

OFFERING CIRCULAR



AEGON N.V.

(incorporated in the Netherlands with its statutory seat in The Hague)

Euro 500,000,000 Perpetual Capital Securities

**Issue price: 100 per cent.
(the “EUR Capital Securities”)**

USD 250,000,000 Perpetual Capital Securities

**Issue price: 100 per cent.
(the “USD Capital Securities”)**

Unless expressly indicated otherwise, the terms and expressions used herein have the same meaning as given to them in the Terms and Conditions.

The EUR Capital Securities and USD Capital Securities (together the “**Securities**”) are perpetual securities and have no fixed redemption date. However, the Securities may be redeemed in whole but not in part at the option of the Issuer at their principal amount together with any Outstanding Payments on the Coupon Payment Date falling on 15 July, 2014 or any Coupon Payment Date thereafter. Prior redemption in case of tax events or for regulatory purposes may apply, subject to Condition 7.

The Securities will bear a variable rate of interest on their outstanding principal amount from (and including) the Issue Date and will be payable quarterly in arrears on 15 July, 15 October, 15 January, and 15 April of each year, subject to Condition 4 and 5. Payments (such term does not include principal) may be deferred, as more fully described in Condition 4, but any Deferred Coupon Payment will immediately become due if the Issuer makes payments on or purchases or redeems its Junior Securities or Parity Securities. Investors will always receive cash but the moneys to satisfy such Deferred Coupon Payments may only be raised by the issue of its Ordinary Shares, which, when sold, will provide the cash amount due in respect of Deferred Coupon Payments.

The Securities constitute direct, unsecured and subordinated securities of the Issuer as described in Condition 2.

This Offering Circular constitutes a prospectus for the purpose of the listing and issuing rules of Euronext Amsterdam N.V. Application has been made for the listing of the Securities on the Official Segment of the Stock Market of Euronext Amsterdam N.V.

It is anticipated that the EUR Capital Securities will be quoted as a percentage of their principal amount of €100. It is anticipated that the USD Capital Securities will be quoted as a percentage of their principal amount of USD 100.

The Securities are expected to be assigned, on issue, a rating of ‘A-’ by Standard & Poor’s Rating Services, a division of the McGraw-Hill Companies, Inc., and a rating of ‘A3’ by Moody’s Investors Service, Inc. A credit rating is not a recommendation to buy, sell or hold securities and may be subject to revision, suspension or withdrawal at any time by the relevant rating organisation.

The Securities shall have denominations of € 100 and USD 100 each, as applicable. The Securities will be represented by two global securities (the “**Global Securities**”) in bearer form without interest coupons, in the principal amount of € 500,000,000 and USD 250,000,000. The Global Securities will be deposited with Euroclear Netherlands and purchase transactions will be cleared through Euroclear Netherlands participants including Euroclear and Clearstream. The Global Securities will not be exchangeable for definitive Securities in bearer form.

Global Coordinator

ABN AMRO

Syndicate for the EUR Capital Securities

Joint Bookrunners

ABN AMRO

Rabobank International

Co-lead managers

Barclays Capital

Credit Suisse First Boston

Deutsche Bank

HSBC

ING Financial Markets

JPMorgan

Merrill Lynch International

Morgan Stanley

The Royal Bank of Scotland

UBS Investment Bank

Syndicate for the USD Capital Securities

Joint Bookrunners

ABN AMRO

BNP PARIBAS

Citigroup

Co lead managers

Barclays Capital

Credit Suisse First Boston

Deutsche Bank

HSBC

ING Financial Markets

JPMorgan

Merrill Lynch International

Morgan Stanley

The Royal Bank of Scotland

UBS Investment Bank

The date of this Offering Circular is 13 July, 2004

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IMPORTANT INFORMATION

Responsibility

The Issuer accepts responsibility for the information contained in this Offering Circular. To the best of the knowledge and belief of the Issuer (having taken all reasonable care to ensure that such is the case) the information contained in this Offering Circular is in accordance with the facts and does not omit anything likely to affect the import of such information.

No person has been authorised to give any information or to make any representation other than those contained in this document in connection with the offering of the Securities and, if given or made, such information or representations must not be relied upon as having been authorised by the Issuer, the Trustee or the Managers (as defined under ‘*Subscription and Sale*’ below). Neither the delivery of this document nor any sale made hereunder shall, under any circumstances, constitute a representation or create any implication that there has been no change in the affairs of the Issuer or the Issuer and its subsidiaries (together the “**Group**”) since the date hereof. This document does not constitute an offer of, or an invitation by, or on behalf of, the Issuer, the Trustee or the Managers to subscribe for, or purchase, any of the Securities. This document does not constitute an offer, and may not be used for the purpose of an offer to, or a solicitation by, anyone in any jurisdiction or in any circumstances in which such an offer or solicitation is not authorised or is unlawful.

Neither the Managers nor the Trustee have separately verified the information contained herein. Accordingly, no representation, warranty or undertaking, express or implied, is made and no responsibility or liability is accepted by the Managers, the Trustee or any of them as to the accuracy or completeness of the information contained in this Offering Circular or any other information provided by the Issuer in connection with the Securities or their distribution.

Incorporation by Reference

The following documents shall be deemed to be incorporated in, and to form part of, this Offering Circular:

- (a) the publicly available annual report and the annual accounts of the Issuer in respect of the financial year ended 31 December, 2003, 2002 and 2001 respectively;
- (b) the press release dated 12 May, 2004 relating to the financial results of the Issuer for the three months ended 31 March, 2004;
- (c) the Articles of Association (*statuten*) of the Issuer as in force on the date of this Offering Circular;
- (d) the 1983 Merger Agreement between the Issuer and Vereniging AEGON as amended by agreement dated 26 May, 2003; and
- (e) the Preferred Shares Voting Rights Agreement between the Issuer and Vereniging AEGON dated 26 May, 2003.

Offering and Selling Restrictions

This Offering Circular is not intended to provide the basis of any credit or other evaluation and should not be considered as a recommendation by the Issuer, the Trustee or the Managers that any recipient of this Offering Circular should purchase any of the Securities. Each investor contemplating purchasing Securities should make its own independent investigation of the financial condition and affairs, and its own appraisal of the creditworthiness, of the Issuer.

The Securities have not been and will not be registered under the United States Securities Act of 1933, as amended, (the “**Securities Act**”) and are subject to U.S. tax law requirements. Subject to certain exceptions, the Securities may not be offered, sold or delivered within the United States or to U.S. persons. For a further description of certain restrictions on the offering and sale of the Securities and on distribution of this document, see ‘*Subscription and Sale*’ below.

STABILISATION

IN CONNECTION WITH THE ISSUE OF THE SECURITIES, ABN AMRO BANK N.V. MAY OVERALLOT OR EFFECT TRANSACTIONS WHICH STABILISE OR MAINTAIN THE MARKET PRICE OF THE SECURITIES AT A LEVEL WHICH MIGHT NOT OTHERWISE PREVAIL. SUCH STABILISING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME (BUT WILL IN ANY EVENT BE DISCONTINUED 30 DAYS AFTER THE ISSUE DATE OF THE SECURITIES).

Miscellaneous

All references in this document to “**euro**”, and “**€**” refer to the currency introduced at the start of the third stage of European economic and monetary union pursuant to the Treaty establishing the European Community (signed in Rome on 25th March, 1957) as amended by the Treaty on European Union (signed in Maastricht on 7 February, 1992). References to “**USD**” refer to the currency of the United States of America.

INVESTMENT CONSIDERATIONS

The following is a summary of certain aspects of the Securities of which prospective investors should be aware. This summary is not intended to be exhaustive and prospective investors should carefully consider this summary in conjunction with the other information contained in this document.

Deferral

Optional deferral

The Issuer may at its discretion elect to defer any Payment (such term does not include principal) on the Securities for any period of time subject to suspension of payment on Junior Securities and Parity Securities. Any payment deferred pursuant to the Issuer's optional right to defer will bear interest at the Applicable Coupon Rate. See more particularly described in 'Terms and Conditions of the Securities– 4. Deferrals (c) Optional Deferral of Payments below.

Required deferral prior to the Issuer becoming subject to Capital Adequacy Regulations

If the Issuer determines that it is not Solvent or that payment of a Payment (such term does not include principal) on the Securities will result in the Issuer becoming not Solvent, the Issuer will defer further Payments on the Securities for any period of time subject to suspension of payment on Junior Securities and Parity Securities or the Issuer becoming Solvent again. Any Payments so deferred will not accrue interest. See more particularly described in 'Terms and Conditions of the Securities – 4. Deferrals – (a) Required Deferral of Payments prior to the Issuer becoming subject to Capital Adequacy Regulations' below.

Required deferral after the Issuer has become subject to Capital Adequacy Regulations

Upon the occurrence of a Regulatory Event and during the period such Regulatory Event is continuing, the Issuer will defer further Payments (such term does not include principal) on the Securities for any period of time subject to suspension of payment on Junior Securities and Parity Securities or the Issuer no longer being subject to a Regulatory Event. Any Payments so deferred will not accrue interest. See more particularly described in 'Terms and Conditions of the Securities – 4. Deferrals – (b) Required Deferral of Payments after the Issuer has become subject to Capital Adequacy Regulations' below.

Perpetual securities

The Issuer is under no obligation to redeem the Securities at any time and the Holders have no right to call for their redemption.

Status, Subordination and Ranking

The Securities constitute direct, unsecured, subordinated securities of the Issuer and rank *pari passu* without any preference among themselves. The rights and claims of the Holders under the Securities are subordinated to the claims of Senior Creditors of the Issuer, present and future. On a winding-up (*faillissement of vereffening na ontbinding*) of the Issuer the Securities will rank in priority to distributions on all classes of share capital of the Issuer and will rank *pari passu* with each other and among themselves, but will be subordinated in right of payment to the claims of Senior Creditors of the Issuer, present and future.

“**Senior Creditors**” means creditors of the Issuer:

- (i) who are unsubordinated creditors of the Issuer, or
- (ii) whose claims are, or are expressed to be, subordinated (whether only in the event of the winding-up (*faillissement of vereffening na ontbinding*) of the Issuer or otherwise) to the claims of unsubordinated creditors of the Issuer but not further or otherwise; or
- (iii) who are subordinated creditors of the Issuer other than those whose claims are, or are expressed to rank, *pari passu* with, or junior to, the claims of the Holders.

Governmental Supervision and Regulation

The Issuer is currently not subject to regulation and laws which would require to maintain minimum required levels of a solvency margin and/or a capital adequacy ratio. It is expected that the Issuer will in the future become subject to supervisory or regulatory laws on the basis whereof it will be required to maintain minimum required levels of a solvency margin/and or a capital adequacy ratio. The scope and impact of such possible future supervisory or regulatory laws and regulations is not yet clear and any such future supervisory or regulatory laws and regulations may have a material effect on the business, financial condition and results of operations of the Issuer and the risks of Payments under the Securities being deferred.

Redemption risk

Upon the occurrence of certain specified tax or regulatory events, or the Coupon Payment Date falling on 15 July 2014 or any Coupon Payment Date thereafter, the Securities may be redeemed at their principal amount together with any Outstanding Payments (as defined in 'Terms and Conditions of the Securities – 19. Definitions'), subject as provided in 'Terms and Conditions of the Securities – 7. Redemption and Purchases'.

No limitation on issuing debt

There is no restriction on the amount of debt which the Issuer may issue which ranks senior to the Securities or on the amount of securities which the Issuer may issue which ranks *pari passu* with the Securities. The issue of any such debt or securities may reduce the amount recoverable by Holders on a winding-up (*faillissement of vereffening na ontbinding*) of the Issuer and may increase the likelihood of a deferral of Payments under the Securities.

Availability of shares

If the Issuer is to make a payment using the Alternative Coupon Satisfaction Mechanism (which is mandatory if it concerns Deferred Coupon Payments and which the Issuer may elect to do in other cases) and has an insufficient number of Ordinary Shares available for issue, then the Issuer's payment obligation shall be suspended to the extent of such insufficiency until such time as sufficient shares are available to satisfy all or part of the suspended payment obligation, as more particularly described in 'Terms and Conditions of the Securities – 6. Alternative Coupon Satisfaction Mechanism – (d) Reservation and Insufficiency of Ordinary Shares'.

Market Disruption Event

If, in the event the Alternative Coupon Satisfaction Mechanism is applied (which is mandatory if it concerns Deferred Coupon Payments and which the Issuer may elect to do in other cases), in the opinion of the Issuer a Market Disruption Event in respect of its Ordinary Shares exists, the payment to Holders may be deferred until the cessation of such market disruption, as more particularly described in 'Terms and Conditions of the Securities – 6. Alternative Coupon Satisfaction Mechanism –(e) Market Disruption'. Any such deferred payments shall bear interest at the Applicable Coupon Rate if the Market Disruption Event continues for 14 days or more.

Restricted remedy for non-payment

The sole remedy against the Issuer available to the Trustee or any Holder for recovery of amounts owing in respect of any Payment or principal in respect of the Securities will be the institution of proceedings for the winding-up (*faillissementsprocedure*) of the Issuer and/or proving in such winding-up.

Set-off

Subject to applicable law, no Holder may exercise or claim any right of set-off in respect of any amount owed to it by the Issuer arising under or in connection with the Securities and each Holder shall, by virtue of being the holder of any Security, be deemed to have waived all such rights of set-off.

Absence of prior public markets

The Securities constitute an issue of new securities by the Issuer. Prior to this issue, there will have been no public market for the Securities. Although application has been made for the Securities to be listed on the Official Segment of the Stock Market of Euronext Amsterdam N.V. there can be no assurance that an active public market for the Securities will develop and, if such a market were to develop, the Managers are under no obligation to maintain such a market. The liquidity and the market prices for the Securities can be expected to vary with changes in market and economic conditions, the financial condition and prospects of the Issuer and other factors that generally influence the market prices of securities.

Downgrade in Ratings

Claims paying ability and financial strength ratings are factors in establishing the competitive position of insurers. A rating downgrade (or the potential for such a downgrade) of the Issuer or any of its rated insurance subsidiaries could, among other things, materially increase the number of policy surrenders and withdrawals by policyholders of cash values from their policies, adversely affect relationships with broker-dealers, banks, agents, wholesalers and other distributors of the products and services of the Issuer and its group companies, negatively impact new sales and adversely affect the ability of the Issuer and its group companies to compete and thereby have a material adverse effect on the business, results of operations and financial condition of the Issuer and its group companies. Negative changes in credit ratings may increase the cost of funding of the Issuer and its group companies and reduce the market price and liquidity of the Securities.

SUMMARY

The following summary refers to certain provisions of the Terms and Conditions of the Securities and the Trust Deed and insofar as it refers to the Terms and Conditions of the Securities is qualified by the more detailed information contained elsewhere in this document. Defined terms used herein have the meaning given to them in 'Terms and Conditions of the Securities'.

Issuer	AEGON N.V.
Trustee	ATC Financial Services B.V.
Issue Size	€ 500,000,000 and USD 250,000,000
Issue Price	100 per cent. for the EUR Capital securities and 100 per cent. for the USD Capital Securities
Redemption	The Securities are perpetual securities and have no maturity date. The Securities may be redeemed in whole but not in part at the option of the Issuer at their principal amount, together with any Outstanding Payments on the Coupon Payment Date falling on 15 July 2014 or on any Coupon Payment Date thereafter.
Interest	<p>The EUR Capital Securities will bear a variable rate of interest from (and including) the Issue Date (the “EUR Coupon Rate”). The EUR Coupon Rate payable from time to time in respect of the EUR Capital Securities will be determined on each EUR Interest Determination Date for the next succeeding Coupon Period and shall be the linear interpolated effective yield on the relevant EUR Interest Determination Date for two Dutch state loans with remaining terms most closely corresponding to 10 years (as from such EUR Interest Determination Date) (the “EUR Reference Loans”) plus 0.1 per cent.. The first EUR Interest Determination Date is two days before the Issue Date and the first Coupon Period runs from and including the Issue Date to but excluding 15 October, 2004.</p> <p>If on any EUR Interest Determination Date EUR Reference Loans are not available, the EUR Coupon Rate payable on the EUR Capital Securities will be calculated on the basis of the interpolated effective yield on the relevant EUR Interest Determination Date for two loans which are as much as possible identical in terms of yield, nature, remaining term and creditworthiness of the borrowers thereunder to the EUR Reference Loans (the “EUR Substitute Bonds”).</p> <p>If the EUR Coupon Rate in respect of any Coupon Period determined in accordance with the above provisions is greater than 8.0 per cent., the EUR Coupon Rate for such Coupon Period shall be 8.0 per cent..</p> <p>The USD Capital Securities will bear a variable rate of interest from (and including) the Issue Date (the “USD Coupon Rate”). The USD Coupon Rate payable from time to time in respect of the USD Capital Securities will be determined on each USD Interest Determination Date for the next succeeding Coupon Period and shall be USD CMS-10 year plus 0.1 per cent..</p> <p>“USD-CMS-10 year” means that the rate for a Reset Date will be the arithmetic mean of the bid and offered swap rate quotations published on the Telerate Page 42276 under the heading “RATES AS AT 11:00 EST (16:00 GMT)”, for, designated maturity of ten years as of 11:00</p>

a.m., New York City time, on the USD Interest Determination Date. If such rate does not appear on the Telerate Page 42276, the rate for that Reset Date will be a percentage determined on the basis of the mid-market semi-annual swap rate quotations provided by the Reference Banks at approximately 11:00 a.m., New York City time, on the USD Interest Determination Date and, for this purpose, the semi-annual swap rate means the mean of the bid and offered rates for the semi-annual fixed leg, calculated on a 30/360 day count basis, of a fixed-for-floating U.S. Dollar interest rate swap transaction with a term equal to the designated maturity of ten years commencing on that Reset Date and in a representative amount with an acknowledged dealer of good credit in the swap market, where the floating leg, calculated on an Actual/360 day count basis, is equivalent to USD-LIBOR-BBA with a designated maturity of three months. The Calculation Agent will request the principal New York City office of each of the Reference Banks to provide a quotation of the relevant Reference Bank's rate. If at least three quotations are provided, the rate for that Reset Date will be the arithmetic mean of the quotations, eliminating the highest quotation (or, in the event of equality, one of the highest) and the lowest quotation (or, in the event of equality, one of the lowest). The Reference Banks will be selected by the Calculation Agent and will be five leading swap dealers in the New York City inter-bank market.

If the USD Coupon Rate in respect of any Coupon Period determined in accordance with the above provisions is greater than 8.5 per cent., the USD Coupon Rate for such Coupon Period shall be 8.5 per cent..

Coupon Payment Dates

Subject as described below, Coupon Payments will be payable quarterly in arrear on 15 April, 15 January, 15 October and 15 July of each year (each a '**Coupon Payment Date**') from (and including) 15 October, 2004.

Status and Subordination

The Securities constitute direct, unsecured and subordinated securities of the Issuer. The rights and claims of the Holders under the Securities are subordinated to the claims of Senior Creditors of the Issuer, present and future.

Condition of Payment

No payment in respect of the Securities shall be payable except to the extent that the Issuer is Solvent or not subject to a Regulatory Event, as applicable, and could make such payment and still be Solvent or still not be subject to a Regulatory Event, as applicable, immediately thereafter.

Winding-up Claims

The Securities will rank on a winding-up (*faillissement of vereffening na ontbinding*) of the Issuer in priority to distributions on all classes of share capital of the Issuer and will rank *pari passu* with each other and among themselves, but will be subordinated in right of payment to the claims of Senior Creditors of the Issuer, present and future.

Required Deferral Payment

Prior to the Issuer becoming subject to Capital Adequacy Regulations

If the Issuer determines on the 20th Business Day prior to the date, on which any Payment (such term does not include principal) would in the absence of deferral in accordance with Condition 4 of the Terms & Conditions, be due and payable, that it is not Solvent or that payment of the relevant Payment, or part thereof would result in the Issuer

becoming not Solvent, the Issuer must defer such Payment or such part thereof, as the case may be.

Any Payment so deferred may be satisfied at any time by the Issuer giving not less than 16 Business Days prior notice of such satisfaction (provided that at the time of satisfying such payment, the Issuer is Solvent). Unless the Issuer elects to further defer such Payment pursuant to its optional right to defer referred to below, a Payment so deferred must be satisfied on the Coupon Payment Date next following the 19th Business Day after the Issuer determines that it has become Solvent and that such Payment would not result in it becoming not Solvent again. No interest will accrue on Payments being mandatorily deferred.

After the Issuer has become subject to Capital Adequacy Regulations

If the Issuer determines on the 20th Business Day prior to the date, on which any Payment (such term does not include principal) would in the absence of deferral in accordance with Condition 4 of the Terms & Conditions, be due and payable, that it is subject to a Regulatory Event or that payment of the relevant Payment, or part thereof, would result in the Issuer becoming subject to a Regulatory Event, the Issuer must defer such Payment or such part thereof, as the case may be.

Any Payment so deferred may be satisfied at any time by the Issuer giving not less than 16 Business Days prior notice of such satisfaction (provided that at the time of satisfying such payment, the Issuer is not longer subject to a Regulatory Event). Unless the Issuer elects to further defer such Payment pursuant to its optional right to defer referred to below, a Payment so deferred must be satisfied on the Coupon Payment Date next following the 19th Business Day after the Issuer determines that it no longer is subject to a Regulatory Event and that such Payment would not result in it becoming subject to a Regulatory Event again. No interest will accrue on Payments being mandatorily deferred.

Optional Deferral of Payments

The Issuer may elect to defer any Payment (such term does not include principal) on the Securities for any period of time. However if the Issuer makes this election, the deferred payment will bear interest at the Applicable Coupon Rate for the full period of optional deferral.

