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VERENIGING  
AEGON



ANNUAL REPORT  
2005

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This is a translation of the Dutch text of the 2005 Annual Report of Vereniging AEGON. In the event of a difference in interpretation the Dutch text prevails.

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## EXECUTIVE COMMITTEE AND MEMBERS

Executive Committee	Members	Year of resignation	
		Scheduled	Final
P.P. Kohnstamm, <i>Chairman</i>	J.M. Boll	2008	2012
J.W.B. Westerburgen, <i>Vice-Chairman</i>	A.F. Bosma	2007	2011
J.M. Boll	H.J.E. Bruins Slot	2006	2018
W.M. van den Goorbergh	W.M. van den Goorbergh	2007	2018
P.J. Idenburg	J. van Hes <i>(until April 16, 2005)</i>		
D.J. Shepard	P.J. Idenburg	2009	2012
J.B.M. Streppel	H.P.M. Knapen	2008	2016
	P.P. Kohnstamm	2006	2010
	Mrs I.E. Koster-Burbidge	2007	2018
	Mrs P.C. Krikke	2008	2016
	P.M. van der Laan <i>(until April 16, 2005)</i>		
	Mrs P.C. Ladders-Elfferich	2006	2010
	H. Muller <i>(from May 1, 2005)</i>	2009	2012
	Mrs E.J. Mulock Houwer	2006	2011
	H.M. Pinedo	2009	2013
	D.J. Shepard	n/a	2008
	R. Spiekerman van Weezenburg	2007	2010
	H.P. Spruijt <i>(from May 1, 2005)</i>	2009	2017
<b>Secretary</b>	J.B.M. Streppel	n/a	2011
T.H.M. Schijf	J.W.B. Westerburgen	2009	2012



**Members at December 31, 2005****J.M. Boll** (1942)

has been a member of the Vereniging since 1996 and joined the Executive Committee in 1998. Mr Boll is a member of the Council of State.

**A.F. Bosma** (1941)

has been a member of the Vereniging since 1983. Mr Bosma is an insurance intermediary and managing director of MeerPolis B.V. Until 1984, Mr Bosma was chairman of the NBvA (Dutch Association of Independent Financial and Insurance Advisers).

**H.J.E. Bruins Slot** (1948)

has been a member of the Vereniging since 1998. Mr Bruins Slot is chairman of Netherlands Public Broadcasting. His previous positions included secretary-general of the Ministry of Education, Culture and Science and mayor of the Municipality of Apeldoorn.

**W.M. van den Goorbergh** (1948)

became a member of the Vereniging in 2003 and joined the Executive Committee in 2004. He holds several executive and supervisory positions. Until 2002, he was vice-chairman of the Executive Board of Rabobank Nederland.

**P.J. Idenburg** (1942)

became a member of the Vereniging in 1989 and joined the Executive Committee in 1996. Mr Idenburg is an executive coach. He was previously deputy director-general at the Ministry of Economic Affairs, a member of the Group Board of Van Leer Packaging Worldwide and professor at the Twente University and at the Delft University of Technology.

**H.P.M. Knapen** (1951)

has been a member of the Vereniging since 2004. Mr Knapen was a member of the Executive Board of PCM Uitgevers B.V. He is a member of the Advisory Board for International Issues and holds several executive and supervisory positions.

**P.P. Kohnstamm** (1940)

has been a member of the Vereniging since 1990. Mr Kohnstamm was appointed a member of the Executive Committee in 1992 and he has been chairman since 1998. He is a consultant and holds several executive and supervisory positions. He previously was a member of the Executive Board of Wilma Vastgoed B.V. and professor of Real Estate Science at the University of Amsterdam.

**Mrs I.E. Koster-Burbidge** (1948)

became a member of the Vereniging in 1999. Mrs Koster was managing director of Taleninstituut Regina Coeli B.V. in Vught. Her other positions include membership of the Board of Maag-Lever-Darm Stichting (Stomach-Liver-Intestine Foundation).

**Mrs P.C. Krikke** (1961)

has been a member of the Vereniging since 2004. Mrs Krikke is mayor of the Municipality of Arnhem and holds several executive and supervisory positions.

