Measures taken during 2010 included lowering the company's exposure to equity markets by increased hedging of variable annuity back books in the United States.

Reallocating capital

AEGON's aim over the next few years is to reallocate capital toward markets offering strong growth and higher returns. This includes markets in Latin America, Asia, Spain and Central & Eastern Europe, as well as specific, high-growth segments in the company's more established markets – the United States, the Netherlands and the United Kingdom. To achieve this goal, AEGON has put a number of measures in place over the past year:

- Discontinuation of sales of executive non-qualified benefit plans and associated Bank-Owned and Corporate-Owned Life Insurance (BOLI-COLI) in the United States.
- In the United States, AEGON is also shifting its focus from spread-based to fee-based products, expanding its pension business, running off its spread-based institutional business, as well as de-emphasizing fixed annuities.
- AEGON has, in the meantime, continued to invest in growth markets in Asia, Latin America and Central & Eastern Europe.

Capital requirements and leverage

AEGON's goal is to ensure that all units maintain a strong financial position, now and into the future, and are able to sustain losses from adverse business and market conditions. The company's overall capital management depends on the following factors:

- Capital adequacy
- Capital quality
- Capital leverage

Capital adequacy

Capital adequacy is managed at company-wide, country and operating unit levels, as well as at the level of individual legal entities within the organization. As a matter of policy, AEGON maintains operating companies' capital adequacy at whichever is higher of the following:

- Regulatory requirements.
- Relevant requirements for AA capital adequacy.
- Any additionally self-imposed internal requirements.

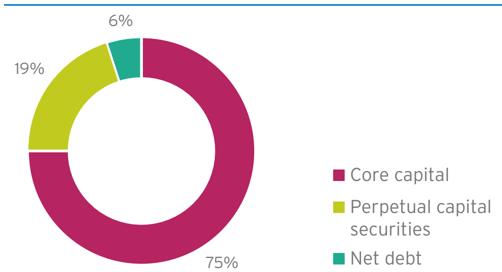
In 2010, AEGON's capital position remained strong. At the end of the year, AEGON had an excess over and above its capital adequacy requirements of EUR 3.8 billion, an improvement from EUR 3.7 billion twelve months earlier. AEGON's Insurance Group Directive ratio – a common measure of capital adequacy in the European Union – was 198%, down from 204% at the end of 2009. This was mainly due to an increase in capital requirements in the Americas. AEGON's capital position in 2010 was strengthened by increased earnings from the company's operating units. Over the past year, these units have generated a total of EUR 1.4 billion in cash flow to the group. Excess capital increased despite a revision to Standard & Poor's risk factors, which led to a rise in capital requirements in 2010. As a result, capital adequacy requirements in the Americas rose by an estimated USD 1.8 billion during the year.

Capital quality and leverage

AEGON's capital base consists of the following components:

- Core capital, which comprises shareholders' equity (excluding the revaluation reserve), and convertible core capital securities issued in December 2008.
- Perpetual capital securities (including currency revaluations).
- Dated subordinated and senior debt.

AEGON's capital base 2010
In %



AEGON places limits on the amount of non-core capital in its overall capital base. Currently, the company's aim is to ensure that core capital comprises at least 70% of the capital base, and that perpetual capital securities and dated subordinated and senior debt account for no more than 25% and 5% respectively. At the end of 2010, AEGON's capital base consisted of 75% core capital and 19% perpetual capital securities. Dated subordinated and