits	1,653,238	1,675,150
Total return swap	32,260	42,377
Total	1,685,498	1,719,796

Loans	–	2,269
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The loan is fully redeemed in 2003. The coupon is 5.48%.

Deposits	1,653,238	1,675,150
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Vereniging AEGON has arranged a credit facility with a syndicate of banks under the leadership of ABN Amro Bank. N.V. This credit facility consists of an "Equity Repurchase Facility" (Repo Facility) and a "Revolving Repo Backup Facility" (Back-up Facility). Both facilities are up to 2005. As a result of the Repo Facility, Vereniging AEGON will be able to enter into Repo transactions with the banking syndicate for a maximum of EUR 1,720,000 with underlying AEGON N.V. common shares. For the Vereniging AEGON there is also a Back-up facility available, which can be applied for at the moment that the contractual coverage of AEGON N.V. common shares is no longer sufficient.

All common shares AEGON N.V. and income from preferred shares AEGON N.V. have been given to security on behalf of the credit facility. At December 31, 2003, 162,251,299 shares in AEGON N.V. served as collateral for deposits.

In past years Vereniging AEGON has arranged derivatives for covering interest risks. At December 31, 2003, interest contracts were taken up for a total of EUR 3,030,000 (nominal value), with a negative fair value of EUR 42,359 (31 December 2002 EUR 59,985). The interest obligations of these contracts are accounted for under accrued interest.

	2003	2002
Total return swap		
Total return swap 2001	-229,276	-223,292
Total return swap 2002	-116,766	-112,633
Mark to market	378,302	378,302
Total	32,260	42,377

On June 29, 2001 AEGON NV entered into a Total Return Swap (TRS) with Vereniging AEGON in order to hedge the stock option plan for 2001. The TRS gives AEGON NV effectively the right to the capital gains on 11,288,800 AEGON NV shares at the termination date and to the dividends on these shares during the contract period. The capital gains are calculated on an exercise price of EUR 32.04. Any losses compared to the exercise price will be paid by AEGON NV to Vereniging AEGON upon termination. AEGON NV in return will pay interest to Vereniging AEGON on a quarterly basis over the (remaining) amount outstanding under the TRS. The interest rate is equal to the 3-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 NV. The total return swap is carried at fair value with changes in fair value reported in income.

On March 11, 2002 AEGON NV 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 NV the right to the capital gains on 7,800,000 AEGON NV shares at the termination date and to the dividends on these shares during the contract period. The capital gains are calculated based on the exercise price of EUR 26.70. Any losses compared to the exercise price will be paid by AEGON NV to Vereniging AEGON upon termination. AEGON NV in return will pay interest to Vereniging AEGON on a quarterly basis over the (remaining) amount outstanding under the TRS. The interest rate is equal to the 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 NV. The TRS is carried at fair value with changes in fair value reported in income.

On September 17, 2002 Vereniging AEGON and AEGON NV agreed to mark to market the existing TRS agreements that hedge the 2001 and 2002 share option plans based on the EUR 10.04 closing price of AEGON NV share on Euronext Amsterdam. This resulted in a payment to Vereniging AEGON of EUR 378,302.

	2003	2002
Current Liabilities		
Accrued interest	48,802	51,849
Miscellaneous	1,506	654
Total	50,308	52,503

NOTES TO THE CONSOLIDATED INCOME STATEMENT

Amounts in thousands of euro

Income and expenditure for the financial year are included in the income statements.

The dividend on preferred shares consists of the European Central Bank refinancing rate on the first business day of the year plus 1.75 percentage-points. Over 2003 this percentage is equal to 4.5% (2002: 5.0%).

The dividend is accounted for in the year to which the dividend relates.

The result total return swap can be specified as follows:

	2003	2002
Unrealized value variances	10,117	335,924
Interest paid and received	5,867	16,396
Paid dividends	- 11,394	- 15,844
	4,590	336,476

The realized loss on common shares amounts to EUR 42,173 and is the difference between the market value and the cost of the 9,949,927 common shares sold.

The unrealized loss of common shares amounts to EUR 45,740 and is the part of the revaluation of common shares that could not be offset by the revaluation account.

The interest charges can be specified as follows:

	2003	2002
Paid interest	90,558	135,780
Commissions and fees	4,868	9,971
	95,426	145,751

Expenses include the amount charged to the Vereniging in the financial year for the remuneration of the members of the Executive Committee, as mentioned in Article 383, paragraph 1, Book 2 of the Dutch Civil Code, being EUR 107 (2002: EUR 115).

Particulars of the participation itself can be obtained from AEGON N.V's annual report for 2003.