**Mrs P.C. Lodders-Elfferich** (1940)

has been a member of the Vereniging since 2002. Mrs Lodders is chairman of NOV (Dutch Association for Volunteer Effort) and also chairman of ICCO (Interchurch Organisation for Development Cooperation). Furthermore Mrs Lodders is the chairman of the Visitatiecommissie Emancipatie, a member of the Supervisory Board of Fontyn Hogescholen, and holds a number of other executive positions.

**H. Muller** (1942)

joined the Vereniging as a member in 2005. Mr Muller has retired. Previously he was a board member and treasurer of FNV (Netherlands Federation of Trade Unions). Mr Muller is a member of the Supervisory Boards of SNS REAAL Groep N.V. and ASN Beleggingsfondsen N.V. and also holds a number of other executive and supervisory positions.

**Mrs E.J. Mulock Houwer** (1941)

has been a member of the Vereniging since 2002. Mrs Mulock Houwer is director-general of

Prevention, Youth and Sanctions at the Ministry of Justice. She is a member of the Supervisory Boards of N.V. Kasbank and Hogeschool INHOLLAND and a member of the Board of the Residentie Orchestra.

**H.M. Pinedo (1943)**

has been a member of the Vereniging since 2001. He is Professor of Medical Oncology at the VUmc and an advisor to the managing director of the VUmc Cancer Centre in Amsterdam. Previously he was head of the Medical Oncology department of VUmc. Professor Pinedo is vice-chairman of the Board of ZonMw.

**D.J. Shepard (1946)**

has been a member of the Vereniging and its Executive Committee since 2002. Mr Shepard is chairman of the Executive Board of AEGON N.V. He is a Board member of Mercantile Bankshares Corporation and CSX Corporation, a Trustee of Johns Hopkins Medicine and Johns Hopkins University and a member of the Board of Directors of the Financial Services Roundtable.

**R. Spiekerman van Weezenburg (1940)**

has been a member of the Vereniging since 1995. Mr Spiekerman van Weezenburg was Major General of the Royal Netherlands Marines and Commander of the Royal Netherlands Marine Corps. Until September 2002, he was Chancellor of the Netherlands Orders of Knighthood. He holds several executive positions on a museological connection.

**H.P. Spruijt (1949)**

became a member of the Vereniging since 2005. Mr Spruijt was a member of the Executive Board of Reed Elsevier N.V. He is chairman of the Supervisory Board of M&R de Monchy N.V. and a member of the Supervisory Boards of Koninklijke BDU Holding BV, Koninklijke Brill NV and Het Financieele Dagblad Holding B.V.

**J.B.M. Streppel (1949)**

has been a member of the Vereniging and its Executive Committee since 2000. Mr Streppel is a member of the Executive Board of AEGON N.V.

and a member of the Supervisory Boards of KPN N.V. and F. van Lanschot Bankiers N.V.

**J.W.B. Westerburgen (1942)**

has been a member of the Vereniging since 2001 and joined the Executive Committee in 2003. He was appointed vice-chairman in 2004.

Mr Westerburgen has retired having formerly been Joint Secretary of Unilever N.V. and Plc. Until July 1, 2005 Mr Westerburgen was a member of the Supervisory Board of Unilever Nederland B.V. He is a member of the Supervisory Boards of ASML Holding N.V. and Rodamco Europe N.V.



## OBJECTIVE AND HISTORY

### Objective

Vereniging AEGON ('the Vereniging') as shareholder represents in a balanced manner the direct and indirect interests of AEGON N.V. and its group companies, insured parties, employees, shareholders and other relations of these companies. The Vereniging does so by holding AEGON N.V. securities and exercising the associated rights, including the voting rights. The Vereniging's income is the income on these securities.

### History

The Vereniging is an association under Dutch law. Until 1983, it was known as Vereniging AGO. It was established in 1978 as the legal successor of AGO Onderlinge Levensverzekering-maatschappij, which was demutualised as a result of a legal restructuring of the AGO insurance group. Under the restructuring, Vereniging AGO became the sole shareholder in AGO Holding N.V.