Deferred and Future Interest Payments

Any Payment which has been deferred will become immediately due and payable if the Issuer makes payments on or purchases or redeems any Junior Securities or Parity Securities (except where it concerns a payment, purchase or redemption which the Issuer is obliged to make pursuant to its Articles of Association as they read prior to the relevant deferral or equity swap, forward, repo or equity derivative transactions concluded by the Issuer prior to the relevant deferral). Furthermore any payment on or purchase or redemption of Ordinary Shares or any other Junior Securities(except where it concerns a payment, purchase or redemption which the Issuer is obliged to make pursuant to its Articles of Association as they read prior to the relevant deferral or equity swap, forward, repo or equity derivative transactions concluded by the Issuer prior to the relevant deferral) will result in full mandatory payments for the next four Coupon Periods or next two Coupon Periods, as applicable, assuming such payment to be for a full year or two Coupon Periods, as applicable. Any payment on any Parity Securities will result

in a proportional mandatory payment for such number of consecutive Coupon Periods following the payment on such Parity Securities as specified in Condition 4. In all such cases, the relevant payment will only be made if the Required Deferral Condition has not been met at the time the relevant payment would otherwise have to be made.

Alternative Coupon Satisfaction Mechanism

Any Deferred Coupon Payment (with any interest accrued on such Deferred Coupon Payment, as applicable) will be satisfied using the Alternative Coupon Satisfaction Mechanism. In addition, the Issuer may elect at any time to satisfy any Payment (other than Deferred Coupon Payments and a payment of principal) to Holders by using the Alternative Coupon Satisfaction Mechanism. This mechanism means that the relevant payment is satisfied from the proceeds of the issue of such amount of Ordinary Shares for cash as required to provide enough cash for the Issuer to make full payments on the Securities in respect of the relevant Payment. The Issuer will calculate the number of Ordinary Shares that must be issued to raise the full amount of money due on the Securities on the Relevant Date to the Holders. Investors will always receive payments made in respect of Securities in cash.

Sufficiency

The Issuer is required to keep available for issue enough Ordinary Shares as it reasonably considers would be required to satisfy from time to time the next year's scheduled Coupon Payments and any Deferred Coupon Payments.

Market Disruption Event

If, in the opinion of the Issuer, a Market Disruption Event in respect of its shares exists on or after the 15th Business Day preceding any date upon which the Issuer is due to satisfy a Payment using the Alternative Coupon Satisfaction Mechanism (which is mandatory if it concerns Deferred Coupon Payments and which the Issuer may elect to do in other cases), the payment to Holders may be deferred until the Market Disruption Event no longer exists. Any such deferred payments shall bear interest at the Applicable Coupon Rate if the Market Disruption Event continues for 14 days or more.

Additional Amounts

The Issuer will pay additional amounts to Holders of the Securities to gross up Payments upon the imposition of Dutch withholding tax, subject to customary exceptions.

Redemption for Taxation Reasons

Upon the occurrence of certain changes in the treatment of the Securities for taxation purposes as described below, the Issuer may redeem all but not some only of the Securities at their principal amount together with any Outstanding Payments.

Redemption for Regulatory Reasons

If, at any time following the Issuer becoming subject to Capital Adequacy Regulations, securities of the nature of the Securities cease to qualify as own funds and core capital (tier 1 capital or equivalent) for the purposes of determination of its solvency margin, capital adequacy ratios or comparable margins or ratios under such Capital Adequacy Regulations, then the Issuer may redeem all, but not some only, of the Securities at their principal amount together with any Outstanding Payments.

Remedy for Non-Payment

The sole remedy against the Issuer available to the Trustee or any Holder of Securities for recovery of amounts owing in respect of the Securities will be the institution of proceedings for the winding-up

(*faillissementsprocedure*) of the Issuer and/or proving in such winding-up.

Form	The Securities will be represented by two Global Securities in bearer form (the ' Global Securities '), without coupons, in the principal amount of € 500,000,000 and USD 250,000,000. The Global Securities will be deposited with Euroclear Netherlands (<i>Nederlands Centraal Instituut voor Giraal Effectenverkeer B.V.</i>). The Global Securities will not be exchangeable for definitive Securities in bearer form.
Clearing Systems	Euroclear Netherlands, Clearstream and Euroclear.
Selling Restrictions	The offering and sale of the Securities are subject to all applicable selling restrictions. See ' Subscription and Sale ' on page 61 .
Listing	Application has been made to list the Securities on the Official Segment of the Stock Market of Euronext Amsterdam N.V. It is anticipated that the Securities will be quoted as a percentage of their principal amount of € 100 and USD100.
Ratings	The Securities are expected to be assigned, on issue, a Rating of 'A-' by Standard & Poor's Rating Services, a division of the McGraw-Hill Companies, Inc. and a rating of 'A3' by Moody's Investors Service. A credit rating is not a recommendation to buy, sell or hold securities and may be subject to revision, suspension or withdrawal at any time by the relevant rating organisation.
Governing Law	The Securities will be governed by, and construed in accordance with the laws of the Netherlands.

TERMS AND CONDITIONS OF THE SECURITIES

The following, subject to alteration, are the terms and conditions of the Securities which will be endorsed on the Global Securities:

The Securities are constituted by the Trust Deed. The issue of the Securities was authorised pursuant to resolutions of the Executive Board of the Issuer passed on 13 June, 2004. The statements in these Terms and Conditions include summaries of, and are subject to, the detailed provisions of the Trust Deed. Copies of the Trust Deed and the Agency Agreement are available for inspection during normal business hours by the Holders at the registered office of the Trustee, being at Frederik Roeskestraat 123, 1076 EE Amsterdam and at the specified office of each of the Paying Agents. The Holders are entitled to the benefit of, are bound by, and are deemed to have notice of, all the provisions of the Trust Deed and the Agency Agreement applicable to them.

1. Form, Denomination and Title

(a) *Form and Denomination*

The Securities are in bearer form and shall be in denominations of € 100 and USD 100 each. The Securities will be represented by two global securities (the “**Global Securities**”) without interest coupons, in the principal amount of € 500,000,000 and USD 250,000,000. The Global Securities will be deposited with Euroclear Netherlands and thereby become subject to the Dutch Securities Giro Transfer Act (*Wet Giraal Effectenverkeer*, “**WGE**”). The Global Securities will not be exchangeable for definitive bearer Securities.

(b) *Transfer and Title*

Interests in a Global Security will be transferable only in accordance with the provisions of the WGE and the rules and procedures for the time being of Euroclear Netherlands and its participants (*aangesloten instellingen*) and all transactions in (including transfer of) Securities, in the open market or otherwise must be effected through participants of Euroclear Netherlands. The bearer of a Global Security will be the only person entitled to receive payments in respect of such Global Security. Each person who is for the time being shown in the records of Euroclear Netherlands or any of its participants as the holder of a particular nominal amount of such Securities (in which regard any certificate or other document issued by Euroclear Netherlands or such participant as to the nominal amounts of Securities standing to the account of any person shall be conclusive and binding for all purposes save in the case of manifest error) shall be treated by the Issuer and the Paying Agent as the holder of such nominal amount of such Securities for all purposes other than with respect to the payment of principal or interest on the Securities, for which purpose the bearer of a Global Security shall be treated by the Issuer and the Paying Agent as the holder of such Securities in accordance with and subject to the terms of the Global Security.

2. Status

(a) *Status and Subordination of the Securities*

The Securities constitute direct, unsecured, subordinated securities of the Issuer and rank *pari passu* without any preference among themselves. The rights and claims of the Holders under the Securities are subordinated to the claims of Senior Creditors of the Issuer, present and future.

(b) (i) *Condition of Payment by the Issuer prior to becoming subject to Capital Adequacy Regulations:*

Payments in respect of the Securities (and using the proceeds of the issue of Ordinary Shares in accordance with Condition 6) are conditional upon the Issuer being Solvent at the time of payment (or at the time of using the proceeds of issue of such Ordinary Shares) by the Issuer and in that no principal or Payments shall be due and payable in respect of the Securities

(including using the proceeds of the issue of Ordinary Shares in accordance with Condition 6) except to the extent that the Issuer could make such payment (or using the proceeds of such issue of Ordinary Shares) and still be Solvent immediately thereafter.

For the purposes of this Condition 2(b)(i) any reference to a payment by the Issuer in respect of a Security shall be deemed to include a redemption or purchase of such Security by the Issuer.

(ii) *Condition of Payment by the Issuer after becoming subject to Capital Adequacy Regulations:*

Payments in respect of the Securities (and using the proceeds of the issue of Ordinary Shares in accordance with Condition 6) are conditional upon the Issuer not being subject to a Regulatory Event at the time of payment (or at the time of using the proceeds of issue of such Ordinary Shares) and no principal or Payments shall be due and payable in respect of the Securities (including using the proceeds of the issue of Ordinary Shares in accordance with Condition 6) except to the extent that the Issuer is not subject to a Regulatory Event and could make such payment (or using the proceeds of such issue of Ordinary Shares) and still not be subject to a Regulatory Event.

For the purposes of this Condition 2(b)(ii) any reference to a payment by the Issuer in respect of a Security shall be deemed to include a redemption or purchase of such Security by the Issuer.

(iii) *Winding-Up Claims of the Issuer:* Amounts in respect of principal or Payments in respect of which the conditions referred to in Condition 2(b)(i) or 2(b)(ii), as applicable, are not satisfied on the date up on which the same would otherwise be due and payable and have since not been paid ('Winding-Up Claims') will be payable by the Issuer in a winding-up (*faillissement of vereffening na ontbinding*) of the Issuer as provided in Condition 3 or on any redemption pursuant to Condition 7(b), 7(c) or 7(d). A Winding-Up Claim shall not bear interest.

(iv) *Set-off:* Subject to applicable law, no Holder may exercise or claim any right of set-off in respect of any amount owed to it by the Issuer arising under or in connection with the Securities and each Holder shall, by virtue of being the holder of any Security, be deemed to have waived all such rights of set-off.

3. Winding-up

If at any time an order is made, or an effective resolution is passed, for the winding-up (*faillissement of vereffening na ontbinding*) of the Issuer (except in any such case a solvent winding-up solely for the purpose of a reconstruction or amalgamation or the substitution in place of the Issuer of a successor in business (as defined in the Trust Deed) of the Issuer, the terms of which reconstruction, amalgamation or substitution have previously been approved in writing by the Trustee or by an Extraordinary Resolution (as defined in the Trust Deed.)), there shall be payable by the Issuer in respect of each Security (in lieu of any other payment by the Issuer) a winding-up amount. The Securities will rank on a winding-up (*faillissement of vereffening na ontbinding*) of the Issuer in priority to distributions on all classes of share capital of the Issuer and will rank *pari passu* with each other and among themselves, but will be subordinated in right of payment to the claims of Senior Creditors of the Issuer, present and future.

In a winding-up (*faillissement of vereffening na ontbinding*) of the Issuer, Holders of the Securities will only have a claim for payment in full or part of principal and Deferred Coupon Payments, if any, to the extent that distributable assets of the Issuer are sufficient to pay in full or part such amount of principal and such Deferred Coupon Payments.

4. Deferrals

The Issuer must make each Coupon Payment on the relevant Coupon Payment Date subject to and in accordance with these Terms and Conditions. Without prejudice to the generality of Condition 2 and Subject

to Condition 4(d), the Issuer must or may defer a Coupon Payment and any other Payment in the following circumstances:

(a) *Required Deferral of Payments prior to the Issuer becoming subject to Capital Adequacy Regulations*

- (i) If the Issuer determines on the 20th Business Day preceding the date on which any Payment (such term does not include principal) would in the absence of deferral in accordance with this Condition 4, be due and payable that it is not Solvent or that payment of the relevant Payment, or part thereof would result in the Issuer becoming not Solvent, the Issuer must (subject to Condition 6) defer such Payment or such part thereof, as the case may be, by giving notice (a ‘Deferral Notice’) to the Trustee, the Holders, the Principal Paying Agent and the Calculation Agent not less than 16 Business Days prior to such date.

If, following the deferral of a Payment by the Issuer under this Condition 4(a)(i), the Required Deferral Condition is no longer met on the 20th Business Day preceding a Coupon Payment Date, then the Issuer shall satisfy such Payment on the relevant Deferred Coupon Satisfaction Date having given, not less than 16 Business Days prior to the Deferred Coupon Satisfaction Date, notice to the Trustee, the Holders and the Calculation Agent that it will satisfy such Payment on such date.

- (ii) However, the Issuer shall not satisfy such Payment on the relevant Deferred Coupon Satisfaction Date referred to in Condition 4(a)(i) above, if:
- (1) it has previously elected to satisfy such Payment earlier (provided that, at the time of satisfying such payment, the Required Deferral Condition fails to be met) by delivering a notice to the Trustee, the Holders, the Principal Paying Agent and the Calculation Agent not less than 16 Business Days prior to the relevant Deferred Coupon Satisfaction Date that it will satisfy such Payment on such date; or
 - (2) it validly elects to defer under Condition 4(c) the Payment which would otherwise have been satisfied under Condition 4(a)(i).
- (iii) If any Payment is deferred pursuant to Condition 4(a)(i) then no amount will be payable by way of interest on any such deferred Payment, save as provided in Condition 6(e).

Any such deferred Payment shall be satisfied from the proceeds of the issue of Ordinary Shares in accordance with Condition 6.

(b) *Required Deferral of Payment after the Issuer has become subject to Capital Adequacy Regulations*

- (i) If the Issuer determines on the 20th Business Day prior to the date, on which any Payment (such term does not include principal), would in the absence of deferral in accordance with this Condition 4, be due and payable, that it is subject to a Regulatory Event or that payment of the relevant Payment, or part thereof would result in the Issuer becoming subject to a Regulatory Event, the Issuer must (subject to Condition 6) defer such Payment or such part thereof, as the case may be, by giving a notice (also a “Deferral Notice”) to the Trustee, the Holders, the Principal Paying Agent and the Calculation Agent not less than 16 Business Days prior to such date.

If, following the deferral of a Payment by the Issuer under this Condition 4(b)(i), the Required Deferral Condition is no longer met on the 20th Business Day preceding a Coupon Payment Date, then the Issuer shall satisfy such Payment on the relevant Deferred Coupon Satisfaction Date having given, not less than 16 Business Days prior to the Deferred Coupon Satisfaction Date, notice to the Trustee, the Holders and the Calculation Agent that it will satisfy such Payment on such date.

- (ii) The Issuer shall not satisfy such Payment on the relevant Deferred Coupon Satisfaction Date referred to in Condition 4(b)(i) above, if:
 - (1) it has previously elected to satisfy such Payment earlier (provided that, at the time of satisfying such payment, the Required Deferral Condition fails to be met) by delivering a notice to the Trustee, the Holders, the Principal Paying Agent and the Calculation Agent not less than 16 Business Days prior to the relevant Deferred Coupon Satisfaction Date that it will satisfy such Payment on such date; or
 - (2) it validly elects to defer under Condition 4(c) the Payment which would otherwise have been satisfied under Condition 4(b)(i).
- (iii) If any Payment is deferred pursuant to Condition 4(b)(i) then no amount will be payable by way of interest on any such deferred Payment, save as provided in Condition 6(e).

Any such deferred Payment shall be satisfied from the proceeds of the issue of Ordinary Shares in accordance with Condition 6.

(c) *Optional Deferral of Payments*

- (i) Subject to Condition 4(d), the Issuer may in respect of any Payment which would, in the absence of deferral in accordance with this Condition 4, be due and payable, defer all or part of such Payment by giving a notice (also a 'Deferral Notice') to the Trustee, the Principal Paying Agent, the Calculation Agent and the Holders not less than 16 Business Days prior to the relevant due date. Subject to Condition 4(d), the Issuer may then satisfy any such Payment at any time by means of an issue of Ordinary Shares in accordance with Condition 6 upon delivery of a notice to the Trustee, the Principal Paying Agent and the Calculation Agent not less than 16 Business Days prior to the relevant Deferred Coupon Satisfaction Date informing them of its election to so satisfy such Payment and specifying the relevant Deferred Coupon Satisfaction Date.
- (ii) If any Payment is deferred pursuant to this Condition 4(c) then such deferred Payment shall bear interest at the Applicable Coupon Rate from (and including) the date on which (but for such optional deferral) the Deferred Coupon Payment would otherwise have been due to be made to (but excluding) the relevant Deferred Coupon Satisfaction Date.
- (iii) The Issuer may give a Deferral Notice under this Condition 4(c) in its sole discretion and for any reason, except that a Deferral Notice as to a Payment required to be paid pursuant to (i), (ii) or (iii) under (d) below shall have no force or effect.

(d) *Dividend Pusher; Mandatory Payments and Mandatory Partial Payments*

The Issuer will be required to make payments on the Securities in the following circumstances:

- (i) If a Mandatory Payment Event or a Mandatory Partial Payment Event occurs then all Deferred Coupon Payments will become mandatorily due and payable in full on the date of the Mandatory Payment Event or Mandatory Partial Payment Event in accordance with the provisions of Condition 6.

The Issuer may satisfy its obligations to pay such Deferred Coupon Payment only in accordance with the Alternative Coupon Satisfaction Mechanism. For the avoidance of doubt the Issuer will not be required to utilise the Alternative Coupon Satisfaction Mechanism in order to satisfy its obligation to pay any Mandatory Partial Payment payable on a Mandatory Partial Payment Date that coincides with the date on which such Deferred Coupon Payment has become mandatory due and payable in full.

- (ii) If a Mandatory Payment Event occurs, then the Coupon Payments payable on the next four Coupon Payment Dates will be mandatorily due and payable in full on the relevant consecutive

Coupon Payment Dates, subject to the occurrence of any Required Deferral Condition at the time such payment would otherwise have to be made. If the Mandatory Payment Event is a payment on a Junior Security or on a Junior Guarantee or on a security benefitting from a Junior Guarantee which in each case is in respect of a semi annual dividend, then the Coupon Payments payable on only the next two Coupon Payment Dates will be mandatorily due and payable in full on such Coupon Payment Dates, notwithstanding any Deferral Notice as to such Coupon Payments or the occurrence or continuance of any Required Deferral Condition. The Issuer is permitted, but shall not be required, to satisfy its obligation to make the Coupon Payment payable on such Coupon Payment Date in accordance with the Alternative Coupon Satisfaction Mechanism.

- (iii) If a Mandatory Partial Payment Event occurs, then Mandatory Partial Payments will be mandatorily due and payable in respect of each Security, subject to the occurrence of the Required Deferral Condition at the time such payment would otherwise have to be made. Such Mandatory Partial Payments shall be payable on the immediately next four consecutive Coupon Payment Dates, the immediately next two consecutive Coupon Payment Dates or the immediately next Coupon Payment Date, as the case may be, after the occurrence of such Mandatory Partial Payment Event, depending on whether the Parity Securities pay dividends or income distributions on an annual basis, a semi annual basis or a quarterly basis, as the case may be. The Issuer is permitted, but shall not be required, to satisfy its obligation to pay any Mandatory Partial Payments in accordance with the Alternative Coupon Satisfaction Mechanism.

5. Coupon Payments

(a) *Coupon Payment Dates*

The Securities bear interest from (and including) the Issue Date. Such interest will (subject to Conditions 2(b)(i), 2(b)(ii), 4(a), 4(b), 4(c), 6(d) and 6(e)) be payable quarterly in arrear on each Coupon Payment Date. Each Security will cease to bear interest from the due date for redemption unless, upon due presentation, payment of principal is improperly withheld or refused. In such event, it shall continue to bear interest at the prevailing rate in accordance with this Condition (both before and after judgment) as provided in the Trust Deed.

If any Coupon Payment Date would otherwise fall on a day which is not a Business Day it shall be postponed to the next Business Day unless it would then fall into the next calendar month in which event the Coupon Payment Date shall be brought forward to the preceding Business Day and after the foregoing each subsequent Coupon Payment Date is the last Business Day of the month which falls three months after such Coupon Payment Date. The amount of the relevant Coupon Payment shall not be adjusted as a result.

(b) *EUR Coupon Rate*

The EUR Coupon Rate payable from time to time in respect of the Securities will be determined on the basis of the following provisions:

- (i) The EUR Coupon Rate payable from time to time in respect of the EUR Capital Securities will be determined on each EUR Interest Determination Date for the next succeeding Coupon Period and shall be the linear interpolated effective yield on the relevant EUR Interest Determination Date for two Dutch state loans with remaining terms most closely corresponding to 10 years (as from such EUR Interest Determination Date) (the “**EUR Reference Loans**”) plus 0.1 per cent.. The first EUR Interest Determination Date is two days before the Issue Date and the first Coupon Period runs from and including the Issue Date to but excluding 15 October, 2004.
- (ii) If on any EUR Interest Determination Date EUR Reference Loans are not available, the EUR Coupon Rate payable on the EUR Capital Securities will be calculated on the basis

of the interpolated effective yield on the relevant EUR Interest Determination Date for two loans which are as much as possible identical in terms of yield, nature, remaining term and creditworthiness of the borrowers thereunder to the EUR Reference Loans (the “**EUR Substitute Bonds**”).

- (iii) If the EUR Coupon Rate in respect of any Coupon Period determined in accordance with the above provisions is greater than 8.0 per cent., the EUR Coupon Rate for such Coupon Period shall be 8.0 per cent..