BALANCE SHEETS AT 31 DECEMBER

(after profit appropriation)

Amounts in thousands of euro

	2003	2002
Fixed assets		
Financial fixed assets		
Participations	4,136,831	4,225,202
Current assets		
Prepayments and accrued income	95,289	30,631
Liquid assets	2,705	48
Total current assets	97,994	30,679
Total Assets	4,234,825	4,255,881
Capital and reserves		
Capital	2,499,019	2,483,582
Revaluation account	–	–
Total capital and reserves	2,499,019	2,483,582
Long-term liabilities	1,685,498	1,719,796
Current liabilities	50,308	52,503
Total Liabilities	4,234,825	4,255,881

INCOME STATEMENTS

Amounts in thousands of euro

	2003	2002
Net income group companies	4,348	-1,125,160
Other income	11,089	-1,569,377
Result	15,437	-2,694,537

NOTES TO THE BALANCE SHEETS

Amounts in thousands of euro

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.

Participations

This item concerns the participation in AEGON N.V., Albidus B.V. and AEGON Mirror Fund and consists of the following:

	2003	2002
Common shares AEGON N.V.	1,254,799	1,311,495
Preferred shares AEGON N.V.	2,119,575	2,116,800
Albidus B.V. (100%)	7	7
AEGON Mirror Fund	762,450	796,900
Total	4,136,831	4,225,202

Albidus B.V. and AEGON Mirror Fund are valued at net asset value.

Overview of changes in common shares at market value:

	2003		2002	
	Number	Amount	Number	Amount
Balance at 1 January	106,973,495	1,311,495	452,271,026	13,749,039
Stock final dividend 2002 (2001)	4,278,962	39,580	4,702,469	118,972
Stock interim dividend 2003 (2002)	1,910,251	22,261	-	-
Sold:				
Price net:				
e 9.72 (2002: EUR 9.76)	-4,278,962	-41,591	-350,000,000	-3,416,000
Price net:				
e 11.65 (2001: -)	-1,910,251	-22,261	-	-
Revaluation	-	-54,685	-	-9,140,516
Balance at 31 December	106,973,495	1,254,799	106,973,495	1,311,495

Overview of changes in the participation AEGON Mirror Fund:

	2003	2002
Balance at 1 January	796,900	1,976,000
Net income for the financial year	4,348	-1,125,150
Dividend	-38,798	-53,950
Balance at 31 December	762,450	796,900

For the notes to the preferred shares and other securities refer to the notes to the consolidated balance sheets.

Capital and reserves

The Capital and reserves consist of:

	2003	2002
Capital	2,499,019	2,483,582
Revaluation account	–	–
Total	2,499,019	2,483,582

The development of the Capital and reserves is as follows:

	Capital	Revaluation- account	Total 2003	Total 2002
Balance at 1 January	2,483,582	–	2,483,582	12,172,000
Result financial year	15,437	–	15,437	-2,694,537
Revaluation participations	–	–	–	-5,199,851
Revaluation total return swap	–	–	–	-18,514
Realized loss	–	–	–	-1,775,516
<hr/> Balance at 31 December	<hr/> 2,499,019	<hr/> –	<hr/> 2,499,019	<hr/> 2,483,582

For the notes to the long-term and current liabilities refer to the notes to the consolidated balance sheets.

The Hague, April 16, 2004

The Executive Committee

P.P. Kohnstamm, chairman
 J.L. Bouma, vice-chairman
 J.M. Boll
 P.J. Idenburg
 D.J. Shepard
 J.B.M. Streppel
 J.W.B. Westerburgen

AUDITOR'S REPORT

Introduction

We have audited the financial statements of Vereniging AEGON, The Hague, for the year 2003. These financial statements are the responsibility of the Executive Committee of the Vereniging. Our responsibility is to express an opinion on these financial statements based on our audit

Scope

We conducted our audit in accordance with the accounting standards generally accepted in The Netherlands. Those standards require that we plan and perform the audit to obtain reasonable assurance as to whether the financial statements are free of material discrepancies. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes the assessment of the accounting principles used, and the significant

estimates made by management, as well as evaluating the overall financial statement presentation.

We believe that our audit provides a proper basis for our opinion.

Opinion

In our opinion, the financial statements give a true and fair view of the financial position of the Vereniging AEGON as at 31 December 2003 and of the result for the year then ended in accordance with accounting principles generally accepted in the Netherlands and comply with the financial reporting requirements included in Part 9, Book 2 of the Netherlands Civil Code.

The Hague, April 16, 2004

Ernst & Young Accountants