At the time of the merger between AGO and Ennia in 1983, the Vereniging transferred its holding of the entire share capital in AGO Holding N.V. to the listed company Ennia N.V. (whose name was changed to AEGON N.V.) in exchange for new AEGON N.V. common and preferred shares. Vereniging AGO was also renamed Vereniging AEGON. Under the terms of the 1983 Merger Agreement, the Vereniging acquired a substantial minority interest in the common shares as well as all the preferred shares, thus acquiring a majority of the voting rights in AEGON N.V. Under the Agreement, in the event of a dilution of its voting rights, the Vereniging also received the right to acquire new preferred shares in order to maintain its majority position as desired by the parties involved in the merger. This was known as the option rights scheme.

The Vereniging agreed a Recapitalisation Agreement with AEGON N.V. in September 2002. This agreement formed the basis for the Vereniging's sale of 350,000,000 AEGON N.V. common shares at a net price of € 9.76 per share. The Vereniging used part of the proceeds to reduce its debt and agreed on a new credit facility with a consortium of banks for the remainder. The Vereniging

granted all of its AEGON N.V. common shares and the revenues from the AEGON N.V. preferred shares as security for this facility. The Vereniging paid the remaining portion of the proceeds (€ 2,064,000,000) as a premium on its AEGON N.V. preferred shares in an effort to raise their value to that of the common shares.

As a result of these transactions, the Vereniging's beneficial ownership interest in AEGON N.V.'s common shares decreased from approximately 37% to approximately 12% and its beneficial ownership interest in AEGON N.V.'s voting shares decreased to approximately 33%. Thus the voting rights of the Vereniging decreased from approximately 52% to approximately 33%. The Recapitalisation Agreement included provisions for the continuation of the option rights scheme at this lower level of voting rights. The Vereniging also indicated that it was prepared, subject to the implementation of certain changes in corporate governance at AEGON N.V., to further reduce its voting rights in the near future to approximately 23.6%, a figure that corresponds to the capital paid in by the Vereniging.

This reduction in the voting rights was formalised on May 26, 2003 by amendment of the Articles of Association of the Vereniging. The relationship with AEGON N.V. was changed as follows:

- The 440,000,000 preferred shares with nominal value of € 0.12 held by the Vereniging were converted into 211,680,000 new class A preferred shares with nominal value of € 0.25 and the paid in capital on the preferred shares was increased by € 120,000 to € 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 that may be issued to the Vereniging under the option agreement as discussed below) were adjusted accordingly to 25/12 vote per preferred share.
- The Vereniging and AEGON N.V. 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 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 proposal for a business combination by any person or group of persons whether individually or as a group, other than in a transaction approved by the Executive Board and the Supervisory Board of AEGON N.V. If, in its sole discretion, the Vereniging determines that a special cause has occurred, the Vereniging will notify the General Meeting of Shareholders of AEGON N.V. and retain its right to exercise the full voting power of 25/12 per preferred share for a maximum period of six months.

- The Vereniging and AEGON N.V. amended the option arrangements under the 1983 Merger Agreement. Under the amended option arrangements the Vereniging, in case of an issuance of shares by AEGON N.V., has the right to have issued to her as many class B preferred shares as shall enable the Vereniging to prevent or correct dilution below its actual percentage of total voting rights. Class B preferred shares will then be issued at par value (€ 0.25), unless a higher issue price is agreed on.

In 2003, 2004 and 2005 the Vereniging exercised its option rights to acquire respectively 11,100,000, 5,800,000 and 6,950,000 class B preferred shares at par value to correct dilution caused by AEGON N.V.'s share dividend issuances and treasury share sales.

## REPORT OF THE EXECUTIVE COMMITTEE

### Developments in 2005

#### New financing facility

In September 2002 a financing facility was entered into for a period of three years. In April 2005 a new five year committed revolving financing facility was concluded with a group of banks. The facility consists of an equity repurchase facility (the 'Repo Facility') and a repo back-up facility (the 'Back-up facility') and both have an available amount of € 1,650,000,000. The Repo Facility is available for repurchase transactions using AEGON N.V. common shares that are owned by the Vereniging. The Back-up Facility is available subject to certain conditions and is principally intended to make certain cash payments under the Repo Facility that will be required if the value of the common shares subject to the Repo Facility is insufficient to meet certain customary requirements. The aggregate amounts outstanding under the Repo and Back-up Facilities will not exceed € 1,650,000,000.

The new financing facility does not contain provisions that will have consequences for the participation of the Vereniging as a result of developments of the AEGON N.V. share price. The new facility replaces a Repo Facility of € 1,720,000,000 and a Back-up Facility of € 1,032,000,000.