(c) *USD Coupon Rate*

The USD Coupon Rate payable from time to time in respect of the Securities will be determined on the basis of the following provisions:

- (i) The USD Coupon Rate payable from time to time in respect of the USD Capital Securities will be determined on each USD Interest Determination Date for the next succeeding Coupon Period and shall be USD CMS-10 year plus 0.1 per cent..
- (ii) “USD-CMS-10 year” means that the rate for a Reset Date will be the arithmetic mean of the bid and offered swap rate quotations published on the Telerate Page 42276 under the heading “RATES AS AT 11:00 EST (16:00 GMT)”, for a designated maturity of ten years as of 11:00 a.m., New York City time, on the USD Interest Determination Date. If such rate does not appear on the Telerate Page 42276, the rate for that Reset Date will be a percentage determined on the basis of the mid-market semi-annual swap rate quotations provided by the Reference Banks at approximately 11:00 a.m., New York City time, on the USD Interest Determination Date and, for this purpose, the semi-annual swap rate means the mean of the bid and offered rates for the semi-annual fixed leg, calculated on a 30/360 day count basis, of a fixed-for-floating U.S. Dollar interest rate swap transaction with a term equal to the designated maturity of ten years commencing on that Reset Date and in a representative amount with an acknowledged dealer of good credit in the swap market, where the floating leg, calculated on an actual/360 day count basis, is equivalent to USD-LIBOR-BBA with a designated maturity of three months. The Calculation Agent will request the principal New York City office of each of the Reference Banks to provide a quotation of the relevant Reference Bank’s rate. If at least three quotations are provided, the rate for that Reset Date will be the arithmetic mean of the quotations, eliminating the highest quotation (or, in the event of equality, one of the highest) and the lowest quotation (or, in the event of equality, one of the lowest). The Reference Banks will be selected by the Calculation Agent and will be five leading swap dealers in the New York City inter-bank market.
- (iii) If the USD Coupon Rate in respect of any Coupon Period determined in accordance with the above provisions is greater than 8.5 per cent., the USD Coupon Rate for such Coupon Period shall be 8.5 per cent..

(d) *Determination and Publication of Coupon Rate and Coupon Amounts*

The Calculation Agent will, upon the determination of each Coupon Rate pursuant to Condition 5(b) and 5(c), calculate the Coupon Amount and cause the Coupon Rate and each Coupon Amount payable in respect of a Coupon Period to be notified to the Trustee, the Issuer, the Principal Paying Agent, Euronext Amsterdam N.V., and the Holders and to be published on the website of the Issuer as soon as possible after their determination but in no event later than the fourth Business Day thereafter.

The amount of interest payable for any period will be computed on the basis of a 360-day year of twelve 30-day months. The rate at which interest will be payable for each full Coupon Period will be computed by dividing the relevant Coupon Rate by four.

(e) *Determination or Calculation by Trustee*

If the Calculation Agent does not at any time for any reason (i) determine the Coupon Rate in accordance with Conditions 5(b) and/or 5(c) or (ii) calculate a Coupon Amount in accordance with Condition 5(d), the Trustee or an agent on its behalf shall do so and such determination or calculation shall be deemed to have been made by the Calculation Agent. In doing so, the Trustee or such agent shall apply the foregoing provisions of this Condition, with any necessary consequential amendments, to the extent that, in its opinion, it or such agent can do so, and in all other respects it or such agent shall do so in such manner as it shall deem fair and reasonable in all the circumstances. All determinations or calculations made or obtained for the purposes of the provisions of this Condition 5(e) by or on behalf of the Trustee, shall (in the absence of wilful default, bad faith or manifest error) be binding on the Issuer, the Calculation Agent, the Paying Agents and all Holders and (in the absence of wilful default or bad faith) no liability to the Issuer, the Holders shall attach to the Trustee in connection with the exercise or non-exercise by it of its powers, duties and discretions pursuant to such provisions.

6. Alternative Coupon Satisfaction Mechanism

(a) *Alternative Coupon Satisfaction Mechanism*

If any Deferred Coupon Payment (with any interest accrued on such Deferred Coupon Payment, as applicable) is to be made, it will be satisfied using the Alternative Coupon Satisfaction Mechanism. In addition, the Issuer may elect at any time to satisfy its obligation to make any Payment (other than Deferred Coupon Payments and a payment of principal) to Holders by using the Alternative Coupon Satisfaction Mechanism. "Alternative Coupon Satisfaction Mechanism" means that the relevant payment is satisfied from the proceeds of the issue of such amount of Ordinary Shares for cash as required to provide enough cash for the Issuer to make full payments on the Securities in respect of the relevant Payment, in accordance with and subject to the following provisions of this Condition 6. Investors will always receive payments made in respect of Securities in cash.

If the Issuer uses the Alternative Coupon Satisfaction Mechanism, the Issuer shall notify the Trustee and the Principal Paying Agent not less than 16 Business Days prior to the relevant Coupon Payment Date. In the absence of or save to the extent of such issue, subject to Condition 4(a) or 4(b) (*Required Deferral of Payments*) and Condition 4(c) (*Optional Deferral of Payments*), Payments must be satisfied in accordance with Condition 8(a).

(b) *Issue of shares*

If any Payment is to be satisfied in accordance with the Alternative Coupon Satisfaction Mechanism then, subject to Conditions 6(d) and 6(e):

- (i) by close of business on or before the seventh Business Day prior to the relevant Coupon Payment Date or Deferred Coupon Satisfaction Date the Issuer will have authorised for issue such number of Ordinary Shares (the 'Payment Ordinary Shares') as, in the determination of the Issuer, have a market value of not less than the relevant Payment to be satisfied in accordance with this Condition 6;
- (ii) the Issuer will procure purchasers for such Ordinary Shares as soon as possible after above-mentioned authorisation for the issue of Ordinary Shares, but not later than the fourth Business day prior to the Relevant Date;
- (iii) if, after the operation of the above procedures, there would in the opinion of the Issuer be a shortfall on the date on which the relevant Payment is due, the Issuer shall issue further Ordinary Shares in accordance with the provisions of the Trust Deed to ensure that a sum at least equal to the relevant Payment is available to make the Payment in full on the relevant due date provided that if, despite the operation of the aforementioned provisions, such a shortfall

exists on the relevant due date the Issuer will continue to issue Ordinary Shares until the Principal Paying Agent shall have received funds equal to the full amount of such shortfall.

- (iv) If the Issuer fails, by the date or time specified, to perform any of its obligations described in paragraphs (i) to (iii) above, the Trustee shall appoint the Calculation Agent to perform such obligations.

(c) *Receipt of cash proceeds in respect of Issue of Ordinary Shares satisfies Payment*

Where the Issuer either elects or is required to make a Payment hereunder by using the proceeds of an issue of Ordinary Shares and in accordance with its obligations under the Trust Deed issues such shares, the Issuer will sell such shares in the market. Receipt of the cash proceeds by the Issuer on the sale of the Ordinary Shares in the market by the Issuer shall, subject to Condition 6(b)(iii) and 6(e), be used to satisfy the relevant Payment or, as the case may be, in the circumstances referred to in (d) below, the relevant part of such Payment. The proceeds of sale of Ordinary Shares in accordance with this Condition 6 shall be paid by the Principal Paying Agent to the Holders in respect of the relevant Payment.

(d) *Reservation and Insufficiency of Ordinary Shares*

- (i) The Issuer is required to keep available for issue enough Ordinary Shares as it reasonably considers would be required to satisfy from time to time the next four scheduled Coupon Payments and any Deferred Coupon Payments.

No damages will be payable for breach of this covenant but, in the event of breach by the Issuer of this paragraph (d) (i), the Trustee may require that the Issuer holds as soon as practicable an extraordinary general meeting of the shareholders of the Issuer at which a resolution is passed to remedy the breach.

The Trustee shall not be obliged to monitor compliance by the Issuer with this paragraph and shall be entitled to assume, unless it has actual knowledge to be contrary, that the Issuer is complying with its obligations under this paragraph (d)(i).

- (ii) If the Issuer is to satisfy a Payment in accordance with this Condition 6 and does not, on the date when the number of Ordinary Shares required to be issued is determined in accordance with this Condition 6, have sufficient number of Ordinary Shares available for issue, then the Issuer shall notify the Trustee, the Principal Paying Agent, and the Holders that all or part, as the case may be, of the relevant Payment cannot be so satisfied due to the events described in this paragraph. In this case the Payment or part thereof shall be satisfied following the date of the next annual general meeting or extraordinary general meeting of shareholders of the Issuer at which a resolution is passed making a sufficient number of Ordinary Shares available to satisfy all or such part of the relevant Payment provided that if the number of Ordinary Shares authorised to be issued at any such meeting is insufficient to satisfy all or such part of the relevant Payment then those Ordinary Shares so issued shall be applied by the Issuer in part satisfaction of all or such part of the relevant Payment. Following the passage of any such resolution, the Issuer shall notify the Trustee, the Paying Agent and the Holders of the date upon which the relevant Payment or, as the case may be, the part thereof is to be made in accordance herewith on not less than 16 Business Days' notice. The relevant Payment or, as the case may be, the part thereof which is not so satisfied shall, unless it is a required Deferred Coupon Payment which had been deferred under Condition 4(a) or 4(b) and has not been subsequently either satisfied or deferred in accordance with Condition 4(c), continue to accrue interest at the rate specified in Condition 4(c)(ii) from (and including) the date on which Payment would otherwise have been due to (but excluding) the date on which such Payment or part thereof is satisfied or, in the event of a Market Disruption Event, the date on which such Payment or part thereof would, but for the occurrence of such Market Disruption Event, have been satisfied (from which date interest (if any) will accrue on such Payment as provided in Condition 6(e)).

- (iii) If, in the case of an insufficiency of Ordinary Shares, the Issuer does not hold an annual general meeting within 6 months of giving the above first-mentioned notice, at which a resolution to make a sufficient number of Ordinary Shares so available is proposed, the Trustee shall by notice require the Issuer to convene an extraordinary general meeting at which such a resolution shall be proposed on a date falling within 10 weeks of such notice from the Trustee.
- (iv) In the event that any such resolution proposed at any such annual general meeting or extraordinary general meeting of the Issuer is rejected, such resolution will be proposed at each annual general meeting or any extraordinary general meeting of the Issuer thereafter until such time as such resolution has been passed by the shareholders of the Issuer.

(e) *Market Disruption*

Notwithstanding the provisions of Condition 6(b), if there exists, in the opinion of the Issuer a Market Disruption Event on or after the 15th Business Day preceding any date upon which a Payment or, in the case of an insufficiency as provided in paragraph (d) above, part thereof is due to be made or satisfied in accordance with this Condition 6, then the Issuer may give a notice to the Trustee, the Principal Paying Agent and the Holders as soon as possible after the Market Disruption Event has arisen or occurred, whereupon the relevant Payment shall be deferred until such time as (in the opinion of the Issuer) the Market Disruption Event no longer exists.

Any such deferred Payment or part thereof will be satisfied as soon as practicable following such time as the Market Disruption Event no longer exists. Interest shall not accrue on such deferred Payment or part thereof unless, as a consequence of the existence of a Market Disruption Event, the Issuer does not make the relevant Payment or part thereof for a period of 14 days or more after the due date therefor, in which case interest shall accrue on such deferred Payment or part thereof from (and including) the date on which the relevant Payment or part thereof was due to be made to (but excluding) the date on which such Payment or part thereof is made. Any such interest shall accrue at the rate provided for in Condition 5 and shall be satisfied only in accordance with this Condition 6 and as soon as reasonably practicable after the relevant deferred Payment is made. No liability shall attach to the Trustee or its agents if, as a result of a Market Disruption Event or any other event outside the control of the Trustee or any such agent, the Trustee or any such agent is unable to comply with the provisions of Condition 6(b).

(f) *Issuer certification to Trustee*

The Issuer will certify to the Trustee that the proceeds used to make any Deferred Coupon Payment have been funded through the issue of Ordinary Shares which will provide the cash amount due in respect of the Deferred Coupon Payment.

7. Redemption and Purchases

(a) *No Fixed Redemption Date*

The Securities are perpetual securities in respect of which there is no fixed redemption date and the Issuer shall (subject to the provisions of Conditions 2 and 3 and without prejudice to the provisions of Condition 11) only have the right to repay them in accordance with the following provisions of this Condition 7.

(b) *Issuer's Call Option*

Subject to Condition 2(b)(i) or 2(b)(ii), as applicable, the Issuer may, by giving not less than 30 nor more than 60 days' notice to the Holders in accordance with Condition 15 and to the Principal Paying Agent and the Trustee, which notice shall be irrevocable, elect to redeem all, but not some only, of the Securities on the Coupon Payment Date falling on 15 July 2014 or any Coupon Payment Date thereafter at their principal amount together with any Outstanding Payments.

(c) *Redemption due to Taxation*

If the Issuer satisfies the Trustee immediately prior to the giving of the notice referred to below that, on the next due date for a Coupon Payment:

- (i) the Issuer would, for reasons outside its control, be unable to make such payment without being required to pay additional amounts as provided or referred to in Condition 10; or
- (ii) payments of amounts in respect of interest on the Securities including, for the avoidance of doubt, from the proceeds of the issue of Ordinary Shares pursuant to Condition 6, may be treated as ‘distributions’ within the meaning of Section II of the Dividend Withholding Tax Act 1965 (*Wet op de dividendbelasting 1965*) (or such other Section and/or Act as may from time to time supersede or replace Section II of the Dividend Withholding Tax Act 1965 for the purposes of such definition) and such requirement or circumstance cannot be avoided by the Issuer taking such measures as it (acting in good faith) deems appropriate; or
- (iii) as a result of any change in or proposed change in, or amendment to or proposed amendment to, the laws of the Netherlands or any political subdivision or authority thereof having power to tax, or any change in or proposed change in the application of official or generally published interpretation of such laws, or any interpretation or pronouncement by any relevant tax authority that provides for a position with respect to such law or regulations that differs from the previously generally accepted position in relation to similar transactions or which differs from any specific written confirmation given by a tax authority in respect of the Securities, which change or amendment becomes, or would become, effective, or in the case of a change or proposed change in law if such change is enacted (or, in the case of a proposed change, is expected to be enacted) by Act of Parliament or made by Statutory Instrument on or after 15 July, 2004, there is more than an insubstantial risk that the Issuer will not obtain full or substantially full relief for the purposes of Dutch corporation tax for any payment of interest including, for the avoidance of doubt, where the payment of interest is to be satisfied from the proceeds of the issue of Ordinary Shares, then the Issuer may (and subject to Condition 2(b)(i) or 2(b)(ii), as applicable), having given not less than 30 nor more than 60 days’ notice to the Trustee, the Principal Paying Agent and, in accordance with Condition 15, the Holders (which notice shall be irrevocable), redeem, in accordance with these Terms and Conditions, at any time all, but not some only, of the Securities at their principal amount together with any Outstanding Payments.

Prior to the publication of any notice of redemption pursuant to this Condition 7(c), the Issuer shall deliver to the Trustee a certificate signed by a member of the Executive Board of the Issuer stating that the relevant requirement or circumstance referred to in paragraphs (i), (ii) or (iii) above is satisfied and the Trustee shall accept such certificate as sufficient evidence of the satisfaction of the conditions precedent set out above, in which event it shall be conclusive and binding on the Holders.

(d) *Redemption or Conversion for Regulatory Purposes*

If, at the time the Issuer becomes subject to Capital Adequacy Regulations, or any time thereafter, securities of the nature of the Securities cease to qualify as own funds and core capital (tier 1 capital or equivalent), for the purposes of determination of its solvency margin, capital adequacy ratios or comparable margins or ratios under such Capital Adequacy Regulations, then

- (i) the Issuer may (subject to Condition 2(b)(ii)), having given not less than 30 nor more than 60 days’ notice to the Trustee, the Principal Paying Agent and, in accordance with Condition 15, the Holders (which notice shall be irrevocable) redeem, in accordance with these Terms and Conditions, at any time all, but not some only, of the Securities at their principal amount together with any Outstanding Payments; or
- (ii) subject to compliance with applicable regulatory requirements, the Issuer may at any time convert or exchange the Securities in whole (but not in part) to another series of capital

securities of the Issuer having materially the same terms as the Securities and which are no less favourable to an investor than the current terms of the Securities. Any conversion of the Securities into another series of capital securities under this paragraph (d)(ii) shall be made on not less than 30 nor more than 60 days' notice to the Holders. The Issuer is permitted to satisfy its obligation to pay any Deferred Coupon Payment due upon conversion only in accordance with the Alternative Coupon Satisfaction Mechanism.

(e) *Purchases*

The Issuer, may (subject to Condition 2(b)(i) or 2(b)(ii), as applicable) at any time purchase Securities in any manner and at any price.

(f) *Cancellation*

Cancellation of any Securities will be effected by reduction in the principal amount of the Global Securities and such cancelled Securities may not be reissued or resold. Securities purchased by the Issuer may be held, reissued, resold or, at the option of the Issuer, be cancelled by decreasing the number of Securities represented by the Global Securities by an equal number. The obligations of the Issuer in respect of any such Securities shall be discharged.

8. Payments

(a) *Method of Payment*

- (i) Payments of principal and Coupon Amounts and all other payments on or in respect of the Securities will be in euro or US dollars, as the case may be, and will be calculated by the Calculation Agent and effected through the Paying Agents.

Payments of redemption amounts and interest in respect of the Securities will, subject as set out below, be made against presentation for endorsement and, if no further payment falls to be made in respect of the Securities, surrender of the Global Securities to the order of the Paying Agent. A record of each payment will be endorsed on the appropriate part of the schedule to the Global Securities by or on behalf of the Paying Agent, which endorsement shall be prima facie evidence that such payment has been made in respect of the Securities.

- (ii) The names of the initial Paying Agents and their initial specified offices are set out below. The Issuer reserves the right, subject to the prior written approval of the Trustee at any time to vary or terminate the appointment of any Paying Agent and to appoint additional or other Paying Agents provided that it will at all times maintain (aa) a Paying Agent having a specified office in the Netherlands (bb) for so long as the Securities are listed on the Official Segment of the Stock Market of Euronext Amsterdam N.V., or any other stock exchange or regulated securities market and the rules of such exchange or securities market so require, a Paying Agent having a specified office in such location as the rules of such exchange or securities market may require and (cc) if a European Union Directive on the taxation of savings implementing the conclusions of the ECOFIN Council meeting of 26-27 November, 2000 comes into force, a Paying Agent in a Member State of the European Union that will not be obliged to withhold or deduct tax pursuant to the Directive. Notice of any such termination or appointment and of any change in the specified offices of the Paying Agents will be given to the Holders in accordance with Condition 15.

(b) *Payments subject to fiscal laws*

All payments made in accordance with these Terms and Conditions will be subject in all cases to any fiscal or other laws and regulations applicable thereto in the place of payment, but without prejudice to the provisions of Condition 10.

(c) *Payments on Payment Business Days*

A Global Security in respect of an EUR Capital Security may only be presented for payment on a day (other than a Saturday or a Sunday) on which (i) commercial banks are open for general business in Amsterdam and, if different, in the place of the specified office of the relevant Paying Agent to whom such Global Security is presented for payment and (ii) the Trans-European Real-time Gross settlement Express Transfer (TARGET) System is operating.

A Global Security in respect of an USD Capital Security may only be presented for payment on a day (other than a Saturday or a Sunday) on which (i) commercial banks are open for general business in New York and, if different, in the place of the specified office of the relevant Paying Agent to whom such Global Security is presented for payment and (ii) the Trans-European Real-time Gross settlement Express Transfer (TARGET) System is operating.

No further interest or other payment will be made as a consequence of the day on which a Global Security may be presented for payment under this paragraph falling after the due date.

9. Non-Payment when Due

Notwithstanding any of the provisions below in this Condition 9, the right to institute winding-up proceedings is limited to circumstances where payment has become due. Pursuant to Condition 2(b)(i) and 2(b)(ii) and subject as provided in the next sentence no principal or Payment will be due by the Issuer if the Issuer is not Solvent or would not be Solvent if payment of such principal or Payment was made. Also, in the case of any Payment, such Payment will not be due if the Issuer has elected to defer that Payment pursuant to Condition 4(a), 4(b) or 4(c) if the circumstances referred to in any of Conditions 6(d) or 6(e) then apply. The Trust Deed contains provisions entitling the Trustee to claim from the Issuer, inter alia, the fees, expenses and liabilities incurred by it in carrying out its duties under the Trust Deed. The restrictions on commencing proceedings described below will not apply to any such claim.

- (a) If the Issuer shall not make a payment in respect of the Securities for a period of 14 days or more after the date on which such payment is due, the Issuer shall be deemed to be in default under the Trust Deed and the Securities, and the Trustee may, notwithstanding the provisions of paragraph (b) of this Condition 9, institute proceedings in the Netherlands (but not elsewhere) for the winding-up (*faillissementsprocedure*) of the Issuer.
- (b) Subject as provided in Condition 9, the Trustee may at its discretion and without further notice institute such proceedings against the Issuer as it may think fit to enforce any term or condition binding on the Issuer under the Trust Deed, the Securities (other than for the payment of any principal or satisfaction of any Payments in respect of the Securities, including any payment under clause 2.6 of the Trust Deed) provided that the Issuer shall not by virtue of the institution of any such proceedings be obliged to pay any sum or sums, in cash or otherwise, sooner than the same would otherwise have been payable by it.
- (c) The Trustee shall not be bound to take any of the actions referred to in paragraph (a) or (b) above against the Issuer to enforce the terms of the Trust Deed or the Securities unless (i) it shall have been so requested by an Extraordinary Resolution or in writing by the holders of at least one-fifth in principal amount of the Securities then outstanding and (ii) it shall have been indemnified to its satisfaction.
- (d) No Holder shall be entitled to proceed directly against the Issuer, or to institute proceedings for the winding-up (*faillissementsprocedure*) of the Issuer or to prove in such winding-up unless the Trustee, having become so bound to proceed or being able to prove in such winding-up, fails to do so within a reasonable period and such failure shall be continuing, in which case the Holder shall have only such rights against the Issuer as those which the Trustee is entitled to exercise. No remedy against the Issuer shall be available to the Trustee or any Holder (i) for the recovery of amounts owing in respect of the Securities (including any payment under clause 2.6 of the Trust Deed), other than the institution of proceedings in the Netherlands (but not elsewhere) for the winding-up (*faillissement*) of the Issuer

and/or proving in such winding-up (*fallissement*) and (ii) for the breach of any other term under the Trust Deed, the Securities other than as provided in paragraph (b) above.

10. Taxation

- (a) All payments by the Issuer of principal, Coupon Amounts, Deferred Coupon Payments, Mandatory Partial Payments, Accrued Coupon Payments and Winding-Up Claims in respect of the Securities will be made without withholding of or deduction for, or on any account of, any present or future taxes, duties, assessments or governmental charges of whatsoever nature imposed or levied by or on behalf of the Netherlands or any political subdivision thereof or by any authority therein or thereof having power to tax, unless the withholding or deduction of such taxes, duties, assessments or governmental charges is required by law. In that event the Issuer will pay such additional amounts as may be necessary in order that the net amounts receivable by Holders after such withholding or deduction shall equal the respective amounts of principal and interest which would have been receivable in respect of the Securities in the absence of such withholding or deduction, except that no such additional amounts shall be payable in relation to any payment with respect to any Security:
- (i) to or to a third party on behalf of a Holder who is liable to such taxes, duties, assessments or governmental charges in respect of such Security by reason of such Holder or, as the case may be, having some connection with the Netherlands other than the mere holding of such Security; or
 - (ii) to, or to a third party on behalf of, a Holder if such withholding or deduction may be avoided by complying with any statutory requirement or by making a declaration of non-residence or other similar claim for exemption to the relevant tax authority; or
 - (iii) to, or to a third party on behalf of, a Holder, that is a partnership, or a Holder, that is not the sole beneficial owner of the Security or which holds the Security in a fiduciary capacity, to the extent that any of the members of the partnership, the beneficial owner or the settlor or beneficiary with respect to the fiduciary would not have been entitled to the payment of an additional amount had each of the members of the partnership, the beneficial owner, settlor or beneficiary (as the case may be) received directly his beneficial or distributive share of the payment; or
 - (iv) presented for payment more than 30 days after the Relevant Date except to the extent that the Holder would have been entitled to such additional amounts on presenting the same for payment on the last day of such period of 30 days; or
 - (v) where such withholding or deduction is imposed on a payment to an individual and is required to be made pursuant to any European Union Directive on the taxation of savings implementing the conclusions of the ECOFIN Council meeting of 26-27 November, 2000 or any law implementing or complying with, or introduced in order to confirm such Directive.

References in these Terms and Conditions to principal, Coupon Amounts, Deferred Coupon Payments, Mandatory Partial Payments and/or Accrued Coupon Payments shall be deemed to include any additional amounts which may become payable pursuant to the foregoing provisions or any undertakings given in addition thereto or in substitution therefore pursuant to the Trust Deed.

In the event that any payment is satisfied by using the proceeds of an issue of Ordinary Shares pursuant to Condition 6, then any additional amounts which are payable shall also be satisfied through the issue of Ordinary Shares.

11. Prescription

Claims for payment in relation to Securities will become void unless exercised within a period of 5 years from the Relevant Date.

12. Meetings of Holders, Modification, Waiver and Substitution

The Trust Deed contains provisions for convening meetings of Holders to consider any matter affecting their interests including the modification by Extraordinary Resolution of any of these Terms and Conditions or any of the provisions of the Securities, or the Trust Deed. Any Extraordinary Resolution duly passed shall be binding on all Holders (whether or not they were present at the meeting at which such resolution was passed).

The Trustee may agree, without the consent of the Holders, to (i) any modification of any of the provisions of the Trust Deed that is of a formal, minor or technical nature or is made to correct a manifest error, and (ii) any other modification (except as mentioned in the Trust Deed), and any waiver or authorisation of any breach or proposed breach, of any of the provisions of the Trust Deed that is in the opinion of the Trustee not materially prejudicial to the interests of the Holders. Any such modification, authorisation or waiver shall be binding on the Holders and, if the Trustee so requires, such modification shall be notified to the Holders as soon as practicable thereafter in accordance with Condition 15.

As provided in the Trust Deed, the Trustee may agree with the Issuer, without the consent of the Holders to substitution on a subordinated basis equivalent to that referred to in these Terms and Conditions of any holding company of the Issuer, any subsidiary of such holding company, any Subsidiary, any successor in business of the Issuer or any subsidiary of any successor in business of the Issuer (the 'Substituted Issuer') in place of the Issuer (or any previous Substituted Issuer under this Condition 12) as a new issuing party under the Trust Deed, the Securities and the Coupons. In connection with any proposed substitution as aforesaid and in connection with the exercise of its functions, the trustee shall have regard to the interests of the Holders as a class and the Trustee shall not have regard to the consequences of such substitution for individual Holders resulting from in particular their being for any purpose domiciled or resident in, or otherwise connected with, or subject to the jurisdiction of, any particular territory.

In connection with the exercise by it of any of its trusts, powers, authorities and discretions (including, without limitation, any modification, waiver, authorisation or substitution), the Trustee shall have regard to the general interests of the Holders as a class and shall not have regard to any interests arising from circumstances particular to individual Holders (whatever their number) and, in particular but without limitation, shall not have regard to the consequences of any such exercise for individual Holders (whatever their number) resulting from their being for any purpose domiciled or resident in, or otherwise connected with, or subject to the jurisdiction of any particular territory or any political sub-division thereof and the Trustee shall not be entitled to require, nor shall any Holder be entitled to claim, from the Issuer, the Trustee or any other person any indemnification or payment in respect of any tax consequence of any such exercise upon individual Holders except to the extent already provided for in Condition 10 and/or any undertaking given in addition thereto or in substitution therefor under the Trust Deed.

13. Replacement of the Securities

Should a Global Security, be lost, stolen, mutilated, defaced or destroyed, it may be replaced at the specified office of the Principal Paying Agent (or such other place of which notice shall have been given in accordance with Condition 15) upon payment by the claimant of the expenses incurred in connection therewith and on such terms as to evidence and indemnity and/or as the Issuer may reasonably require. The mutilated or defaced Global Security must be surrendered before any replacement Global Securities will be issued.

14. The Trustee

The Trust Deed contains provisions for the indemnification of the Trustee and for its relief from responsibility, including provisions relieving it from taking any action unless indemnified to its satisfaction. The Trustee is entitled to enter into business transactions with the Issuer, without accounting for any profit resulting therefrom.

15. Notices

Notices to Holders may be given by the delivery of the relevant notice to Euroclear Netherlands except for so long as the Securities are listed on the Official Segment of the Stock Market of Euronext Amsterdam N.V. and the rules of Euronext Amsterdam N.V. so require, notices shall also be published in the Euronext Amsterdam Daily Official List (*Officiële Prijscourant*), in a newspaper having general circulation in The Netherlands. Any such notice shall be deemed to have been given on the date of the first publication or, where required to be published in more than one newspaper, on the date of the first publication in all required newspapers. If publication as provided above is not practicable notice will be given in such other manner, and shall be deemed to have been given on such date, as the Trustee may approve. Any Notice delivered to Euroclear Netherlands shall be deemed to have been given to the Holders on the day on which such notice is so delivered.

For so long as the Securities are listed on Euronext Amsterdam N.V., the Issuer will comply with the provisions set forth in Article 2.1.20 of Schedule B of the Listing and Issuing Rules (*'Fondsenreglement'*) of Euronext Amsterdam N.V. or any amended form of the said provisions in force for the time being.

16. Further Issues

The Issuer is at liberty from time to time without the consent of the Holders to create and issue further Securities ranking *pari passu* in all respects (or in all respects save for the date from which interest thereon accrues and the amount of the first payment of interest on such further Securities) and so that the same shall be consolidated and form a single series with the outstanding Securities. Any such Securities shall be constituted by a deed supplemental to the Trust Deed.

17. Agents

The Issuer will procure that there shall at all times be a Calculation Agent and a Principal Paying Agent so long as any Security is outstanding. If either the Calculation Agent or the Principal Paying Agent is unable or unwilling to act as such or if it fails to make a determination or calculation or otherwise fails to perform its duties under these Terms and Conditions or the Agency Agreement, as appropriate, the Issuer shall appoint, on terms acceptable to the Trustee, an independent investment bank acceptable to the Trustee to act as such in its place. Neither the termination of the appointment of a Calculation Agent or the Principal Paying Agent nor the resignation of either will be effective without a successor having been appointed.

All calculations and determinations made by the Calculation Agent or the Principal Paying Agent in relation to the Securities shall (save in the case of manifest error) be final and binding on the Issuer, the Trustee, the Paying Agents and the Holders .

None of the Issuer, the Trustee and the Paying Agents shall have any responsibility to any person for any errors or omissions in any calculation by the Calculation Agent.

18. Governing Law and Jurisdiction

- (a) The Trust Deed and the Securities, are governed by, and shall be construed in accordance with, the laws of the Netherlands.
- (b) The Courts of the Netherlands are to have exclusive jurisdiction to settle any disputes which may arise out of or in connection with the Trust Deed and the Securities, and accordingly any legal action or proceedings arising out of or in connection with the Trust Deed, and the Securities may be brought in such courts.

19. Definitions

In these Terms and Conditions:

‘*Accrued Coupon Payment*’ means, as at any time, where these Terms and Conditions provide that interest shall continue to accrue after a Coupon Payment Date in respect of a Security the amount of interest accrued thereon in accordance with Conditions 4(c), 5, 6(d) and 6(e);

‘*Agency Agreement*’ means the agency agreement dated 15 July, 2004 between the Issuer, the Trustee and the Agents relating to the Securities under which each Agent agrees to perform the duties required of it under these Terms and Conditions;

‘*Agents*’ means the agents appointed pursuant to the Agency Agreement and such term shall unless the context otherwise requires, include the Principal Paying Agent.

‘*Alternative Coupon Satisfaction Mechanism*’ has the meaning ascribed to it in Condition 6(a);

‘*Applicable Coupon Rate*’ means in relation to any Payment deferred pursuant to Condition 4(c) or Condition 6(e), the Coupon Rate payable on the Securities as determined by the Calculation Agent in accordance with Condition 5(b) or 5(c) for the Coupon Periods during which such Payment is deferred;

‘*Assets*’ means the non-consolidated gross assets of the Issuer as shown by the then latest published audited balance sheet of the Issuer but adjusted for contingencies and for subsequent events and to such extent as the directors or, as the case may be, the liquidator may determine to be appropriate;

‘*Business Day*’ means a day, other than a Saturday or Sunday, on which commercial banks and foreign exchange markets are open for general business in Amsterdam;

‘*Calculation Agent*’ means, as calculation agent in relation to the Securities, or its successor or successors for the time being appointed under the Agency Agreement;

‘*Capital Adequacy Regulations*’ means at any time the regulations, requirements, guidelines, policies, decrees imposing obligations on the Issuer with respect to the maintenance of minimum levels of solvency margins and/or capital adequacy ratios and /or comparable margins or ratios, as well as regarding the supervision thereof by any existing or future regulator having primary supervisory authority with respect to the Issuer;

‘*Coupon Amount*’ means (i) in respect of a Coupon Payment, the amount of interest payable on a Security for the relevant Coupon Period in accordance with Condition 5 and (ii) for the purposes of Conditions 8(c) and 8(d), any interest accrued from (and including) the preceding Coupon Payment Date (or, if none, the Issue Date) to (but excluding) the due date for redemption if not a Coupon Payment Date as provided for in Condition 5(b);

‘*Coupon Payment*’ means, in respect of a Coupon Payment Date, the aggregate Coupon Amounts for the Coupon Period ending on such Coupon Payment Date;

‘*Coupon Payment Date*’ means 15 July, 15 October, 15 January, and 15 April, in each year, starting 15 October, 2004;

‘*Coupon Period*’ means the period commencing on (and including) the Issue Date and ending on (but excluding) the first Coupon Payment Date and each successive period commencing on (and including) a Coupon Payment Date and ending on (but excluding) the next succeeding Coupon Payment Date;

‘*Coupon Rate*’ has the meaning ascribed to that term in Condition 5(b) and 5(c);

‘*Deferred Coupon Payment*’ means any Payment, or part thereof, which has been deferred in accordance with Condition 4(a), 4(b) or 4(c) and has not subsequently been satisfied;

'Deferred Coupon Satisfaction Date' means:

- (i) with respect to a deferral under Condition 4(a)(i) or 4(b)(i), the Coupon Payment Date following the 19th Business Day after the Required Deferral Condition fails to be met or, if earlier, the date on which the Issuer has resolved to satisfy a Deferred Coupon Payment, as notified by the Issuer to the Trustee, the Holders, the Principal Paying Agent and the Calculation Agent in accordance with Condition 4(a)(ii) or 4(b)(ii); or
- (ii) the date on which the Issuer has resolved to satisfy a Deferred Coupon Payment, as notified by the Issuer to the Trustee, the Holders, the Principal Paying Agent and the Calculation Agent in accordance with Condition 6; or
- (iii) the date on which the Issuer is required to satisfy all Deferred Coupon Payments pursuant to Condition 4(d);

'EUR Business Day' means a TARGET Settlement Day and a day on which commercial banks and foreign exchange markets are open in Amsterdam;

'EUR Coupon Rate' has the meaning ascribed to it in Condition 5(b);

'EUR Interest Determination Date' means the second EUR Business Day before the commencement of each Coupon Period;

'Holder' means the bearer of any Security;

'Interest' shall, where appropriate, include Coupon Amounts, Deferred Coupon Payments and Accrued Coupon Payments;

'Issue Date' means 15 July, 2004, being the date of initial issue of the Securities;

'Issuer' means AEGON N.V.;

'Junior Guarantee' means any guarantee, indemnity or other contractual support arrangement entered into by the Issuer in respect of securities (regardless of name or designation) issued by a Subsidiary or Undertaking and ranking on a winding-up (*faillissement of vereffening na ontbinding*) of the Issuer or in respect of distributions or payment of dividends or any other payment thereon, after the Securities;

'Junior Securities' means the Ordinary Shares, any preference shares of the Issuer or any other securities of the Issuer which rank as regards distributions on a return of assets on a winding-up (*faillissement of vereffening na ontbinding*) of the Issuer or in respect of distributions or payment of dividends or any other payments thereon, after the Securities;

'Liabilities' means the non-consolidated gross liabilities of the Issuer as shown by the then latest published audited balance sheet of the Issuer, but adjusted for contingencies and for subsequent events and to such extent as the directors, the Auditors or, as the case may be, the liquidator may determine;

'Managers' means ABN AMRO Bank N.V., BNP Paribas, Citigroup Global Markets Limited, Coöperatieve Centrale Raiffeisen-Boerenleenbank B.A. Barclays Bank PLC, Credit Suisse First Boston (Europe) Limited, Deutsche Bank AG London, HSBC Bank plc, ING Bank N.V., Merrill Lynch International, Morgan Stanley & Co. International Limited, J.P. Morgan Securities Ltd., The Royal Bank of Scotland plc and UBS Limited collectively;

'Mandatory Partial Payment' payable on any Coupon Payment Date means a payment in respect of each Security in an amount that results in payment of a proportion of a full Coupon Payment on the Security on such Coupon Payment Date equal to the proportion of a full dividend on the relevant Parity Securities and/or payment on the relevant Parity Guarantee paid on the dividend or payment date in respect of the relevant Parity Securities and/or Parity Guarantee immediately preceding;

A *'Mandatory Partial Payment Event'* shall occur if any of the following occurs:

- (i) the Issuer declares, pays or distributes a dividend or makes a payment on any of its Parity Securities or makes any payment on a Parity Guarantee (except where it concerns a payment, purchase or redemption which the Issuer is obliged to make pursuant to its Articles of Association as they read prior to the relevant deferral or equity swap, forward, repo or equity derivative transactions concluded by the Issuer prior to the relevant deferral); or
- (ii) any Subsidiary or Undertaking declares, pays or distributes a dividend on any security issued by it benefitting from a Parity Guarantee or makes a payment on any security issued by it benefitting from a Parity Guarantee;

A ‘*Mandatory Payment Event*’ shall occur if any of the following occurs:

- (i) the Issuer declares, pays or distributes a dividend or makes a payment (other than a dividend in the form of Ordinary Shares) on any of its Junior Securities or makes any payment on a Junior Guarantee;
- (ii) any Subsidiary or Undertaking declares, pays or distributes a dividend on any security issued by it benefitting from a Junior Guarantee or makes a payment (other than a dividend in the form of Ordinary Shares) on any security issued by it benefitting from a Junior Guarantee; or
- (iii) the Issuer or any Subsidiary or Undertaking redeems, purchases or otherwise acquires any of the Issuer’s Junior Securities, any Parity Securities or any securities issued by any Subsidiary or Undertaking benefitting from a Junior Guarantee or Parity Guarantee (other than (1) by conversion into or in exchange for Ordinary Shares, (2) in connection with transactions effected by or for the account of customers of the Issuer or any Subsidiary or in connection with the distribution, trading or market making in respect of those securities, (3) in connection with the satisfaction by the Issuer or any Subsidiary of its obligations under any employee benefit plans or similar arrangements with or for the benefit of employees, officers, directors or consultants, (4) as a result of a reclassification of the Issuer or any Subsidiary or the exchange or conversion of one class or series of capital stock for another class or series of capital stock, or (5) the purchase of fractional interests in shares of the capital stock of the Issuer or any Subsidiary pursuant to the conversion or exchange provisions of that capital stock or the security being converted or exchanged) for any consideration, or any moneys are paid to or made available for a sinking fund or for redemption of any of any Junior Securities, Parity Securities or any securities issued by any Subsidiary or Undertaking benefitting from a Junior Guarantee or Parity Guarantee;

in all such cases, except where it concerns a payment, purchase or redemption which the Issuer is obliged to make pursuant to its Articles of Association as they read prior to the relevant deferral or equity swap, forward, repo or equity derivative transactions concluded by the Issuer prior to the relevant deferral;

‘*Market Disruption Event*’ means (i) the occurrence or existence of any suspension of or limitation imposed on trading (by reason of movements in price exceeding limits permitted by Euronext Amsterdam N.V. or on settlement procedures for transactions in the Ordinary Shares on Euronext Amsterdam N.V.) if, in any such case, that suspension or limitation is, in the determination of the Issuer ‘material in the context of the sale of the Ordinary Shares, or (ii) in the opinion of the Issuer, there has been a substantial deterioration in the price and/or value of the Ordinary Shares or circumstances are such as to prevent or to a material extent restrict the issue or delivery of the Payment Ordinary Shares, or (iii) where, pursuant to these Terms and Conditions, moneys are required to be converted from one currency into another currency in respect of any Payment, the occurrence of any event that makes it impracticable to effect such conversion;

‘*Ordinary Shares*’ means ordinary shares of the Issuer;

‘*Outstanding Payment*’ means:

- (i) in relation to any Coupon Payment, Deferred Coupon Payment or Coupon Amount not falling within the definition of Coupon Payment, that such payment or amount (a) has either become due and payable or would have become due and payable except for the non-satisfaction on the relevant date of the conditions referred to in Condition 2(b)(i) or 2(b)(ii), as applicable or the deferral,

postponement or suspension of such payment in accordance with any of Conditions 4(a), 4(b), 4(c) 6(d), or 6(e) and (b) in any such case has not been satisfied; and

- (ii) in relation to any Accrued Coupon Payment, any amount thereof which has not been satisfied whether or not payment has become due;

'Parity Guarantee' means any guarantee, indemnity or other contractual support arrangement entered into by the Issuer in respect of securities (regardless of name or designation) issued by a Subsidiary or an Undertaking or other securities (regardless of name or designation) of the Issuer or such Subsidiary or Undertaking which rank on a winding-up (*faillissement of vereffening na ontbinding*) of the Issuer or in respect of distributions or payments thereon *pari passu* with the Securities;

'Parity Securities' means, in respect of the Issuer, any securities which rank *pari passu* with the Securities as regards distributions on a return of assets on a winding-up (*faillissement of vereffening na ontbinding*) of the Issuer or in respect of distribution or payment of any amounts thereunder by the Issuer;

'Paying Agents' means the paying agents appointed pursuant to the Agency Agreement and such term shall, unless the context otherwise requires, include the Principal Paying Agent;

'Payment' means any Coupon Payment, Deferred Coupon Payment, Accrued Coupon Payment or Coupon Amount not falling within the definition of Coupon Payment;

'Payment Ordinary Shares' has the meaning ascribed to it in Condition 6(b);

'Principal Paying Agent' means the principal paying agent appointed pursuant to the Agency Agreement;

'Regulatory Event' means that the Issuer shall have become subject to supervision by any existing or future regulator pursuant to law or regulation and that the Issuer's solvency margin, capital adequacy ratios or comparable margins or ratios under the Capital Adequacy Regulations are or as a result of a Payment would become less than the relevant minimum requirements as to be applied and enforced by such regulator pursuant to the Capital Adequacy Regulations;

'Relevant Date' means (i) in respect of any payment other than a Winding-Up Claim, the date on which such payment first becomes due and payable but, if the full amount of the moneys payable on such date has not been received by the Principal Paying Agent or the Trustee on or prior to such date, the *'Relevant Date'* means the date on which such moneys shall have been so received and notice to that effect shall have been given to the Holders in accordance with Condition 16, and (ii) in respect of a Winding-Up Claim, the date which is one day prior to the commencement of the winding-up (*faillissement of vereffening na ontbinding*);

the *'Required Deferral Condition'* will be met if, in the determination of the Issuer, on the 20th Business Day preceding the date on which a Payment will be due and payable, the Issuer is not Solvent payment of the relevant Payment, or part thereof would result in the Issuer or that payment or part thereof would result in the Issuer becoming not Solvent or, after the Issuer becoming subject to Capital Adequacy Regulations, if in the determination of the Issuer, on the 20th Business Day preceding the date on which a Payment will be due and payable the Issuer is subject to a Regulatory Event or that payment of the relevant Payment, or part thereof would result in the Issuer becoming subject to a Regulatory Event;

'Reset Date' means, for purposes of calculating the USD Coupon Rate the first day of each Coupon Period;

'Securities' means the EUR 500,000,000 and USD 250,000,000 Capital Securities, and such expression shall include, unless the context otherwise requires, any further Securities issued pursuant to Condition 17 and forming a single series with the Securities;

'Senior Creditors' means present and future creditors of the Issuer (a) who are unsubordinated creditors of the Issuer, or (b) whose claims are, or are expressed to be, subordinated (whether only in the event of the winding-up (*faillissement of vereffening na ontbinding*) of the Issuer or otherwise) to the claims of unsubordinated creditors of the Issuer but not further or otherwise, or (c) who are subordinated creditors of the Issuer other than those whose claims are, or are expressed to rank, *pari passu* with, or junior to, the claims of the Holders;

‘*Solvent*’ means that the Issuer is (a) able to pay its debts to Senior Creditors as they fall due and (b) its Assets exceed its Liabilities (other than its liabilities to persons who are not Senior Creditors);

‘*Subsidiary*’ means a subsidiary of the Issuer within the meaning of Section 2:24a of the Dutch Civil Code;

‘*TARGET Settlement Day*’ means a day on which the Trans-European Automated Real-Time Gross Settlement Express Transfer (TARGET) system is open;

‘*Trust Deed*’ means the trust deed dated 15 July, 2004 between the Issuer and the Trustee;

‘*Trustee*’ means ATC Financial Services B.V.;

‘*Undertaking*’ means a body corporate, partnership, limited partnership, cooperative or an incorporated association carrying on a trade or business with or without a view to profit in which the Issuer has a direct or indirect financial, commercial or contractual majority interest;

‘*USD Business Day*’ means a Target Settlement Day and a day on which commercial banks and foreign exchange markets are open in New York;

‘*USD Coupon Rate*’ has the meaning ascribed to it in Condition 5(c);

‘*US Government Securities Business Day*’ means any day except for a Saturday, Sunday or a day on which The Bond Market Association recommends that the fixed income departments of its members be closed for the entire day for purposes of trading in U.S. government securities.