#### Amendment of Articles of Association

On September 13, 2005 the Vereniging amended its Articles of Association.

The amendment limits AEGON N.V.'s influence on future changes to the Articles of Association of the Vereniging. In the event of an undesired change in control at the General Meeting of Shareholders of AEGON N.V., the Vereniging may, under certain circumstances, amend its Articles of Association without AEGON N.V.'s cooperation.

#### Total Return Swaps

On April 20, 2005 the total return swaps concluded with AEGON N.V. were terminated prematurely in accordance with their terms. The total return swaps enabled AEGON N.V. to hedge the staff and management stock appreciation rights plans for the past years.

#### Exercising voting and dividend rights

As in previous years, the Vereniging in 2005 met its objectives by holding shares in AEGON N.V. and exercising the associated rights, in particular the voting rights.

The right to vote - in accordance with a resolution to this effect 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 21, 2005.

In line with resolutions of the Executive Committee, the 2004 final dividend and 2005 interim dividend were taken in shares and these new shares were subsequently sold at € 9.85 and € 11.45 per share respectively.

#### Relationship between the Vereniging and AEGON N.V.

In 2005, as was the case in previous years, the Vereniging exercised its option rights following sales by AEGON N.V. of shares held in treasury and share issues by AEGON N.V. for the 2004 final dividend and the 2005 interim dividend. The Vereniging obtained 6,950,000 class B preferred shares at par value in adjustment.

The Vereniging's voting rights in normal circumstances amounted to approximately 22.44%, based on the number of outstanding and voting shares (excluding common shares held in treasury by AEGON N.V.), as at December 31, 2005. In the event of 'special cause', the Vereniging's voting rights would increase for a maximum period of six months to the full number of votes, approximately 32% as at December 31, 2005.

#### Members and Executive Committee

At December 31, 2005, the General Meeting of Members of the Vereniging consisted of 18 members (2004: 18). The majority of the voting rights are with 16 of the members who are neither employees nor former employees of AEGON N.V. or its associated companies, nor current or former members of the Supervisory Board or the Executive Board of AEGON N.V. The two other members are members of the Executive Board of AEGON N.V.

The Executive Committee of the Vereniging has seven members, five of whom, including the chairman and the vice-chairman, are not and never have been related to the AEGON Group. The other two members are also members of the Executive Board of AEGON N.V. If a vote in the Executive Committee is tied, the General Meeting of Members has the casting vote.

During the year under review, Messrs J. van Hes and P.M. van der Laan stepped down as members of the Vereniging and Messrs H. Muller and H.P. Spruijt became members of the Vereniging. Furthermore, Messrs P.J. Idenburg, H.M. Pinedo and J.W.B. Westerburgen stepped down as member and were re-elected. Mr P.J. Idenburg was re-appointed Executive Committee member, and Mr J.W.B. Westerburgen was re-appointed vice-chairman.

#### **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 sets all fees.

In 2005, members received a fee of € 7,000 per year and € 1,000 per meeting attended. The chairman of the Executive Committee received a fee of € 28,500 and the vice-chairman received a fee of € 23,000 for 2005. The fee for the other members of the Executive Committee was € 20,000, except for Messrs D.J. Shepard and J.B.M. Streppel who do not receive a fee.

#### **Netherlands corporate governance code**

Under the guidance of Mr M. Tabaksblat, a committee with representatives of several sections of society drew up a corporate governance code for the Netherlands in 2003. The code is intended primarily to set out corporate governance rules and best practice provisions for listed companies and there are also obligations on institutional investors. The Vereniging is neither a listed company nor an institutional investor as meant by the code. As a shareholder of AEGON N.V., the Vereniging accepted the explanation with regard to the application of

the aforementioned code in the annual report of AEGON N.V. for the year 2004.

#### **2005 Financial Statements**

Under the accounting policies, the Vereniging's participation quoted stock is carried at market value, the participation unquoted stock is carried at purchase price. Unrealized gains and losses for the financial year are recognised in the statement of income and expenditure. Consequently, an unrealized gain of € 665,847,000 was recognised in the statement of income and expenditure for the financial year 2005. The book value of the participations was € 4,487,406,000 at December 31, 2005 (December 31, 2004: € 3,845,925,000).