‘*USD Interest Determination Date*’ means two Government Securities Business Days prior to the relevant Reset Date; and

‘*Winding-Up Claim*’ has the meaning ascribed to it in Condition 2(b)(iii).

AEGON N.V.

Foundation

AEGON N.V. was formed on 30 November, 1983 as a result of a merger between AGO and ENNIA, both of which were successors to insurance companies founded in the 1800s. AEGON N.V. is a public limited liability stock corporation established under Dutch law and is domiciled in the Netherlands. The headquarters are located at AEGONplein 50, PO Box 202, 2501 CE The Hague, the Netherlands, telephone +31 70 344 3210.

Summary description of the Group

Since its foundation AEGON N.V., through its member companies collectively referred to herein as AEGON, the Company or Group, has emerged as an international insurer with major operations in the USA, the Netherlands and the United Kingdom. AEGON is also present in Canada, Hungary, Spain, France, Taiwan, China and a number of other countries and has a representative office in India.

AEGON's strategy is to offer life insurance, pensions and related savings and investment products in markets that offer scale and growth opportunities. The objective is to have a leading position in each of these markets. Consistent with its strategy, over 85 per cent of AEGON's business consists of life insurance, pensions and related savings and investment products. The Group is also active in accident and health insurance, general insurance and, to a limited extent, banking activities. AEGON focuses on growth in existing operations and selected new markets, through acquisitions, joint ventures and greenfields. AEGON targets profitable growth, i.e. average annual earnings growth of 10 per cent. and a return on investment that exceeds the cost of capital.

AEGON emphasises a decentralised organizational structure while key control functions are aided by central coordination and support at group level. The operating companies, with knowledgeable and experienced local management and employees, market their own, unique products using multi-channel distribution strategies.

AEGON Americas (AEGON USA) operates through business units, organised by distribution channel. AEGON USA offers a broad portfolio of products nationwide to consumers, corporate and institutional clients. The products range varies from term life insurance to variable universal life, fixed and variable annuities, pensions plans, institutional products like guaranteed investment contracts (GICs), other related financial products, supplemental health insurance and reinsurance. Products are offered using a multi-channel distribution system through agents, financial institutions, brokers, direct selling, business partners and other channels.

The acquisition of the Providian life insurance business in 1997 added the country's leading traditional and synthetic GIC provider, and expanded market size in home service life insurance sales and direct-marketed life and supplemental health insurance product sales. The acquisition of Transamerica in July of 1999 made AEGON one of the largest life insurance companies in the USA and expanded the product portfolio by adding a life reinsurance business and a Canadian life insurance company. In 2001 AEGON acquired JC Penney's direct marketing insurance operations. This has made AEGON USA the largest direct marketer of life and supplemental insurance in the United States.

AEGON The Netherlands is a leading life insurer in The Netherlands in both the individual and group life and pension businesses. AEGON The Netherlands offers a broad portfolio of products which range from traditional life insurance to universal life, group pension plans and institutional asset management products to accident and health and general insurance products. Distribution is equally broad using a large variety of channels. In January 2003 AEGON The Netherlands acquired TKP, a provider of pension administration services for pension funds.

AEGON The Netherlands has reorganised its business unit structure in order to better align the organization to customer needs. Effective January 2004 the twelve business units have been replaced with five service centres and four marketing-and-sales units, each with their own competences.

AEGON UK, through its subsidiary Scottish Equitable plc, is a leading provider of group and individual pensions in the United Kingdom. AEGON UK also markets protection products and provides asset management services and institutional and retail asset management products. AEGON UK operates through business units using independent financial agents (IFA's) as the main distribution channel.

The acquisition of The Guardian in 1999 broadened AEGON UK's product range and distribution channels, generated economies of scale and brought protection product skills to the UK Group. With the acquisition of HS Administrative Services in 2000, AEGON UK acquired a leading provider of third-party pension administration services for large blue chip corporate clients. In the course of 2002, AEGON UK Distribution Holdings was created and has acquired four UK based IFAs and holds a small number of minority interests in other IFAs.

ÁB-AEGON in Hungary is a composite insurance company offering both life insurance and non-life insurance products. The core business products are life, pension, mortgage and household insurance. ÁB-AEGON's distribution channels are the composite network, the life network, independent agents and brokers.

AEGON Spain markets life insurance, general insurance and health-insurance products to individuals and corporate clients. The products are sold through a network of tied and career agents and through financial institutions. In January 2004, AEGON created a joint venture with Caja de Ahorros del Mediterráneo (CAM), providing AEGON with exclusive use of CAM's banking network of over 850 branches to sell life insurance.

AEGON announced the entry into the French life and pension market through an alliance with La Mondiale, a French mutual life insurance company that specializes in life insurance and pensions, for the development of new pension ventures in Europe, in 2002. To effectuate this alliance, AEGON acquired a 20 per cent. participation in La Mondiale Participations, the holding company under which the non-mutual activities of La Mondiale have been grouped.

AEGON Taiwan was started as a greenfield activity in 1994 and has experienced strong growth in 2003 by adopting a multi-channel distribution strategy. AEGON Taiwan served as a stepping stone for China, where AEGON opened a representative office in Beijing in 1998 and has been running a joint venture for life insurance activities with CNOOC since May 2002. AEGON opened a representative office in New Delhi, India in 1997. Transamerica has operated a branch in Hong Kong for more than 50 years, focusing on universal life products and selling its products through independent brokers.

AEGON's common shares are quoted on the stock exchanges in Amsterdam, Frankfurt, London, New York (NYSE), Tokyo and Zurich. In addition, AEGON stock options are quoted on Euronext in Amsterdam, the Chicago Board Options Exchange and the Philadelphia Stock Exchange. AEGON recognizes that a modern company's license to operate is defined both by its ability to create value for its shareholders and policyholders and its respect for wider corporate, social and environmental responsibilities.

Income, revenues, deposits and investments

All tables included in this section contain financial information derived from the Company's consolidated financial statements and are presented on the basis of Dutch Accounting Principles (DAP). All tables in this section contain information extracted without material adjustment from AEGON's audited financial statements. All note references refer to notes to the consolidated financial statements.

Results 2003

Full year net income of EUR 1,793 million increased 16 per cent. compared to EUR 1,547 million in 2002. The largest influences on full year results were improved equity and credit markets as well as improved administrative operating efficiencies.

Exchange rate translation negatively impacted the earnings reported in euro, which is the currency of the financial statements. At constant currency exchange rates net income and income before tax increased by 30 per cent. and 29 per cent. respectively in 2003.

Earnings per share for the full year amounted to EUR 1.15, an increase of 11 per cent. compared to EUR 1.04 for last year (adjusted for the 2002 stock dividend). Standardized life production increased by 3 per cent. to EUR 2,545 million, which at constant currency exchange rates would have increased by 15 per cent.. The increase in standardized life production was driven by higher production in the Americas, the United Kingdom and Other Countries, in particular in Taiwan, partly offset by lower production in the Netherlands.

During 2003, indirect income of EUR 631 million pre-tax was included in earnings, compared to EUR 758 million pre-tax in 2002. As announced earlier, effective 1 January, 2004, AEGON discontinued the indirect income method for recognizing gains and losses on investments in shares and real estate. A generally accepted and recognized method has been adopted, which is in accordance with International Financial Reporting Standards (IFRS) requirements and is similar to US GAAP. This method recognizes gains and losses on shares and real estate investments when realized.

Transamerica Finance Corporation (TFC), most of which was sold in line with our strategy to concentrate on life insurance, pensions, savings and investment products, contributed EUR 218 million to net income during 2003 compared to EUR 51 million in 2002.

The effective tax rate for 2003 was 27 per cent. compared to 19 per cent. in 2002. The lower effective tax rate in 2002 was largely due to a reduction of the deferred tax liability and favorable adjustments resulting from the filing of the 2001 corporate tax returns in the United States, lower taxable income relative to preferred investments and tax-exempt income in the Netherlands and the United States, and the use of tax losses in the United Kingdom.

The following selected financial data should be read in conjunction with AEGON's consolidated financial statements and the related notes to the financial statements of the annual report. The discussion of AEGON's full year results for 2003 includes comparative information presented in USD for the results in the Americas and in GBP for the results in the United Kingdom, which management believes is useful to investors because those businesses operate and are managed primarily in those currencies.

Income

<i>amounts in million EUR</i>	<i>Americas⁶</i>	<i>The Netherlands</i>	<i>United Kingdom</i>	<i>Other Countries⁷</i>	<i>Full year 2003</i>
Income					
Traditional life ¹	640	548	2	28	1,218
Fixed annuities	334	–	–	–	334
GICs and funding agreements	213	–	–	–	213
Life for account policyholders ²	73	135	184	(14)	378
Variable annuities	63	–	–	–	63
Fee business ³	(17)	13	2	8	6
Life insurance	1,306	696	188	22	2,212
Accident & health insurance	232	44		7	283
General insurance	–	11		50	61
Total insurance	1,538	751	188	79	2,556
of which general account	1,419	603	2	85	2,109
of which policyholders account ⁴	119	148	186	(6)	447
Banking activities ⁵	–	20	–	–	20
Interest charges & Other					(429)

<i>amounts in million EUR</i>	<i>Americas⁶</i>	<i>The Netherlands</i>	<i>United Kingdom</i>	<i>Other Countries⁷</i>	<i>Full year 2003</i>
Income before tax business units	1.538	771	188	79	
Income before tax					2.147
Corporation tax business units	(443)	(179)	(53)	(21)	
Corporation tax					(572)
Net income business units	1.095	592	135	58	
Transamerica Finance Corporation					218
Net income					1.793

- 1 Traditional life includes income on traditional and fixed universal life products.
- 2 Life insurance with investments for account of policyholders includes income on variable universal life, unitised pension (UK), other unit-linked products with investments for account of policyholders and with profit fund in the UK.
- 3 Fee business includes income on off balance sheet type products.
- 4 Includes also variable annuities and fee business.
- 5 Banking activities includes income on off balance sheet type products.
- 6 The figures 'Americas' include the results of AEGON in the USA and Canada
- 7 The figures under 'Other countries' include the results of the operations in Hungary, Spain, Slovakia, Spaarbeleg Belgium, AEGON Germany, Italy, Taiwan and China.

Revenues

<i>amounts in million EUR</i>	<i>Americas²</i>	<i>The Netherlands</i>	<i>United Kingdom</i>	<i>Other Countries³</i>	<i>Full year 2003</i>
Revenues					
Life general account single premiums	810	676	274	13	1.773
Life general account recurring premiums	4.197	518	151	582	5.448
Life policyholders account single premiums	461	592	3.872	20	4.945
Life policyholders account recurring premiums	689	1.461	1.677	216	4.043
Total life insurance gross premiums	6.157	3.247	5.974	831	16.209
Accident and health insurance premiums	2.217	163	–	83	2.463
General insurance premiums	–	459	–	337	796
Total gross premiums	8.374	3.869	5.974	1.251	19.468
Investment income insurance activities	5.618	1.465	137	132	7.352
Fees and commissions	854	265	90	12	1.221
Income from banking activities	–	354	–	–	354
Total revenues business units	14.846	5.953	6.201	1.395	28.395
Income from other activities					34
Total revenues					28.429
Investment income for the account of policyholders	6.811	1.096	4.897	54	12.858
Commissions and expenses business units	3.445	956	640	279	
Commissions and expenses					5.387
Gross margin business units ¹	4.983	1.727	828	358	
Gross margin ¹					7.534

- 1 Gross margin is calculated as the sum of income before tax and commissions and expenses.
- 2 The figures 'Americas' include the results of AEGON in the USA and Canada
- 3 The figures under 'Other countries' include the results of the operations in Hungary, Spain, Slovakia, Spaarbeleg Belgium, AEGON Germany, Italy, Taiwan and China.

AMERICAS (INCLUDES AEGON USA AND AEGON CANADA)

Income before tax

Income before tax of USD 1,740 million increased USD 598 million or 52 per cent., compared to 2002, primarily due to lower additions to the asset default provision (USD 258 million), lower accelerated amortization of deferred policy acquisition costs (DPAC) for variable annuities (USD 314 million) and lower additions to the provisions for guaranteed minimum benefits (GMBs) (USD 243 million). Income before tax also reflects the following one-time positive items: a non-recurring property insurance settlement benefit of USD 54 million, a provision release of USD 36 million relating to real estate and interest on a tax refund for an amount of USD 34 million. Partially offsetting the income increases were lower employee pension plan income (USD 90 million), lower indirect investment income from shares and real estate investments (USD 135 million) and lower investment yields (USD 91 million) on the general account fixed income investments.

Traditional life income before tax of USD 724 million in 2003 was 11 per cent. lower than in 2002, reflecting lower investment yields on fixed income investments, less indirect investment income and a reduction in employee pension plan income. The one-time property insurance settlement benefit and a provision release described above partially offset these negative results. Fixed annuity income before tax of USD 378 million increased 129 per cent. compared to 2002. The favorable impact of lower credit losses in 2003 was partly offset by the decline in indirect investment income and lower product spreads compared to 2002. Crediting rates were lowered on both existing and new deposits throughout 2003 to improve product spreads. Fixed annuity account balances increased 7 per cent. to USD 45 billion during 2003 due to new sales and additional deposits on existing contracts.

GICs and funding agreements income before tax declined 6 per cent. to USD 241 million, due to lower indirect investment income (lower by USD 29 million) and interest rate spread compression. Lower additions to the default provision resulted from the improved credit environment and partially offset the earnings decline. GICs and funding agreements account balances increased 5 per cent. to USD 27 billion and reflect higher sales of international funding agreements. Life for account of policyholders income before tax decreased 23 per cent. to USD 82 million. Higher lapses and slightly higher mortality resulted in accelerated DPAC amortization. Income before tax in AEGON's variable annuity line of business increased from a loss of USD 437 million in 2002 to a positive amount of USD 71 million in 2003 and account balances increased 30 per cent. to USD 42 billion since 31 December, 2002. The 2002 variable annuity results were negatively impacted by USD 602 million of accelerated DPAC amortization and strengthening of the GMB provision that occurred as a result of the continued decline in the equity markets. The improvement in 2003 was slightly offset by accelerated DPAC amortization, due to higher lapses (USD 35 million).

AEGON maintained its long-term equity growth assumptions at 9 per cent. in the United States and 9.5 per cent. in Canada. Due to strong equity market growth during 2003, the short-term equity return assumptions, used in the reversion to the mean methodology, were lowered. In the United States, the forward-looking equity return assumption from 31 December, 2003, is 7.5 per cent. (before fees) for five years followed by 9 per cent. for the long term and is related to account balances of USD 30.6 billion. In Canada, the comparable assumption is 10.75 per cent. for five years, followed by 9.5 per cent. for the long term, which reflects the relatively weak recent performance of the Canadian segregated fund returns compared to average US-based returns. The comparable 2002 assumptions for the United States were 12 per cent. for five years and 9 per cent. for the long term and for Canada 12.5 per cent. for five years and 9.5 per cent. for the long term. Account balances in Canada are USD 2.9 billion. These assumptions were used in determining reserves for guaranteed benefits on variable annuities in addition to DPAC amortization for both variable annuity and life for account of policyholders product lines.

Fee business reported a loss before tax of USD 19 million compared to an income of USD 5 million in 2002. The loss was a result of higher expenses, due to increased vesting in a long-term formula-based deferred compensation plan, which reflects growth in assets under management. Strong synthetic GIC and mutual fund sales, along with favorable equity market performance had a positive earnings impact. Accident and health income before tax increased 13 per cent. to USD 263 million, primarily due to improved claim

experience and more effective expense containment. Rate increases in certain health products improved overall profitability.

Net income

Net income of USD 1,239 million increased 35 per cent. compared to 2002. The effective tax rate increased from 20 per cent. in 2002 to 29 per cent. in 2003. The 2003 tax rate, though higher than 2002, reflected the release of the USD 85 million valuation allowance for loss carry forwards, partially offset by the establishment of an additional provision. In 2002, the tax expense reflected a reduction of the deferred tax liability of USD 219 million for a change in estimate as additional information and refinements of prior year deferred tax liability became available during 2002. This was partially offset in 2002 by the establishment of an additional provision of USD 129 million, including a valuation allowance of USD 85 million for loss carry forwards.

Revenues

Revenues of USD 16,792 million increased 2 per cent. compared to 2002. Life insurance gross premiums of USD 6,964 million increased 2 per cent., accident and health insurance premiums of USD 2,508 million increased 2 per cent., investment income of USD 6,354 million slightly increased compared to last year, while fees and commissions of USD 966 million increased 16 per cent.. Life general account single premiums of USD 916 million decreased 3 per cent. in 2003, reflecting the negative effect of discontinuing new sales of structured settlement products in July 2003, offset by strong growth in remaining general account sales. The growth in remaining general account sales resulted primarily from higher production in the agency and bank channels.

Life for account of policyholders single premiums of USD 522 million were down 34 per cent., primarily due to the low sales of bank-owned life insurance (BOLI) and corporate-owned life insurance (COLI) business in 2003. These sales usually occur in larger amounts and contract sales are not as regular as other life products. In the continuing current low interest rate environment product pricing has been under pressure, which contributed to the declining sales. Life for account of policyholders recurring premiums of USD 779 million were up 23 per cent., largely driven by renewal premiums of BOLI/COLI cases and also higher fees due to increases in account balances.

Accident and health premiums were only slightly higher than in 2002 as it was decided in 2003 to exit certain supplemental insurance products. Telemarketing sales declined as a result of new telemarketing regulations, including the national 'Do not call' list. Offsetting this decline were higher sales through sponsored programs along with rate increases on certain health products. The direct business model continues to evolve to reach targeted customers.

Investment income of USD 6,354 million was slightly higher than last year. Portfolio growth due to general account sales and low lapses was offset by lower indirect investment income, declining interest rates and lost income on defaulted assets. The indirect investment income from shares and real estate investments decreased by USD 135 million in 2003 compared to 2002. New money flows in the portfolio, combined with reinvestments from bond maturities at lower interest rates, drove the fixed rate asset yield lower. Floating rate asset yields have also declined, but since these are matched with floating rate liabilities, there is no effect on income. Interest rate related gains on bonds sold of USD 1,141 million for the year were deferred and are not reflected in 2003 revenues. Fees and commission revenues of USD 966 million increased 16 per cent. compared to last year. A non-recurring gain of USD 90 million was realized on real estate investments through the combination of an insurance settlement (USD 54 million) and the release of a provision (USD 36 million). The remaining increase in fees and commission revenues is primarily attributable to increased investment management fees earned as a result of higher asset balances.

Commissions and expenses

Commissions and expenses of USD 3,897 million increased 10 per cent. compared to 2002. Commissions declined in 2003 compared to 2002, as a result of lower annuity production and commission restructuring efforts. However, net DPAC amortization increased, due to business growth and lower capitalization.

Operating expenses of USD 1,764 million, which exclude DPAC amortization and total commissions, increased USD 90 million, due to less employee pension plan income, USD 27 million, due to a coinsurance option that expired unexercised, USD 35 million, reflecting the accruals for a deferred compensation plan and USD 24 million, reflecting expenses related to a block of in force business acquired from Mutual of New York on 31 December, 2002.

Production

Life production (standardized new premium) increased 9 per cent. to USD 1,076 million, reflecting strong growth in general account sales, partially offset by the negative effect of discontinuing new sales of structured settlement products in July 2003. The Agency Group achieved strong sales of traditional, universal and term life products, through the combined efforts of existing distribution channels and new relationships.

Deposits into fixed and variable annuity contracts and institutional spread-based products (GICs and funding agreements) were recorded directly to the balance sheet as a deposit liability and not reported in revenues. Fixed annuity deposits of USD 5.2 billion decreased 27 per cent. compared to 2002. Fixed annuity sales declined due to lower policyholder crediting rates and the reduction of commission rates. Withdrawals from existing contracts continued to be at their lowest levels in years, reflecting the lower new money interest rates available on new policies. In response to the low interest rate environment, AEGON USA introduced during 2003 new products with a lower guaranteed annual interest rate. GICs and funding agreement production was down 4 per cent. compared to 2002, primarily due to disciplined pricing to achieve returns.

Variable annuity deposits of USD 6.4 billion decreased 36 per cent. compared to 2002. The decrease is largely due to the discontinuance of the guaranteed minimum income benefit (GMIB) feature. A new product with enhanced death and living benefit guarantees, which utilizes an active portfolio reallocation strategy, was introduced in late 2003 in an effort to replace sales lost due to the discontinuance of the GMIB feature.

Off balance sheet products include managed assets such as mutual funds, collective investment trusts and synthetic GICs. Off balance sheet production was USD 21.5 billion, a 14 per cent. increase compared to 2002. Mutual fund sales of USD 8.3 billion increased 25 per cent., reflecting the expanded marketing relationships with wirehouse networks. Synthetic GIC sales of USD 13.2 billion increased 9 per cent. compared to last year. AEGON USA does not manage the assets underlying a synthetic GIC and is not subject to the investment risk, but receives a fee for providing liquidity to benefit plan sponsors in the event that qualified plan benefit requests exceed plan cash flows.

THE NETHERLANDS

Income before tax

Income before tax for traditional life of EUR 548 million was 1 per cent. below 2002. Results were positively influenced by EUR 20 million of higher direct investment income, as well as EUR 47 million of higher indirect income and a EUR 40 million release of a provision for profit sharing. The lower results were mainly due to a change in the assumptions for mortality and longevity, which had a negative impact of EUR 93 million. Furthermore, lower expense loadings (EUR 20 million), due to lower production and higher expenses due to increased employee pension related costs, had a negative impact on income before tax.

Commissions and expenses include both in 2002 and 2003 accelerated amortization of DPAC due to high lapse rates resulting from a change in the law relating to tax driven savings products. Income before tax in the life for account of policyholders business amounted to EUR 135 million, 176 per cent. above 2002. This increase is mainly due to EUR 116 million lower additions to the provision for guarantees.

Fee business consists of the 2003 results of the distribution units Meeùs Groep, Elan and Spaaradvies. The distribution units are consolidated into the AEGON The Netherlands figures as from 1 January, 2003.

Income before tax from accident and health insurance increased by 69 per cent. to EUR 44 million. The favorable claims experience in the 'absence due to illness' portfolio had an effect of EUR 16 million and the positive run-off result of a reinsurance contract had a positive effect of EUR 9 million. Income was

negatively affected by an amount of EUR 5 million, due to a change in the allocation of the investment portfolio and for an amount of EUR 4 million, due to higher pension expenses.

General insurance income before tax was 54 per cent. below the 2002 level. Additional provisions were set up in the legal liability motor branch and the general liability branch for an amount of EUR 9 million and EUR 10 million respectively. In addition to this, EUR 5 million lower interest income and EUR 2 million higher expenses impacted the results negatively. These effects were partly offset by positive run-off results of a reinsurance contract (EUR 3 million) and the increase of technical results in the fire branch (EUR 11 million).

Income before tax from banking activities increased EUR 12 million to EUR 20 million, mainly as a result of lower provisions for credit risks (EUR 20 million) and higher expenses (EUR 7 million).

Net income

The increase in the effective tax rate from 21 per cent. to 23 per cent. was mainly due to the consolidation of the distribution units, leading to a 13 per cent. increase in net income, whereas income before tax increased by 17 per cent..

Revenues

Revenues of EUR 5,953 million recorded in 2003 were slightly lower than in 2002. Premium income in the life insurance business was EUR 326 million lower, mainly because single premiums decreased by 24 per cent. from 2002. This was due to a lower level of business in group pensions.

Recurring premiums remained relatively stable, with higher premiums from the existing portfolio but also higher lapses of policies due to a change in law affecting tax driven savings products. Premium income in the accident and health and general insurance business showed increases of 1 per cent. and 3 per cent. respectively from 2002. This was due to the increase in premiums for a broad range of non-life products, as realized at the end of 2002 to cover increasing claims. This increase is partly offset by the effect from the sale of the glasshouse portfolio and part of the recreational boating portfolio, which had a negative effect on premium income of EUR 5 million. Investment income rose by EUR 68 million, mainly from the increase in indirect income. Fees and commissions include EUR 214 million of revenues relating to the distribution units and EUR 21 million of revenues relating to TKP Pensioen.

Revenues out of banking activities decreased by EUR 62 million, or 15 per cent., over 2002 to EUR 354 million, mainly caused by lower investments backing the savings accounts.

Commissions and expenses

Commissions and expenses amounted to EUR 956 million, a 44 per cent. increase from 2002. Expenses increased by EUR 202 million, due to the consolidation of the distribution units, EUR 14 million, reflecting the acquisition of TKP Pensioen and EUR 64 million from higher premiums related to the AEGON The Netherlands pension scheme. Commissions were higher due to a shift in the individual life business from recurring to single premium. Commission paid on single premium production is not deferrable and is consequently immediately recognized in the income statement.

Production

Overall life production was 21 per cent. (EUR 73 million) lower than in 2002, as a result of continued volatility in sales of group pension business. The business unit AEGON Corporate Pensions, in the market of small and medium-sized companies, performed well with an increase in standardized production of 18 per cent. (EUR 9 million). In other life insurance, single production went up 15 per cent. (on a standardized basis EUR 6 million), while recurring production decreased by 13 per cent. (EUR 13 million).

For non-life, net production (new production adjusted for lapses) was slightly negative. This was caused by the divestiture of the glasshouse portfolio and part of the recreational boating portfolio. The change in the

contracts to include the terrorism clause in the third quarter of 2003 led to lapses, but also to new policies, with a small positive impact overall. Change in legislation regarding absence due to illness policies will probably lead to a revival of the accident and health insurance market.

AEGON Asset Management attracted EUR 3 billion of asset-only (funds under management) contracts in a competitive market. Part of this, EUR 1 billion, was from a large account that switched from an insurance contract into an asset-only contract.

Securities lease products were a high profile issue in the Netherlands in 2003. AEGON The Netherlands ceased selling securities lease products completely in early 2003. This decision had a significant impact on production, with a decrease from EUR 393 million in 2002 to EUR 13 million in 2003. The existing portfolio is very diverse. Since most of AEGON The Netherlands's customers bought products with guarantees attached to them or with redemption schemes on a long duration, the effects of volatile equity markets on the short term are limited. AEGON has set up a provision for losses resulting from AEGON not being able to recover in full the loans granted in the context of securities lease products.

Savings account balances decreased 11 per cent. from 31 December, 2002, to a total of EUR 5.7 billion at 31 December, 2003, primarily resulting from price competition for savings account assets.

Assets under management increased by EUR 11 billion to EUR 53 billion in 2003, mainly due to a net increase in asset-only contracts (EUR 2 billion), the acquisition of TKP Pensioen (EUR 7 billion) and a EUR 1 billion increase in the investments for account of policyholders. The increase in the investments for account of policyholders was mainly due to favorable investment returns on the equity and fixed income portfolios.

During 2003, part of the mortgage portfolio was securitized. At 31 December, 2003, the total of mortgage backed security programs amounted to EUR 5 billion.

UNITED KINGDOM

Income before tax

Income before tax of GBP 130 million in 2003 decreased 11 per cent. compared to 2002. The main reason for the decrease was lower policy fee income, reflecting an average 12 per cent. lower FTSE level in 2003 compared to 2002.

Income before tax in the traditional life product segment was GBP 1 million in 2003, a decline of GBP 11 million compared to 2002. This decline resulted primarily from a reduction in mortality profits on general account business, due to a release of reserves from certain closed blocks of business in 2002 and a number of one-time items in 2002.

Income before tax in the life for account of policyholders product segment was GBP 128 million for 2003, a decline of 9 per cent. compared to 2002. The profitability of this product segment is heavily dependent on the level of the equity markets, as the main source of income is charges on linked business. The lower average FTSE level during 2003 compared to 2002 therefore had a negative effect on earnings.

During 2003, AEGON UK acquired further stakes in distribution companies. The overall increase in income before tax in the fee business segment was primarily due to lower expenses in the asset management business and profitable growth in the distribution companies.

Net income

Net income for 2003 of GBP 93 million declined 17 per cent. compared to 2002. Contributing to this decline was an increase in the effective tax rate to 28 per cent. from 23 per cent. in 2002, due to the utilization of tax losses as a result of a settlement with the UK Inland Revenue in the fourth quarter of 2002.

Revenues

Revenues of GBP 4,284 million increased 3 per cent. from 2002, primarily due to a GBP 39 million increase in single premiums from life for account of policyholders products. The increase in non-premium revenues was due to the inclusion of the newly acquired distribution companies.

Commission and expenses

Commissions and expenses increased to GBP 442 million, up GBP 128 million, due to the inclusion of operating costs of the acquired distribution companies (GBP 40 million), growth in protection businesses (GBP 20 million), the recommencement of contributions to the staff pension scheme (GBP 7 million), higher DPAC amortization (GBP 63 million), increased amortization charges on IT project costs (GBP 24 million), partly offset by lower restructuring charges (GBP 7 million) and expense reduction (GBP 18 million). The restructuring charges resulted from a cost reduction review in 2002 and 2003 and a broader review of all of AEGON UK's operations which commenced in 2003 and will continue in 2004. The charges arose from the costs of redundancies and the provision for vacant property as a result of the rationalization of accommodation.

The increase in DPAC amortization and depreciation charges on the IT project above, were largely offset by a change in the technical provision for unitized business.

Production

The increase in production of 8 per cent. reflects growth in each of AEGON UK's core business lines. Production of pension business was satisfactory, while investor sentiment regarding equity products impacted the retirement planning and investment-only products.

OTHER COUNTRIES

HUNGARY

Income before tax

ÁB-AEGON's income before tax of HUF 16.6 billion for 2003 showed a 16 per cent. increase compared to 2002. The increase in income before tax came from life business, with 15 per cent. growth, and from the non-life business, which showed 20 per cent. growth. For both businesses, the main reasons for the increase are the premium income growth and cost efficiencies. Additionally, in non-life, the favorable claim payments were partially offset by a strengthening of technical provisions. The fee income from managed assets rose by 40 per cent. to HUF 2.8 billion, reflecting the increase in the pension fund portfolio and assets under management.

Premiums to reinsurers increased by more than 8 per cent., or HUF 0.1 billion. This increase was consistent with the development of premium income. Claim payments increased by HUF 2.8 billion, mainly due to maturities of life policies in the run-off portfolio. Non-life claims developed favorably in 2003 and were HUF 0.5 billion lower than in 2002. Commissions increased by HUF 1 billion, due to high pension fund and non-life sales.

As a result of expense control and technical innovations, expenses decreased by HUF 0.2 billion, or 2 per cent., compared with 2002, despite 5 per cent. inflation.

Revenues

Total revenues increased by HUF 5.1 billion compared to 2002. Premium income increased by HUF 5.1 billion. Life premium income increased by HUF 2.8 billion, mainly due to higher sales of unit-linked products, while non-life premium income increased by HUF 2.3 billion. The non-life growth was due primarily to a HUF 1.5 billion increase in the household portfolio and a HUF 0.8 billion increase in the car insurance and other non-life product lines. The measures taken to protect the existing portfolio as well as the increased number of agents were the main factors in the increase in premium income.

Investment income decreased by HUF 0.9 billion, mainly due to the maturity of high yield long-term bonds. In the second half of the year, as a result of monetary interventions, market yields increased substantially, affecting the investment performance and the market value of the portfolio.

Fee income increased by 40 per cent., or HUF 0.8 billion, from 2002, due to a 31 per cent. increase in assets under management and the increase in the number of participants in the pension funds managed by ÁB-AEGON.

SLOVAKIA

AEGON's life operations in Slovakia started in September 2003 as planned. Total premium income was SKK 5 million, whereas commissions and expenses were SKK 206 million.

SPAIN

Income before tax

AEGON Spain reported income before tax of EUR 36 million for 2003, a significant increase compared to 2002.

Pre-tax results in the life business generated income before tax of EUR 4 million, an increase of EUR 15 million compared to last year's loss of EUR 11 million. The main reason for the increase was the absence of the negative effects of the previous year. These negative effects were mainly caused by the losses of MoneyMaxx, because of low production resulting from the situation in the equity markets, and accelerated amortization of DPAC.

Non-life business reported income before tax of EUR 32 million in 2003, compared to EUR 23 million in 2002, mainly due to an increase in revenues and a decrease in claims. The non-life claims ratio improved in all lines of business as a result of a decrease in the number of claims. This trend started in 1999, when measures were implemented to improve the quality of the non-life portfolio.

Net income

Net income of EUR 24 million for 2003 reflects a growth of 167 per cent.. The effective tax rate increased from 25 per cent. in 2002 to 33 per cent. in 2003, due to this year's higher income, whereas tax deductible items remained at the same level as in 2002.

Revenues

Total revenues of EUR 475 million for 2003 increased by 4 per cent. compared to 2002.

Compared to 2002, life premiums increased by 6 per cent.. Traditional life products premium income increased by 26 per cent., while unit-linked products premium income decreased by 21 per cent.. The switch from unit-linked products to traditional life products was due to the situation in the equity markets and a change in Spanish fiscal regulations that has neutralized the tax advantages of unit-linked products.

Non-life premiums increased by 4 per cent. compared to 2002. In 2003, AEGON Spain continued to concentrate on personal lines and small companies, while de-emphasizing certain high risk business lines. This was the case for the other general liability branch and the marine, aviation and transport branch, which showed decreases in premium income from 2002 of 22 per cent. and 17 per cent. respectively.

Commissions and expenses

The 2003 results positively reflect a reduction in expenses, mainly due to the discontinuation of the MoneyMaxx business. Deferred policy acquisition costs during 2003 were lower than the previous year, due to the sale of a higher proportion of life products without DPAC. This was offset by lower DPAC amortization. In 2002 there was an accelerated DPAC amortization of EUR 4 million.

Production

Life production on a standardized basis increased by 88 per cent., primarily by involving the non-life intermediaries network in the sale of life products and the launch of a group life unit.

TAIWAN

Income before tax

AEGON Taiwan reported income before tax of NTD 15.2 million for 2003, an increase of 134 per cent. compared to NTD 6.5 million in 2002. This was primarily due to strong growth in new business production, which contributed positively to the bottom line.

Revenues

Premium income increased 253 per cent. to NTD 17,904 million for 2003, compared to NTD 5,073 million for 2002. Life insurance gross premiums of NTD 17,518 million increased by 260 per cent. compared to NTD 4,868 million in 2002. Most of the significant growth resulted from the newly developed distribution channels of brokers and banks. Life for account of policyholders premiums of NTD 387 million increased by 89 per cent. compared to NTD 205 million in 2002, primarily generated through the agency channels. Investment income increased 26 per cent. to NTD 546 million in 2003 compared to NTD 440 million for 2002, mainly due to an increase in the asset base. Investment assets increased from NTD 13.0 billion at 31 December, 2002, to NTD 24.6 billion at 31 December, 2003, but the investment yield of 3.5 per cent. in 2003 declined from 4.2 per cent. in 2002, mainly due to declining interest rates on new production.

Commissions and expenses

Commissions amounted to NTD 4,853 million for 2003, compared to NTD 1,260 million in 2002. Expenses were up 46 per cent. to NTD 940 million from 2002, primarily as a result of an increase in the number of employees, occupancy and policy related costs in connection with the development of new distribution channels and the substantial growth of new business volumes. Acquisition and maintenance expenses significantly decreased as a percentage of premium because of continued stringent expense control, combined with a significant increase in premium.

Production

New premium production increased significantly compared to 2002, mainly due to the strong sales of new 104 traditional whole life products through multi-channel distribution.

CHINA

AEGON's launch of the business in China, AEGON-CNOOC, occurred on time despite the impact of administrative restrictions relating to the SARS outbreak. Revenues were CNY 4 million in 2003.

Deposits and new premium products

<i>amounts in million EUR</i>	<i>Americas¹</i>	<i>The Netherlands</i>	<i>United Kingdom</i>	<i>Other Countries²</i>	<i>Full year 2003</i>
Deposits					
Fixed annuities	4.615	–	–	–	4.615
GICs and funding agreements	8.321	–	–	–	8.321
Variable annuities	5.632	–	–	–	5.632
Total	18.568	–	–	–	18.568
Savings deposits	–	2.899	–	–	2.899
Total production on balance sheet	18.568	2.899	–	–	21.467
Investment contracts	–	13	–	–	13
<i>amounts in million EUR</i>	<i>Americas¹</i>	<i>The Netherlands</i>	<i>United Kingdom</i>	<i>Other Countries²</i>	<i>Full year 2003</i>
Off balance sheet production					
Synthetic GICs	11.707	–	–	–	11.707
Mutual funds and other managed assets	7.343	3.522	481	165	11.511
Total production off balance sheet	19.050	3.522	481	165	23.218
Standardized new premium production life insurance					
Single	1.141	1.164	3.935	34	6.274
Recurring annualized	837	156	525	400	1.918
Total recurring plus 1/10 single	951	272	919	403	2.545

1 The figures 'Americas' include the results of AEGON in the USA and Canada

2 The figures under 'Other countries' include the results of the operations in Hungary, Spain, Slovakia, Spaarbeleg Belgium, AEGON Germany, Italy, Taiwan and China.

Investments

<i>amounts in million EUR</i>	<i>Americas¹</i>	<i>The Netherlands</i>	<i>United Kingdom</i>	<i>Other Countries²</i>	<i>As at Dec. 31 2003</i>
Investments					
Fixed income	89.783	12.330	1.868	1.846	105.827
Shares & real estate	3.033	5.502	108	141	8.784
Total general account	92.816	17.832	1.976	1.987	114.611
Fixed income	9.880	11.096	23.542	427	44.945
Shares & real estate	26.502	7.032	21.403	207	55.144
Total policyholders account	36.382	18.128	44.945	634	100.089
Total insurance activities	129.198	35.960	46.921	2.621	214.700
Banking activities	–	6.360	–	–	6.360
Off balance sheet assets	50.475	10.514	1.354	509	62.852
Total business units	179.673	52.834	48.275	3.130	283.912
Other investments					223
Total group					284.135

1 The figures 'Americas' include the results of AEGON in the USA and Canada

2 The figures under 'Other countries' include the results of the operations in Hungary, Spain, Slovakia, Spaarbeleg Belgium, AEGON Germany, Italy, Taiwan and China.

NON-CONSOLIDATED GROUP COMPANIES

Due to the dissimilarity of Transamerica Finance Corporation's (TFC) operations in relation to AEGON's operations, AEGON has considered TFC to be non-core. Consequently TFC's results have not been consolidated in AEGON's financial accounts.

Net income for TFC for 2003 amounted to EUR 218 million (USD 247 million) compared to EUR 51 million (USD 48 million) in 2002. Business conditions in all segments were more favorable compared to 2002. In addition to lower funding costs, lower expenses, lower credit losses and the recognition of deferred income from the termination of a major client contract for an amount of EUR 31 million (USD 35 million), several one-time tax benefits totaling EUR 27 million (USD 31 million) were realized.

LIQUIDITY AND CAPITAL RESOURCES

General

The AEGON Group conducts its capital management processes at various levels in the organization. The main goal of AEGON's capital management is to manage the capital adequacy of its operating companies to high standards within leverage tolerances consistent with strong capitalization.

Capital adequacy

AEGON manages capital adequacy at the level of its country units and their operating companies. AEGON seeks to maintain its internal capital adequacy levels at the higher of local regulatory requirements, 165 per cent. of the relevant local Standard & Poor's capital adequacy models or internally imposed requirements. During 2003, the capital adequacy of AEGON's operating units continued to be strong. All of its units were capitalized within these tolerances. In the United States, at 31 December, 2003, AEGON held 330 per cent. of the minimum capital required by the National Association of Insurance Commissioners.

Capital base

AEGON applies leverage tolerances to its capital base. The capital base reflects the capital employed in core activities and consists of shareholders' equity, capital securities and dated subordinated and senior debt. AEGON seeks to manage its capital base to comprise at least 70 per cent. shareholders' equity, between 5 per cent. and 15 per cent. capital securities, and a maximum of 25 per cent. dated subordinated and senior debt. At 31 December, 2003, AEGON's leverage was within these prescribed tolerances: equity capital represented 71 per cent. of its total capital base, while senior and dated subordinated debt comprised 19 per cent. of its total capital base. Capital securities accounted for the remaining 10 per cent.. The ratio of shareholders' equity to total capital remains stable at approximately the same level as it was at year-end 2002.

AEGON manages currency risk related to its capital base using established currency risk policies. Capital employed in operating subsidiaries required to satisfy (local) regulatory and self-imposed capital requirements is kept in local currencies and is subject to currency movements when translated into euro for reporting purposes. The non-equity components of AEGON's capital base are held in or swapped into various currencies proportionally to the value of AEGON's activities in those currencies. Although AEGON's debt-to-total-capital ratio is accordingly not materially affected by currency volatility, currency fluctuations may affect the level of the capital base as a result of translation into euro.

Shareholders' equity

Shareholders' equity was EUR 14,132 million at 31 December, 2003, compared to EUR 14,231 million at 31 December, 2002. The decrease of EUR 99 million was largely due to the negative currency exchange rate difference of EUR 1,779 million (primarily resulting from the decline in the value of the US dollar compared to the euro), offset by net income of EUR 1,793 million before distribution of both preferred and common dividends. Goodwill charges of EUR 358 million, mainly as a result of the consolidation of the Meeùs Groep in the Netherlands, were largely offset by the gain on the sale of TFC's real estate tax services and flood hazard certification business units.