The result for 2005 was a surplus of € 718,717,000 (2004: a deficit of € 194,117,000). The result is significantly affected by movements in the market value of the shares.

The Executive Committee recommends that the General Meeting of Members adopts the 2005 financial statements and endorses the Executive Committee's management in 2005.

The Hague, March 24, 2006

#### **On behalf of the Executive Committee,**

P.P. Kohnstamm, chairman

**CONSOLIDATED BALANCE SHEET AT DECEMBER 31**

(after appropriation of the result)

Amounts in thousands of euros

	<b>2005</b>	<b>2004</b>
<b>Fixed assets</b>		
<i>Financial fixed assets</i>		
Participation quoted stock	2,364,643	1,724,900
Participation unquoted stock	2,122,763	2,121,025
Other securities	-	191
	<b>4,487,406</b>	<b>3,846,116</b>
<b>Current assets</b>		
Prepayments and accrued income	105,596	79,491
Liquid assets	1,283	812
	<b>106,879</b>	<b>80,303</b>
<b>Total Assets</b>	<b>4,594,285</b>	<b>3,926,419</b>
<b>Capital and reserves</b>	3,023,619	2,304,902
<b>Long-term liabilities</b>	1,552,994	1,583,392
<b>Current liabilities</b>	17,672	38,125
<b>Total Liabilities</b>	<b>4,594,285</b>	<b>3,926,419</b>

## CONSOLIDATED STATEMENT OF INCOME AND EXPENDITURE

Amounts in thousands of euros

	2005	2004
<b>Income</b>		
Dividend on common shares	77,014	73,741
Dividend on preferred shares	79,543	79,491
Unrealized profits on common shares	665,847	-
Result on total return swaps	-	29,676
<b>Total Income</b>	<b>822,404</b>	<b>182,908</b>
<b>Expenses</b>		
Realized losses on common shares	26,104	33,626
Unrealized losses on common shares	-	258,729
Result on total return swaps	1,589	-
Financial expenses	75,315	83,838
Expenses	679	832
<b>Total Expenses</b>	<b>103,687</b>	<b>377,025</b>
<b>Result</b>	<b>718,717</b>	<b>(194,117)</b>

## CONSOLIDATED CASH FLOW STATEMENT

Amounts in thousands of euros

	<b>2005</b>	<b>2004</b>
<b>Cash flow from operating activities</b>		
Dividend received on preferred shares	79,491	95,289
Retained dividend tax	(26,053)	-
Interest received	1,928	4,845
Dividend on total return swaps passed on	-	(8,185)
Financial expenses paid	(95,819)	(95,833)
Expenses paid	(900)	(454)
	<b>(41,353)</b>	<b>(4,338)</b>
<b>Cash flow from investing activities</b>		
Payment on AEGON N.V. preferred shares	(1,738)	(1,450)
Disposal of AEGON N.V. common shares	77,014	73,741
Termination total return swaps	(3,054)	-
	<b>72,222</b>	<b>72,291</b>
<b>Cash flow from financing activities</b>		
Repayment of credit facilities	(550,812)	(1,376,619)
Drawn on the credit facility	520,414	1,306,773
	<b>(30,398)</b>	<b>(69,846)</b>
<b>Movement in liquid assets</b>	<b>471</b>	<b>(1,893)</b>

The consolidated cash flow statement has been prepared using the direct method. A credit facility has been accounted for under cash flow from financing activities. The principal sum of this credit facility is set periodically, depending on the value of the security. For further information reference is made to page 19.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### Introduction

To the extent that the Supervisory Board of AEGON N.V. does not apply the profit for the year to strengthening capital or creating reserves, an annual dividend is paid on the average paid-in capital of 235.5 million preferred shares in AEGON N.V. at a rate which is equal to the European Central Bank refinancing rate on the first business day of the year on the Euronext Amsterdam stock exchange plus 1.75 percentage points. The dividend on the preferred shares for the current year was set at 3.75%.

At December 31, 2005, the Vereniging owned 172 million AEGON N.V. common shares.

The Vereniging has financial fixed assets of approximately € 4.5 billion (based on the closing price of the AEGON N.V. common shares on the Euronext Amsterdam stock exchange on December 31, 2005 of € 13.75) and outstanding debts of € 1.6 billion, for which bank facilities have been arranged until September 15, 2010.