Debt funding and liquidity

AEGON's funding strategy continues to be based on assuring excellent access to international capital markets at low costs. As part of this strategy, AEGON aims to offer debt securities in amounts that are eligible for inclusion in major capital market indices and supports maintenance of liquid secondary markets in these securities by the banking community. This focus on the institutional fixed income investor base will continue to be supported by an active investor relations program to keep investors well informed about AEGON's strategy and results.

Most of AEGON's external debt is issued by the parent company, AEGON N.V., as well as two companies whose securities are guaranteed by AEGON N.V.

AEGON N.V. has employed its regular access to the capital markets through private placements issued under its USD 6 billion Euro Medium Term Notes Program and under a separate US shelf registration. AEGON's USD 2 billion Euro Commercial Paper Program and AEGON Funding Corp.'s USD 4.5 billion Euro Commercial Paper Program facilitate access to international and domestic money markets, when required. Additionally, AEGON utilizes a USD 300 million US Domestic Commercial Paper Program. AEGON maintains back-up credit facilities to support outstanding amounts under its Commercial Paper programs. Its committed credit facilities, provided by banks with strong credit quality, exceed USD 3 billion. In addition AEGON has access to various credit lines.

Internal sources of liquidity include distributions from operating subsidiaries on the basis of excess capital or cash and cash equivalents. Internal distributions may be subject to (local) regulatory requirements. Each business unit further manages its liquidity through closely managing the liquidity of its investment portfolio.

AEGON uses common derivative financial instruments such as swaps, options, futures and cross-currency derivatives to hedge against its exposures related to external borrowings. In general, the accounting treatment of the derivative mirrors the accounting treatment of the underlying financial instrument.

In the second quarter of 2003, in line with its funding strategy, AEGON N.V. issued EUR 1 billion of five year fixed rate notes, USD 750 million of ten year fixed rate notes and USD 250 million of two year floating rate notes to refinance maturing long-term and short-term debt. At December 31, 2003, AEGON N.V. had EUR 1.8 billion outstanding under its Medium Term Notes Program and EUR 1.6 billion under its Commercial Paper Programs.

The duration profile of AEGON's capital debt and interest rate structure is managed in line with the estimated duration of its investments in its subsidiaries. Of AEGON's total capital debt at 31 December, 2003, approximately EUR 2.1 billion matures within three years, EUR 1.2 billion between three and five years, and EUR 2.4 billion thereafter. AEGON believes its working capital, backed by the external funding programs and facilities, is amply sufficient for the group's present requirements.

During 2003, Standard and Poor's lowered AEGON N.V.'s credit ratings and now rates AEGON's senior debt at A+ with a stable outlook. The insurance financial strength ratings of our insurance operations in the United States are now AA, with a stable outlook. Moody's maintained the senior debt rating of AEGON N.V. at A2, with a negative outlook, while the outlook on the Aa3 insurance financial strength ratings of our United States operations remained stable.

Management

The Company is managed by an Executive Board, the members of which are employed by AEGON N.V.. The Executive Board is appointed by the general meeting of shareholders upon nomination by the Supervisory Board. The activities of the Executive Board are subject to the general supervision by the Supervisory Board. Members of the Executive Board are appointed for an indefinite period.

Certain transactions affecting AEGON as a whole, such as the issuance or cancellation of shares, application for listing on a stock exchange, major acquisitions, major capital expenditures and all matters concerning substantial changes in employee relations require the approval of the Supervisory Board.

The members of the Supervisory Board are appointed and dismissed by the general meeting of shareholders. If appointment or dismissal is proposed other than upon nomination from the Supervisory Board, a resolution of the general meeting to that effect requires a 2/3 majority in a general shareholder's meeting representing more than half of AEGON's issued share capital. Members of the Supervisory Board are appointed for a maximum term of four years and may be re-appointed. However, members are no longer eligible for re-appointment if they reach the age of 70.

Set forth below is certain information concerning the members of the Executive and Supervisory Boards of the Company. The business address of each member of the Executive and Supervisory Boards is AEGONplein 50, 2591 TV, The Hague, The Netherlands.

Executive Board

Donald J. Shepard (1946), American nationality, started his career with Life Investors in 1970. Serving in various management and executive functions with Life Investors, he became Executive Vice-President and Chief Operating Officer in 1985, a position he held until AEGON consolidated its other US operations with Life Investors to form AEGON USA in 1989. He became a member of the Executive Board in 1992. In 2002 he became Chairman of the Executive Board of AEGON N.V..

Joseph B.M. Streppel (1949), Dutch nationality, started his career in 1973 at one of AEGON's predecessors in several treasury and investment positions. In 1986 he became CFO of FGH Bank and in 1987 he joined the Executive Board of FGH Bank. In 1991 he became CEO and Chairman of Labouchere and in 1995 also of FGH Bank. In 1998 he became CFO of AEGON N.V. Since May 2000 he has been a member of the Executive Board of AEGON N.V.

Johan G. van der Werf, (1952), Dutch nationality, started his career in 1973 as a First Officer in the Merchant Marine. In 1981 he joined one of the predecessors of AEGON as a district sales manager. From 1987 until 1992 he was chairman of the management board of Spaarbeleg and in 1992 he became a member of the management board of AEGON The Netherlands. In 2002 he became a member of the Executive Board of AEGON N.V. and CEO of AEGON The Netherlands.

Alexander R. Wynaendts (1960), Dutch nationality, started his career with AEGON in 1997 and was appointed Executive Vice-President Group Business Development in 1998. In the Executive Board he is responsible for business development and Asia. He is also member of the Boards of AEGON UK and La Mondiale Participations and of the Supervisory Boards of AEGON Hungary and AEGON Spain. Mr. Wynaendts has worked in the finance industry since 1984. In April 2003 he became member of the Executive Board of AEGON N.V.

Supervisory Board Members

M. Tabaksblat (1937), Chairman and Dutch nationality, is Chairman of Reed Elsevier plc and a retired Chairman and CEO of Unilever. He was appointed in 1990; his current term will end in 2005 after which he will not be available for re-election in order to comply with the Dutch Corporate Governance Code. He is also Chairman of the Supervisory Board of TNT Post Group and a member of the International Advisory Boards of Salomon Smith Barney (USA) and Renault Nissan (France). He is also a member of the Executive Committee of Vereniging AEGON. He is the Chairman of the Compensation, Nominating and the Strategy Committees.

D.G. Eustace (1936), British nationality, is Chairman of Smith & Nephew plc (London, UK) and former Vice-Chairman of Royal Philips Electronics. He was appointed in 1997. He is also a member of the Supervisory Boards of a number of Dutch companies, among which Royal KLM, Royal KPN and Board Member of Royal Ahold. He is the Chairman of the Audit Committee.

O.J. Olcay (1936), American nationality, is Vice-Chairman and Managing Director of Fischer, Francis, Trees and Watts, Inc. (New York, USA). He was appointed in 1993; his current term of office will end in 2004. He is Chairman of FFTW Funds Inc. in New York (USA), FFTW Funds Selection in Luxembourg and FFTW Funds in Dublin (Ireland). He is a member of the Nominating and Strategy Committees.

T. Rembe (1936), American nationality, is a partner of Pillsbury Winthrop LLP (San Francisco, USA). She was appointed in 2000; her current term will end in 2004. She is a member of the Board of Directors of Potlach Corporation (USA) and SBC Communications (USA). She is a member of the Audit Committee.

W.F.C. Stevens (1938), Dutch nationality, is a senator in the Dutch Parliament and a retired partner/senior counsel of Baker & McKenzie. He was appointed in 1997; his current term will end in 2005. He is a member of the Supervisory Boards of a number of Dutch companies, among which NIB Capital, Schiphol Groep and TBI Holdings. He is a member of the Compensation Committee.

K.J. Storm (1942), Dutch nationality, is a former Chairman of the Executive Board of AEGON. He was appointed in 2002; his current term will end in 2006. He is a Chairman of the Supervisory Boards of Royal Wessanen and Laurus and a member of the Supervisory Boards of Interbrew (Leuven, Belgium), Royal KLM and Pon Holdings.

L.M. van Wijk (1946), Dutch nationality, has held the position of Chief Executive Officer (CEO) at KLM Royal Dutch Airlines since 1997. He was appointed in 2003; his current term will end in 2007. Mr. Van Wijk is also a member of the Board of Directors of Northwest Airlines and of the Supervisory Boards of Randstad Holding, Martinair, TUI Nederland and 'Nederlands Bureau voor Tourisme'.

R. Dahan (1942), Dutch nationality, is Executive Vice-President and Director of Exxon Corporation. He was appointed in 2004, his current term will end in 2008. He is also member of the Supervisory Board of VNU, TPG and Ahold.

W. Bailey (1941), American nationality, has held the position of non-executive Chairman of the Board of AEGON USA Inc. He was President and Chief Executive Officer of Providian Corporation until 1997, the

year in which AEGON acquired Providian. Mr. Bailey is currently managing director of Chrysalis Ventures, established in Louisville, USA, a venture capital company.

P. Voser (1958), Dutch nationality, is Group Chief Financial Officer and member of the Group Executive Committee of ABB Asea Brown Boveri Ltd, Switzerland.

Capital and indebtedness

The following table sets forth the audited total consolidated capitalisation and indebtedness of AEGON N.V. at 31 December, 2003.

<i>amounts in million EUR</i>	<i>31 December, 2003</i>	
Preferred shares ¹	56	
Common shares	182	
Surplus Funds	13.894	
Shareholders' equity		14.132
Perpetual cumulative subordinated loans	1.517	
Trust Pass-through Securities	408	
Capital securities		1.925
Subordinated (converted) debt		452
Senior debt allocated to insurance activities		3.288
Total capital base		19.797

¹ Vereniging AEGON, based in The Hague, holds all the issued preferred shares.

COMMITMENTS AND CONTINGENCIES

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

Due and punctual payment of payables due under Letter of Credit Agreements applied for by AEGON N.V. as co-applicant with its subsidiary companies AEGON USA, Inc., Commonwealth General Corporation and Transamerica Corporation (EUR 1.8 billion). At 31 December, 2003, the amount due and payable was nil.

Due and punctual payment of payables by the consolidated group companies AEGON Funding Corp., AEGON Funding Corp. II and Transamerica Corporation with respect to bonds, capital trust pass-through securities and notes issued under commercial paper programs (EUR 5,031 million).

Due and punctual payment of payables by the non-consolidated group company Transamerica Finance Corporation with respect to:

- a. debt securities issued under the following three indentures: the indenture with U.S. Bank National Association (successor in interest to Continental Illinois National Bank and Trust Company of Chicago) first dated 15 March, 1981, as amended, and both indentures with BNY Midwest Trust Company (successor in interest to Harris Trust and Savings Bank) first dated 1 July, 1982, and 1 April, 1991, respectively, as amended (EUR 835 million); and
- b. contractual obligations towards NCC Key Company as Owner Participant and U.S. Bank National Association (successor in interest to State Street Bank and Trust Company of Connecticut National Association) as Owner Trustee under a Participation Agreement dated 30 December, 1996, (EUR 42 million).

With respect to the former subsidiary FGH BANK N.V. (sold to Hypo-Vereinsbank):

- a. payables due to all unsubordinated and non-privileged creditors of FGH BANK on account of deeds prior to 27 February, 1987, and loans contracted by FGH BANK after 27 February, 1987, up to 30 March, 1998; and
- b. payables due by FGH BANK under guarantees rendered or several liabilities assumed prior to 27 February, 1987.

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

Commitments and Contingencies at 31 December, 2003

<i>amounts in million EUR</i>	<i>2003</i>
Investments contracted	
Real estate	(5)
Mortgage loans	392
Bonds and registered debentures:	
Purchase	–
Sale	(51)
Private placements	16
Other:	
Purchase	451
Sale	–

DERIVATIVES

AEGON uses common derivative financial instruments such as swaps, options, futures and cross-currency derivatives to hedge its exposures related to investments, liabilities and borrowings. In general, under Dutch accounting principles the accounting treatment of derivatives mirrors the accounting treatment of the underlying financial instrument. In the balance sheet, the book values of the derivatives are recognized under the captions of the related underlying financial instrument. Foreign currency amounts are converted at the year-end exchange rates. Realized and unrealized results on derivative financial instruments are recognized in the same period and likewise as the results of the related investments, liabilities and debt.

US GAAP requires that all derivatives, including embedded derivatives, be recognized as either assets or liabilities in the balance sheet and be measured at fair value. Derivatives that do not qualify for hedge accounting treatment under US GAAP must be adjusted to fair value through income. If the derivative is a hedge, depending on the nature of the hedge, changes in the fair value of derivatives will either be offset against the change in fair value of the hedged assets, liabilities, or firm commitments through income or recognized in other comprehensive income and amortized to income when the hedged transaction impacts income. Any portion of a derivative's change in fair value determined to be ineffective at offsetting the hedged risk will be immediately recognized in income. An EUR 5 million loss on the total return swaps with Vereniging AEGON was included in 2003 net income in the line derivatives.

<i>amounts in million EUR</i>	<i>Notional amounts 2003</i>	<i>Market value 2003</i>	<i>Book value 2003</i>
Interest rate contracts			
Interest rate swaps	31.274	(115)	146
Swaptions	40	–	–
Caps/floors	312	14	3
Forward rate agreements	136	14	–
Other derivative contracts			
Cross currency swaps	5.730	622	596
Foreign exchange contracts	3.428	78	79
Equity swaps	2.004	(346)	36
Over-the-counter options	77	41	39
Credit derivatives	579	2	(2)
Exchange traded options/futures	1.380	15	(1)
Synthetic GICs	30.794	–	–

amounts in million EUR 2003

Collateral and Guarantees given to third parties

Bonds and registered debentures	2.373
Ceded and securitized mortgage loans	5.091
Standby Letters of credit	964
Guarantees	287
Other Commitments	827
Other collateral and guarantees	559

OFF BALANCE SHEET ASSETS

As part of its core operations, AEGON concludes transactions and has relationships with institutional and retail customers for a variety of financial services. The return for these services is a fee related to the asset value, to the investment performance or to the risk exposure of the contract. The services include:

- management of investments for institutional investors and of mutual funds in the retail business;
- offering of synthetic GICs which guarantee to plan sponsors benefit responsiveness, whether or not in the form of annuities, in the event that qualified plan benefit requests exceed plan cash flows. The plan sponsor agrees to reimburse for such benefit payments with interest.

For all services the related assets are owned by the customers and therefore they do not appear on the balance sheet of AEGON. Total assets involved in these operations amount to EUR 63 billion (USD 79 billion), (2002: EUR 52 billion, USD 55 billion).

AEGON Levensverzekering N.V. completed two privately placed securitization programs in 2002 whereby the economic ownership of EUR 1.7 billion of aggregate mortgage receivables was conveyed to third parties. The transfer of the ownership title will take place upon notification of the borrowers by either AEGON or the third parties. The third parties have the right to notify the borrowers upon the occurrence of certain pre-defined 'notification events'. A first preferred 'silent' right of pledge on the mortgage receivables was given to the third parties. At the same time AEGON entered into a fixed-floating swap agreement with the contract parties under which AEGON agreed to pay the floating rate (EURIBOR based) and receive the fixed rate (scheduled yield from the mortgage receivables). Under both programs AEGON received the right to repurchase all of the mortgage receivables at a price equal to the then current portfolio market value of the receivables provided that AEGON simultaneously terminates the swap upon payment of the market value of the swap. For one program that right exists for the remainder of the term. The other program only allowed AEGON to repurchase the receivables between March 2003 and September 2003 and no longer permits AEGON this right.

AEGON Levensverzekering N.V. completed two publicly placed securitization programs in 2003 whereby the economic ownership of EUR 2.3 billion of aggregate mortgage receivables was conveyed to two special purpose companies. Both companies funded this purchase with the issue of mortgage backed securities. The transfer of the ownership title will take place upon notification of the borrowers by either AEGON or the special purpose companies. The special purpose companies have the right to notify the borrowers upon the occurrence of certain pre-defined 'notification events'. A first preferred 'silent' right of pledge on the mortgage receivables was given to the special purpose companies. At the same time AEGON entered into a fixed-floating swap agreement with the contract parties under which AEGON agreed to pay the floating rate (EURIBOR based) and receive the fixed rate (scheduled yield from the mortgage receivables). For both programs, after a period of seven years, the interest of the notes, issued by the special purpose companies will step-up, together with a similar step-up in the fixed-floating swap agreement. At this time, the special purpose companies have the right to call the notes.

In 2003, one of the privately placed securitizations from 2002 was called by AEGON Levensverzekering N.V. and bought back at market value. AEGON Levensverzekering N.V. now has a total of three publicly placed and two privately placed securitization programs outstanding with a total size of EUR 5 billion.

LITIGATION

Banque Internationale à Luxembourg S.A. and Dexia Bank Belgium S.A. (Dexia) initiated legal proceedings against AEGON in connection with its acquisition in 2000 of Labouchere, at that time a subsidiary company of AEGON. Dexia alleges that AEGON made certain misrepresentations and breached some of the warranties contained in the purchase agreement. The alleged misrepresentations and breaches of warranties relate to the securities leasing products sold by Labouchere. Dexia's claims include a claim for dissolution of the agreement and damages and, if honoured by the competent courts, may result in substantial damage to AEGON. AEGON has taken the view that the sale of Labouchere to Dexia constitutes a transaction between two large financial institutions that was duly effected and that Dexia's allegations are without merit. In view thereof, and given that the amount of damages due in case any of the claims of Dexia would succeed cannot be determined, no provision has been made for these claims in the annual accounts for 2003.

In January and February 2003, AEGON and certain current and former members of the Executive Board were named in a series of similar class action complaints filed in US federal court alleging various violations of US securities laws involving the issuance of false and misleading statements during the period between 9 August, 2001, and 22 July, 2002, when AEGON issued an update to its earnings guidance for 2002. AEGON believes these allegations are without merit and intends to defend vigorously against these actions, which have been consolidated. AEGON does not believe that these claims, either individually or in the aggregate, will result in a material adverse effect on its financial position or results of operations.

AEGON and some of its subsidiaries and affiliates are involved in litigation in the ordinary course of business, including litigation where compensatory or punitive damages and mass or class relief are sought. The outcome of litigation is, at times, unpredictable. It is management's opinion, after consultation with legal counsel, that damages arising from such litigation will not have a material adverse effect on either the financial position or the results of operations.

RECENT DEVELOPMENTS

Caja de Ahorros del Mediterráneo (CAM) and AEGON have incorporated the holding for their strategic partnership. The partners have created a joint venture, which combines CAM's significant customer reach through its banking network and AEGON's expertise in life insurance and pensions. The new holding structure has become operational as per 9 June, 2004. All the necessary regulatory approvals have been obtained.

On 12 May, 2004 AEGON reported its first quarter results of 2004. In this press release information is provided on accounting changes. The relevant 2003 financial data have been adjusted to reflect these accounting changes for the purposes of comparability. This press release is incorporated in and is part of this Offering Circular.