Section 402 of Book 2 of the Netherlands Civil Code has been applied allowing a simplified format for the Vereniging's statement of income and expenditure.

### Change in the method of profit computation of unrealized results on participations.

In previous years unrealized results were accounted for in the revaluation account. Pursuant to the 2005 changes of Part 9 Book 2 Netherlands Civil Code and the Guidelines of the Dutch Accounting Standards Board this change is effective as from the start of 2005. The unrealized result on participations now is directly recognised in the statement of income and expenditure.

This change has no influence on the results of 2005 and the capital and reserves as at December 31, 2005. The comparative figures of 2004 have not been revised, because they did not change after application of the changed method of profit computation of unrealized results on participations.

### Consolidation policies

The consolidated financial statements of Vereniging AEGON include AEGON Mirror Fund and the group entity Albidus B.V.



## NOTES TO THE CONSOLIDATED BALANCE SHEET

Amounts in thousands of euros unless stated otherwise

### Accounting policies

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

### Participation quoted stock

This item is the holding of common shares AEGON N.V. The common shares are valued at market value. Realized and unrealized gains and losses are accounted for in the statement of income and expenditure. If a dividend is taken in shares, an amount equal to the proceeds is added to the participation and accounted for through the statement of income and expenditure. An equal number of shares are immediately sold and the difference between the proceeds and the average cost of the shares is accounted for in the statement of income and expenditure.

The market value of the common shares at December 31, 2005 was € 2,364,643,000 (€ 13.75 per share). At December 31, 2004, the value was € 1,724,900,000 (€ 10.03 per share). The cost of the common shares at December 31, 2005 was € 2,437,324,000 (€ 14.17 per share).

Movements in common shares:

	2005		2004	
	Number	Value	Number	Value
Balance at January 1	171,974,055	1,724,900	171,974,055	2,017,256
2004 final stock dividend (2003)	3,821,645	37,632	3,372,040	36,074
2005 interim stock dividend (2004)	3,439,481	39,382	4,094,607	37,666
Sold:				
Net price: € 9.85 (2004: € 10.70)	(3,821,645)	(37,632)	(3,372,040)	(36,074)
Net price: € 11.45 (2004: € 9.20)	(3,439,481)	(39,382)	(4,094,607)	(37,666)
Revaluation, realized and unrealized	-	639,743	-	(292,356)
<b>Balance at December 31</b>	<b>171,974,055</b>	<b>2,364,643</b>	<b>171,974,055</b>	<b>1,724,900</b>

**Participation unquoted stock**

This item is the holding of preferred shares AEGON N.V.

The preferred shares are carried at purchase price. The expected dividend on the preferred shares, on an annual basis, is equal to the European Central Bank refinancing rate on the first trading day on the Euronext Amsterdam stock exchange of the year to which the dividend relates plus 1.75 percentage points. For 2005, a dividend of 3.75% is expected (2004: 3.75%). The expected dividend is included in accrued income.

Movements in preferred shares:

	<b>2005</b>		<b>2004</b>	
	Number	Value	Number	Value
Balance at January 1	228,580,000	2,121,025	222,780,000	2,119,575
Purchases	6,950,000	1,738	5,800,000	1,450
<b>Balance at December 31</b>	<b>235,530,000</b>	<b>2,122,763</b>	<b>228,580,000</b>	<b>2,121,025</b>

	<b>2005</b>	<b>2004</b>
Class A preferred shares	2,116,800	2,116,800
Class B preferred shares	5,963	4,225
<b>Total</b>	<b>2,122,763</b>	<b>2,121,025</b>

**Other securities**

	<b>2005</b>	<b>2004</b>
Total return swap 2001	-	248,467
Total return swap 2002	-	130,026
Mark to market in 2002	-	(378,302)
<b>Total</b>	<b>-</b>	<b>191</b>

On April 20, 2005 AEGON N.V. made use of the contractual option to fully terminate the Total Return Swaps (TRS contracts) that hedged the staff option plan for 2001 and the staff stock appreciation rights plan for 2002. In effect, the TRS contracts entitled AEGON N.V. to the capital gains on the shares concerned at the termination date and the dividends on these shares during the contract period. Earlier, on September 17, 2002, the Vereniging and AEGON N.V. had agreed to mark to market the TRS contracts. At that time the Vereniging AEGON received a payment of € 378,302,000. At the date of termination Vereniging AEGON paid € 3,054,000 to compensate the capital gains that occurred since September 17, 2002.