Consolidated balance sheets at December 31

In accordance with Dutch Accounting Principles

Amounts in millions

2003 USD	2002 USD		Note number	2003 EUR	2002 EUR
		Investments			
2,862	2,319	Real estate	1	2,266	2,211
3,643	3,729	Group companies and participations	2	2,884	3,556
150,164	134,615	Other financial investments	3	118,895	128,364
42	35	Deposits with ceding undertakings	4	33	33
156,711	140,698			124,078	134,164
126,412	99,341	Investments for account of policyholders	5	100,089	94,728
		Receivables			
3,189	2,218	Receivables out of direct insurance	6	2,525	2,115
1,136	586	Receivables out of reinsurance		899	559
1,373	1,194	Other receivables	7	1,087	1,138
5,698	3,998			4,511	3,812
		Other assets			
403	412	Equipment	8	319	393
2,077	1,664	Liquid assets	9	1,645	1,587
210	40	Other assets		166	38
2,690	2,116			2,130	2,018
		Prepayments and accrued income			
1,878	1,614	Accrued interest and rent		1,487	1,539
2,123	2,040	Other prepayments and accrued income	10	1,681	1,945
4,001	3,654			3,168	3,484
295,512	249,807	Total assets		233,976	238,206

<i>2003</i>	<i>2002</i>		<i>Note</i>	<i>2003</i>	<i>2002</i>
<i>USD</i>	<i>USD</i>		<i>number</i>	<i>EUR</i>	<i>EUR</i>
17,849	14,924	Shareholders' equity	11	14,132	14,231
2,431	2,106	Capital securities	12	1,925	2,008
571	646	Subordinated loans	13	452	616
20,851	17,676	Equity and subordinated loans		16,509	16,855
		Technical provisions	14		
116,896	106,735	Life insurance		92,554	101,778
1,330	1,043	Unearned premiums and unexpired risks		1,053	995
2,834	2,428	Claims outstanding		2,244	2,315
386	319	Profit sharing and rebates		306	304
667	537	Other technical provisions		528	512
122,113	111,062	Gross		96,685	105,904
(3,554)	(3,136)	Reinsurers' share		(2,814)	(2,990)
118,559	107,926			93,871	102,914
		Technical provisions with investments for account of policyholders	15		
129,048	100,574	Gross		102,176	95,904
(2,636)	(1,233)	Reinsurers' share		(2,087)	(1,176)
126,412	99,341			100,089	94,728
2,214	1,913	Provisions	16	1,753	1,824
5,926	4,044	Long-term liabilities	17	4,692	3,856
29	24	Deposits withheld from reinsurers		23	23
		Current liabilities			
3,391	2,771	Payables out of direct insurance		2,685	2,642
591	380	Payables out of reinsurance		468	362
3,336	4,469	Amounts owed to credit institutions		2,641	4,262
7,144	6,674	Entrusted savings accounts and deposits		5,656	6,364
4,662	3,656	Other payables	18	3,691	3,486
19,124	17,950			15,141	17,116
2,397	933	Accruals and deferred income	19	1,898	890
295,512	249,807	Total equity and liabilities		233,976	238,206

Summarized consolidated income statements

In accordance with Dutch Accounting Principles
Amounts in millions (except for per share data)

2003 USD	2002 USD		Note number	2003 EUR	2002 EUR	2001 EUR
Revenues						
22,020	20,220	Gross premiums		19,468	21,356	21,578
8,354	7,947	Investment income	22	7,386	8,394	9,318
1,381	926	Fees and commissions	23	1,221	978	615
401	394	Income from banking activities	24	354	416	384
32,156	29,487	Total revenues		28,429	31,144	31,895
Benefits and expenses						
2,560	2,397	Premiums to reinsurers		2,263	2,532	1,859
12,333	11,693	Benefits to policyholders		10,904	12,350	11,916
7,169	7,029	Change in technical provisions	25	6,338	7,424	8,815
194	179	Profit sharing and rebates	26	171	189	248
6,093	4,935	Commissions and expenses	27	5,387	5,212	4,574
730	691	Interest charges		645	730	862
649	812	Miscellaneous income and expenditure	29	574	858	378
29,728	27,736	Total benefits and expenses		26,282	29,295	28,652
2,428	1,751	Income before tax		2,147	1,849	3,243
(647)	(334)	Corporation tax	31	(572)	(353)	(918)
247	48	Net income unconsolidated group companies	32	218	51	72
2,028	1,465	Net income		1,793	1,547	2,397
1.30	0.98	Net income per share ¹	33	1.15	1.04	1.70
1.30	0.98	Net income per share fully diluted ¹	33	1.15	1.04	1.69

1. Adjusted for stock dividend

Consolidated cash flow statements

In accordance with Dutch Accounting Principles

Amounts in millions

2003 USD	2002 USD		2003 EUR	2002 EUR	2001 EUR
Cash flow from operating activities					
2,028	1,465	Net income	1,793	1,547	2,397
8,268	4,024	Increase technical provisions net of reinsurance	7,310	4,250	9,820
21,002	26,907	Annuity, GIC and funding agreement deposits	18,568	28,419	26,381
(17,421)	(17,297)	Annuity, GIC and funding agreement repayments	(15,402)	(18,269)	(19,059)
58	(736)	Change in provisions	51	(777)	(488)
1,955	1,749	Amortization of policy acquisition costs	1,728	1,848	1,422
81	80	Amortization of interest rate rebates	72	84	102
131	95	Depreciation of equipment	116	100	79
1,069	2,176	Change in current liabilities	945	2,299	734
(801)	(87)	Change in entrusted funds	(708)	(92)	1,257
(2,418)	(2,733)	Deferred policy acquisition costs	(2,138)	(2,887)	(2,558)
(43)	(47)	Interest rate rebates granted	(38)	(50)	(94)
(1,175)	(43)	Change in receivables	(1,039)	(45)	(904)
12,734	15,553		11,258	16,427	19,089
Cash flow from investing activities					
Invested and acquired					
(2,068)	(3,234)	Real estate and shares	(1,828)	(3,416)	(3,980)
(580)	(1,081)	Shares of group companies and subsidiaries	(513)	(1,142)	(1,673)
(109,609)	(95,210)	Other investments	(96,905)	(100,560)	(89,966)
(110)	(153)	Equipment	(97)	(162)	(194)
Disposed and redeemed					
1,905	3,770	Real estate and shares	1,684	3,982	3,335
718	299	Shares of group companies and subsidiaries	635	316	1,166
102,347	84,990	Other investments	90,484	89,766	78,254
9	11	Equipment	8	12	11
(714)	(718)	Indirect return real estate and shares	(631)	(758)	(723)
(4,875)	(3,980)	Change in investments for account of policyholders	(4,310)	(4,204)	(6,961)
(677)	(61)	Other movements	(599)	(65)	(335)
(13,654)	(15,367)		(12,072)	(16,231)	(21,066)
Cash flow from financing activities					
1,165	(747)	Change in subordinated and other long-term loans	1,030	(789)	1,107
21	0	Repurchased and sold own shares	19	0	(21)
0	0	Issuance of common shares	0	0	1,685
0	1,944	Paid in capital / withdrawal preferred shares	0	2,053	0
0	(1)	Change in deposits withheld from reinsurers	0	(1)	29
0	0	Options exercised	0	0	3
0	(6)	Cash settlement stock options	0	(6)	(71)
-	-	Cash settlement subordinated convertible loan	-	-	(68)
(200)	(695)	Dividend paid	(177)	(734)	(544)
986	495		872	523	2,120
66	681	Change in liquid assets	58	719	143
1.1311	0.9468	Translation rate EUR/USD: weighted average exchange rate			

The cash flow statement has been set up according to the indirect method. Only those changes affecting liquid assets have been taken into account. The effects of revaluation and currency exchange rate differences have therefore not been included. Currency exchange rate differences had a significant negative impact on liquid assets denominated in foreign currencies.

NETHERLANDS TAXATION

This section provides a general summary of the material Dutch tax issues and consequences of acquiring, holding, redeeming and/or disposing of the Securities. This summary provides general information only and is restricted to the matters of Dutch taxation stated herein. The information given below is neither intended as tax advice nor purports to describe all of the tax considerations that may be relevant to a prospective purchaser of the Securities.

The prospective purchaser should consult his or her own tax advisor regarding the Dutch tax consequences of acquiring, holding, redeeming and/or disposing of the Securities.

This summary is based on the tax legislation, published case law, and other regulations in force as at [15 July], 2004, without prejudice to any amendments introduced at a later date and implemented with or without retroactive effect.

We assume that the holders of the Securities do not hold a substantial interest in AEGON N.V. Generally speaking, an interest in the share capital of AEGON N.V. should not be considered a substantial interest if the holder of such interest, and, if the holder is a natural person, his or her spouse, registered partner, certain other relatives or certain persons sharing the holder's household, alone or together, does or do not hold, whether directly or indirectly, the ownership of, or certain rights over, shares or rights resembling shares representing five percent or more of the total issued and outstanding capital, or the issued and outstanding capital, of any class of shares, of AEGON N.V.

Withholding tax

All payments by AEGON N.V. in respect of the Securities can be made without withholdings or deductions for or on account of any taxes, duties or charges of any nature whatsoever that are or may be withheld or assessed by the Dutch tax authorities, any political subdivision thereof or therein or any of their representatives, agents, or delegates.

Taxes on income and capital gains

Residents of the Netherlands

Income received from a Security as well as a gain realized on the disposal or redemption of a Security, by a holder of a Security who is a resident of the Netherlands and who is subject to Dutch corporate income tax, is generally taxable in the Netherlands.

Income received from a Security as well as gain realized on the disposal or redemption of a Security, by a holder of a Security who is an individual who is a resident or a deemed resident of the Netherlands or has opted to be treated as a resident of the Netherlands, will be subject to Dutch individual income tax at progressive personal income tax rates up to 52 per cent. (2004 rate) if:

- (i) the individual has an enterprise or an interest in an enterprise, to the assets of which such Security is attributable, or
- (ii) such income or gain qualifies as income from miscellaneous activities (resultaat uit overige werkzaamheden), include activities with respect to the Security that exceed regular, active portfolio management (normaal, actief vermogensbeheer).

If the conditions set out in paragraphs i. and ii. above do not apply to a resident individual, income received by such individual from a Security as well as gains realized on the disposal or redemption of a Security are not taxable as such. Instead, the return on investments and savings is set at 4 per cent. (2004 rate) of the average value of the holder's yield basis (rendementsgrondslag) (including the Securities, if any) in a calendar year, after taking into consideration a certain limited threshold. The average value is calculated by dividing by two the aggregate of the value of the yield basis (including the Securities, if any) at the beginning of the calendar year and the end of the calendar year. The deemed return of 4 per cent. is then subject to personal income tax at the rate of 30 per cent. (2004 rate). All in all, the value of the holder's average yield

basis (including the Securities, if any) in a calendar year is taxed at an effective rate of 1.2 per cent. irrespective of the actual income received or gain realized.

Non-residents of the Netherlands

A holder of a Security who is neither resident nor deemed to be resident in the Netherlands nor has opted to be treated as a resident in the Netherlands who receives income from a Security, or who realizes a gain on the disposal or redemption of the Security, will not be subject to Dutch taxation on income or capital gains, unless:

- (i) such income or gain is attributable to an enterprise or part thereof which is carried on through a permanent establishment or a permanent representative in the Netherlands; or
- (ii) the holder is an individual, and such income or gain is attributable to his or her activities in the Netherlands (as described in paragraph ii. above under the heading 'Residents of the Netherlands'), other than business or employment activities (resultaat uit overige werkzaamheden in Nederland');

Taxation of gifts and inheritances

Residents of the Netherlands

Generally, gift and inheritance tax will be due in the Netherlands in respect of the acquisition of a Security by way of a gift by, or on the death of a holder of a Security who is a resident or deemed to be a resident of the Netherlands for the purposes of Dutch gift and inheritance tax at the date of the gift or his or her death. An individual of Dutch nationality is deemed to be a resident of the Netherlands for the purposes of Dutch gift and inheritance tax if he or she has been resident in the Netherlands at any time during the 10 years preceding the date of the gift or his or her death. An individual of any other nationality is deemed to be a resident of the Netherlands for the purposes of Dutch gift tax only if he or she has been resident in the Netherlands at any time during the 12 months preceding the date of the gift.

Non-residents of the Netherlands

There will be no Dutch gift or inheritance tax levied on the acquisition of a Security by way of gift by, or on the death of, a holder of a Security, if the holder at the time of the gift or time of death is neither a resident nor a deemed resident of the Netherlands, unless:

- (i) at the time of the gift or death, a Security can be attributed to an enterprise or part thereof which is carried on through a permanent establishment or a permanent representative in the Netherlands; or
- (ii) the holder of a Security dies within 180 days of making the gift, and at the time of death is a resident or deemed resident of the Netherlands.

Value added tax

No value added tax will be due in the Netherlands in respect of payments made in consideration for the issue of a Security, whether in respect of payments of interest and principal or in respect of the transfer of a Security.

Other taxes

There will be no registration tax, capital contribution tax, customs duty, stamp duty, real estate transfer tax or any other similar tax or duty due in the Netherlands in respect of or in connection with the issue, transfer, execution or delivery of the Securities or the performance of AEGON N.V.'s obligations under the relevant documents.

However, Dutch capital contribution tax at a rate of 0.55 per cent. (2004 rate) will be payable by AEGON N.V. upon the issue of Ordinary Shares by AEGON N.V. on the basis of the Alternative Coupon Satisfaction Mechanism.

Residency

A holder of a Security will not become, and will not be deemed to be, resident in the Netherlands merely by virtue of holding such Security or the execution, performance and/or delivery of any relevant documents.

European Union Savings Directive

On 3 June, 2003, the Council of the European Union adopted a Council Directive on the taxation of savings income in the form of interest payments (the Directive'). Based on the Directive and subject to a number of important conditions being met, a Member State will be required to provide to the tax authorities of another Member State details of payments of interest or other similar income paid by a person within its jurisdiction to an individual resident in that other Member State, subject to the right of certain Member States to opt instead for a withholding system for a transitional period in relation to such payments.

SUBSCRIPTION AND SALE

Under a subscription agreement entered into by the Issuer on 13 July, 2004 (the 'Subscription Agreement'), ABN AMRO Bank N.V., Coöperatieve Centrale Raiffeisen-Boerenleenbank B.A., Barclays Bank Plc, Credit Suisse First Boston (Europe) Limited, Deutsche Bank AG London, HSBC Bank Plc, ING Bank N.V., J.P. Morgan Securities Limited, Merrill Lynch International, Morgan Stanley & Co. International Limited, UBS Limited and The Royal Bank of Scotland Plc (together the 'EUR Managers') have agreed to subscribe for the EUR Capital Securities at the issue price of 100 per cent. The Issuer has agreed to pay to the EUR Managers a combined management, underwriting and selling commission of 2 per cent. The Subscription Agreement is subject to termination in certain circumstances prior to payment to the Issuer.

Under a subscription agreement entered into by the Issuer on 13 July, 2004 (the 'Subscription Agreement'), ABN AMRO Bank N.V., BNP Paribas, Citigroup Global Markets Limited, Barclays Bank Plc, Credit Suisse First Boston (Europe) Limited, Deutsche Bank AG London, HSBC Bank Plc, ING Bank N.V., J.P. Morgan Securities Limited, Merrill Lynch International, Morgan Stanley & Co. International Limited, UBS Limited and The Royal Bank of Scotland Plc (together the 'USD Managers') have agreed to subscribe for the USD Capital Securities at the issue price of 100 per cent. The Issuer has agreed to pay to the USD Managers a combined management, underwriting and selling commission of 2 per cent. The Subscription Agreement is subject to termination in certain circumstances prior to payment to the Issuer.

United States

The Securities have not been and will not be registered under the US Securities Act of 1933, as amended (the 'Securities Act') and may not be offered or sold within the United States or to, or for the account or benefit of, US persons except in certain transactions exempt from or not subject to the registration requirements of the Securities Act.

Each Manager has agreed that, except as permitted by the Subscription Agreement, it will not offer, sell or deliver Securities(i) as part of their distribution at any time, and (ii) otherwise until 40 days after the completion of the distribution of the Securities within the United States or to, or for the account or benefit of, US persons, and that it will have sent to each dealer to which it sells Securities during the distribution compliance period a confirmation or other notice setting forth the restrictions on offers and sales of the Securities within the United States or to, or for the account or benefit of US persons. The terms used in the preceding paragraph and in this paragraph have the meaning assigned to them by Regulation S under the Securities Act.

The Securities are subject to US tax law requirements and may not be offered, sold or delivered within the United States or its possessions or to a US person, except in certain transactions permitted by US tax regulations. Terms used in this paragraph have the meanings assigned to them by the US Internal Revenue Code of 1986, as amended and US Treasury regulations issued thereunder.

In addition, until 40 days after the completion of the distribution of all Securities, an offer or sale of Securities within the United States by any Manager (whether or not participating in the offering) may violate the registration requirements of the Securities Act.

United Kingdom

Each Manager has represented and agreed that:

- (i) it has not offered or sold and, prior to the expiry of the period of six months from the date of issue of the Securities, will not offer or sell any Securities to persons in the United Kingdom except to persons whose ordinary activities involve them in acquiring, holding, managing or disposing of investments (as principal or agent) for the purposes of their businesses or otherwise in circumstances which have not resulted and will not result in an offer to the public in the United Kingdom within the meaning of the Public Offers of Securities Regulations 1995 (as amended);

- (ii) it has complied and will comply with all applicable provisions of the Financial Services and Markets Act 2000 (“FSMA”) with respect to anything done by it in relation to the Securities in, from or otherwise involving the United Kingdom; and
- (iii) it has only communicated or caused to be communicated and will only communicate or cause to be communicated an invitation or inducement to engage in investment activity (within the meaning of Section 21 of the FSMA) received by it in connection with the issue of any Securities in circumstances in which Section 21(1) of the FSMA does not apply to the Issuer.

Singapore

Each Manager has acknowledged that this Prospectus has not been registered as a prospectus with the Monetary Authority of Singapore. Accordingly, each Manager has severally represented and agreed that it will not offer or sell the Securities, nor will it make the Securities the subject of an invitation for subscription or purchase, nor will it circulate or distribute this Prospectus or any other document or material in connection with the offer or sale, or invitation for subscription or purchase, of the Securities, whether directly or indirectly, to the public or any member of the public in Singapore other than (a) to an institutional investor or other person specified in Section 274 of the Securities and Futures Act 2001 of Singapore (the “Singapore Securities and Futures Act”), (b) to a sophisticated investor, and in accordance with the conditions, specified in Section 275 of the Singapore Securities and Futures Act or (c) otherwise pursuant to, and in accordance with the conditions of, any other applicable provisions of the Singapore Securities and Futures Act.

Belgium

This Prospectus and related documents are not intended to constitute a public offer in Belgium and may not be distributed to the Belgian public. The Belgian Commission for Banking, Finance and Insurance has not reviewed nor approved this (these) document(s) or commented as to its (their) accuracy or adequacy or recommended or endorsed the purchase of Securities.

Each Manager has represented and agreed that it will not:

- (a) offer for sale, sell or market in Belgium such Securities by means of a public offer within the meaning of the law of 22 April, 2003 on the public offer of securities; or
- (b) sell Securities to any person qualifying as a consumer within the meaning of Article 1.7° of the Belgian law of 14 July, 1991 on consumer protection and trade practices unless such sale is made in compliance with this law and its implementing regulation.

Germany

Each Manager has represented and agreed that it shall only offer Securities in the Federal Republic of Germany in compliance with the provisions of the German Securities Sales Prospectus Act (Wertpapier-Verkaufsgesetz) or any other laws applicable in the Federal Republic of Germany.

Italy

The offering of the Securities has not been cleared by CONSOB (the Italian Securities exchange Commission) pursuant to Italian securities legislation and, accordingly, no Securities may be offered, sold or delivered, nor may copies of the Prospectus or of any other document relating to the notes be distributed in the Republic of Italy, except:

- (a) to professional investors (*operatori qualificati*), as defined in Article 31, second paragraph, of CONSOB Regulation No. 11522 of 1 July, 1998, as amended; or
- (b) in circumstances which are exempted from the rules on solicitation of investments pursuant to Article 100 of Legislative Decree No. 58 of 2 February, 1998 (the **Financial Services Act**) and Article 33, first paragraph, of CONSOB Regulation No. 11971 of 14 May, 2000, as amended.

Any offer, sale or delivery of the Securities or distribution of copies of the Prospectus or any other document relating to the Securities in the Republic of Italy under (a) or (b) above must be:

- (i) made by an investment firm, bank or financial intermediary permitted to conduct such activities in the Republic of Italy in accordance with the Financial Services Act and Legislative Decree No. 385 of 1 September, 1993 (the **Banking Act**); and
- (ii) in compliance with Article 129 of the Banking Act and the implementing guidelines of the Bank of Italy, as amended from time to time, pursuant to which the issue or the offer of securities in the Republic of Italy may need to be preceded and followed by an appropriate notice to be filed with the Bank of Italy depending, *inter alia*, on the aggregate value of the securities issued or offered in the Republic of Italy and their characteristics; and
- (iii) in compliance with any other applicable laws and regulations.

Dubai

This Prospectus has not been approved by the UAE Central Bank and the Managers have not received any authorisation from the UAE Central Bank to market or sell the Securities within the UAE. No services relating to the Prospectus may be rendered in the UAE.

General

Each Manager has agreed that it will (to the best of its knowledge and belief) comply with all applicable securities laws and regulations in force in any jurisdiction in which it purchases, offers or sells the Securities or possesses or distributes this Offering Circular and will obtain any consent, approval or permission required by it for the purchase, offer or sale by it of the Securities under the laws and regulations in force in any jurisdiction to which it is subject or in which it makes such purchases, offers or sales and neither the Issuer nor any other Manager shall have any responsibility therefor.

Neither the Issuer nor any of the Managers represents that the Securities may at any time lawfully be sold in compliance with any applicable registration or other requirements in any jurisdiction, or pursuant to any exemption available thereunder, or assumes any responsibility for facilitating such sale.

GENERAL INFORMATION

Authorisation

1. The issue of the Securities was duly authorised by a resolution of the Executive Board of the Issuer dated 13 June, 2004.

Listing

2. Application has been made to list the Securities on the Official Segment of the Stock Market of Euronext Amsterdam N.V.

Clearing Systems

3. The Securities have been accepted for clearance through Euroclear Netherlands. The ISIN Code for the issue of the EUR Capital Securities is NL0000116150 and for the issue of the USD Capital Securities is NL0000116168, the Amsterdam Securities Code (*fondscore*) for the issue of the EUR Capital Securities is 11615 and for the issue of the USD Capital Securities is 11616 and the Common Code for the issue of the EUR Capital Securities is 019600882 and for the issue of the USD Capital Securities is 019600971.

No material adverse change

4. There has been no material adverse change in the financial position of the Issuer other than set out in this Offering Circular since 31 December, 2003.

Auditors

5. Ernst & Young Accountants have acted as the auditors of the annual accounts of the Issuer for the financial years ending 31 December, 2001, 2002 and 2003 respectively.

Use of Proceeds

6. The net proceeds of the issue of the Securities, amounting to approximately euro 490,000,000 and USD 245,000,000 will be applied by the Issuer for its general corporate purposes

Documents available

7. Copies of the following documents will be available free of charge, from the registered office of the Issuer and from the specified office of the Paying Agent for the time being as long as any of the Securities remains outstanding:
 - (a) the English translation of the Articles of Association (*statuten*) of the Issuer;
 - (b) the audited financial statements of the Issuer (in English) in respect of the years ended 31 December, 2001, 2002 and 2003;
 - (c) copies of the Trust Deed and the Agency Agreement;
 - (d) the 1983 Merger Agreement between the Issuer and Vereniging AEGON as amended by agreement dated 26 May, 2003; and
 - (e) the Preferred Shares Voting Rights Agreement between the Issuer and Vereniging AEGON dated 26 May, 2003.

U.S. Tax Legend

8. All Securities will carry a legend to the following effect: “Any United States person who holds this obligation will be subject to limitations under the United States income tax laws, including the limitations provided in sections 165(j) and 1287(a) of the Internal Revenue Code”. The sections referred to in such legend provide that United States persons, with certain exceptions, will not be entitled to deduct any loss, and will not be entitled to capital gains treatment with respect to any gain, realised on any sale, exchange or redemption of an Perpetual Security.

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