**Prepayments and accrued income**

	<b>2005</b>	<b>2004</b>
Expected preferred dividend	79,543	79,491
Retained dividend tax	26,053	-
	<b>105,596</b>	<b>79,491</b>

**Long-term liabilities**

Drawn on the credit facility	<b>1,552,994</b>	<b>1,583,392</b>
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The Vereniging has, in order to substitute the former credit facility, arranged a new credit facility with a consortium of banks led by 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 mature on September 15, 2010. Under the Repo Facility, the Vereniging is able to enter into Repo transactions secured by AEGON N.V. common shares with the banking consortium up to € 1,650,000,000. The Vereniging also has a Back-up Facility that can be applied for if the contractual coverage of AEGON N.V. common shares is no longer sufficient. The interest rate agreed upon for these facilities is based on Euribor rates with an interest surcharge.

All the AEGON N.V. common shares and the income from the AEGON N.V. preferred shares have been given as security for the credit facility. At the end of the financial year 2005, 126,794,779 shares in AEGON N.V. served as security for the Repo Facility.

The Vereniging has arranged derivatives to cover interest rate risks. At December 31, 2005, interest rate contracts had been taken up for a total of € 1,945,000,000 (notional amount), with a negative market value of € 2,985,000 (December 31, 2004: negative € 17,233,000). The interest rate obligations under these contracts are included in accrued interest.

**Current liabilities**

	<b>2005</b>	<b>2004</b>
Accrued interest	13,682	36,503
Fee consortium of banks	3,715	1,125
Other liabilities	275	497
Total	<b>17,672</b>	<b>38,125</b>

## NOTES TO THE CONSOLIDATED STATEMENT OF INCOME AND EXPENDITURE

*Amounts in thousands of euros unless stated otherwise*

Income and expenditure attributable to the financial year are included in the statement of income and expenditure.

### **Dividend on common shares**

Dividend on common shares are dividends received in the financial year. In case of a stock dividend, the proceeds from these shares are taken to the statement of income and expenditure on the date of distribution.

### **Dividend on preferred shares**

The dividend on preferred shares consists of the European Central Bank refinancing rate on the first trading day of the year on the Euronext Amsterdam stock exchange plus 1.75 percentage points. For 2005 this percentage was 3.75% (2004: 3.75%). The dividend is attributed to the year to which the dividend relates.

### **Unrealized profits on common shares**

The unrealized profits on common shares relates to the increase of the market value of the AEGON N.V. common shares during the year.

### **Result on the total return swaps**

The result on the (terminated) total return swaps was as follows:

	<b>2005</b>	<b>2004</b>
Realized capital losses	(3,245)	-
Unrealized capital gains	-	32,451
Net interest income	1,656	5,410
Dividends passed on	-	(8,185)
	<b>(1,589)</b>	<b>29,676</b>

**Realized losses on common shares**

The realized losses on common shares were € 26,104,000 and were the difference between the proceeds and the average cost of the 7,261,126 common shares sold. The number of shares sold equals the number of shares received as dividend in the financial year.

**Financial expenses**

The financial expenses were as follows:

	<b>2005</b>	<b>2004</b>
Interest paid	58,767	78,728
Commissions paid to financial institutions	8,103	5,110
Upfront fee new credit facility	8,445	-
	<b>75,315</b>	<b>83,838</b>

**Expenses**

Expenses include € 157,000 (2004: € 157,000) charged to the Vereniging in the financial year for the remuneration of the members of the Executive Committee, pursuant to Article 383(1), Book 2 of the Netherlands Civil Code.

For further information on AEGON N.V., reference is made to the AEGON N.V. financial statements for 2005.

**BALANCE SHEET AT DECEMBER 31**

(after appropriation of the result)

Amounts in thousands of euros

	<b>2005</b>	<b>2004</b>
<b>Fixed assets</b>		
<i>Financial fixed assets</i>		
Participation quoted stock	1,470,885	1,072,944
Participation unquoted stock	2,122,763	2,121,025
Participating interests	893,758	651,956
Other securities	-	191
	<b>4,487,406</b>	<b>3,846,116</b>
<b>Current assets</b>		
Prepayments and accrued income	105,596	79,491
Liquid assets	1,283	812
	106,879	80,303
<b>Total Assets</b>	<b>4,594,285</b>	<b>3,926,419</b>
<b>Capital and reserves</b>		
<b>Capital</b>	3,023,619	2,304,902
<b>Long-term liabilities</b>	1,552,994	1,583,392
<b>Current liabilities</b>	17,672	38,125
<b>Total Liabilities</b>	<b>4,594,285</b>	<b>3,926,419</b>

**STATEMENT OF INCOME AND EXPENDITURE***Amounts in thousands of euros*

	<b>2005</b>	<b>2004</b>
<b>Income and expenditure</b>		
Net result of AEGON Mirror Fund and Albidus B.V.	270,911	(82,629)
Other income and expenditure	447,806	(111,488)
<b>Result</b>	<b>718,717</b>	<b>(194,117)</b>

## NOTES TO THE BALANCE SHEET

Amounts in thousands of euros unless stated otherwise

**Accounting policies**

Unless stated otherwise, balance sheet items are valued in accordance with the accounting policies presented in the notes to the consolidated balance sheet.

**Participation quoted stock**

This item is the holding of common shares AEGON N.V.

Movements in common shares:

	2005		2004	
	Number	Value	Number	Value
Balance at January 1	106,973,495	1,072,944	106,973,495	1,254,799
2004 final stock dividend (2003)	2,377,188	23,408	2,097,519	22,439
2005 interim stock dividend (2004)	2,139,470	24,497	2,546,988	23,430
Sold:				
Net price: € 9.85 (2004: € 10.70)	(2,377,188)	(23,408)	(2,097,519)	(22,439)
Net price: € 11.45 (2004: € 9.20)	(2,139,470)	(24,497)	(2,546,988)	(23,430)
Revaluation, realized and unrealized	-	397,941	-	(181,855)
<b>Balance at December 31</b>	<b>106,973,495</b>	<b>1,470,885</b>	<b>106,973,495</b>	<b>1,072,944</b>

**Participation unquoted stock**

For the notes to the preferred shares AEGON N.V. and other securities reference is made to the consolidated annual accounts.

**Participating interests**

The participating interests relate to AEGON Mirror Fund and Albidus B.V. that are valued at net asset value.

	2005	2004
AEGON Mirror Fund	893,749	651,950
Albidus B.V. (100%)	9	6
<b>Total</b>	<b>893,758</b>	<b>651,956</b>

Movements in AEGON Mirror Fund:

	2005	2004
Balance at January 1	651,950	762,450
Result on participating interest	270,908	(82,629)
Dividend	(29,109)	(27,871)
<b>Balance at December 31</b>	<b>893,749</b>	<b>651,950</b>



**Capital and reserves**

Capital and reserves consists of:

	<b>2005</b>	<b>2004</b>
<b>Capital</b>	<b>3,023,619</b>	<b>2,304,902</b>

Movements in Capital were as follows:

Balance at January 1	2,304,902	2,499,019
Result for the year	718,717	(194,117)
<b>Balance at December 31</b>	<b>3,023,619</b>	<b>2,304,902</b>

For the notes to the long-term and current liabilities reference is made to the consolidated annual accounts.

The Hague, March 24, 2006

**The Executive Committee**

P.P. Kohnstamm, chairman  
 J.W.B. Westerburgen, vice-chairman  
 J.M. Boll  
 W.M. van den Goorbergh  
 P.J. Idenburg  
 D.J. Shepard  
 J.B.M. Streppel

## AUDITOR'S REPORT

### **Introduction**

We have audited the financial statements of Vereniging AEGON, The Hague, for the year 2005. 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 auditing standards generally accepted in the Netherlands. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audit provides a reasonable basis for our opinion.

### **Opinion**

In our opinion, the financial statements give a true and fair view of the financial position of Vereniging AEGON as at December 31, 2005 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 of Book 2 of the Netherlands Civil Code.

Furthermore we have established to the extent of our competence that the report of the Executive Committee is consistent with the company financial statements.

The Hague, March 24, 2006

**for Ernst & Young Accountants**

U. Tjeerdsma

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