

AEGON NV
Form 20-F/A
November 14, 2003
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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 20-F/A

(Mark One)

REGISTRATION STATEMENT PURSUANT TO SECTION 12(b) OR (g) OF THE SECURITIES EXCHANGE ACT OF 1934

OR

ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the fiscal year ended December 31, 2002

OR

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from _____ to _____

AEGON N.V.

(Exact name of Registrant as specified in its charter)

Not Applicable

(Translation of Registrant's name into English)

The Netherlands

(Jurisdiction of incorporation or organization)

AEGONplein 50, PO Box 202, 2501 CE The Hague, The Netherlands

(Address of principal executive offices)

Securities registered or to be registered pursuant to Section 12 (b) of the Act.

Title of each class	Name of each exchange on which registered
Common shares, par value EUR 0.12 per share	New York Stock Exchange

Securities registered or to be registered pursuant to Section 12 (g) of the Act.

Not applicable

(Title of Class)

Securities for which there is a reporting obligation pursuant to Section 15(d) of the Act.

Not applicable

(Title of Class)

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Indicate the number of outstanding shares of each of the issuer's classes of capital or common stock as of the close of the period covered by the annual report: 1,444,579,122 common shares

Indicate by check mark whether the Registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirement for the past 90 days. Yes No

Indicate by check mark which financial statement item the registrant has elected to follow.

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EXPLANATORY NOTE

This Form 20-F/A hereby amends Items 3, 4, 5, 6, 7, 10 and 18 of AEGON N.V.'s Annual Report on Form 20-F for the fiscal year ended December 31, 2002, which was filed on March 31, 2003. This amendment includes editorial changes and expanded discussions of information included in the original report in response to disclosure recommendations of the Staff of the U.S. Securities and Exchange Commission made as part of a routine review. This amendment also includes certain changes in our U.S. GAAP reconciled figures as described in more detail in Note 5 to our consolidated financial statements included in Item 18 of this Form 20-F/A. None of the changes included in this amendment affect any figures presented in accordance with Dutch generally accepted accounting principles.

This Form 20-F/A does not reflect events occurring after the filing of the original Form 20-F and does not modify or update the disclosure therein in any way other than as required to reflect the amendments discussed above.

PRESENTATION OF CERTAIN INFORMATION

AEGON N.V. is referred to in this Annual Report on Form 20-F as AEGON, we, us or the Company and AEGON N.V. together with its member companies are together referred to as the AEGON Group. For such purposes, member companies means, in relation to AEGON N.V., those companies that are required to be consolidated in accordance with legislative requirements of The Netherlands relating to consolidating accounts. References to the Association and to Vereniging AEGON are to Vereniging AEGON. References to the NYSE are to the New York Stock Exchange. References to the SEC are to the Securities and Exchange Commission.

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In this Annual Report on Form 20-F, references to EUR and euro are to the lawful currency of the member states of the European Monetary Union that have adopted the single currency in accordance with the Treaty establishing the European Community, as amended by the Treaty on European Union. References to \$, USD, US\$ and US dollars are to the lawful currency of the United States of America, references to NLG and guilders are to the up to January 1, 2002, lawful currency of The Netherlands, references to GBP, pound sterling and the UK pound are to the lawful currency of the United Kingdom, references to CAD and Canadian dollars are to the lawful currency of Canada and references to CNY are to the lawful currency of the People's Republic of China.

FORWARD-LOOKING STATEMENTS

The statements contained in this Annual Report that are not historical facts are forward-looking statements as defined in the U.S. Private Securities Litigation Reform Act of 1995. Words such as believe, estimate, intend, may, expect, anticipate, predict, project, continue, want, forecast, should, would, is confident and will and similar expressions as they relate to us are intended to identify such forward-looking statements. These statements are not guarantees of future performance and involve risks, uncertainties and assumptions that are difficult to predict. We undertake no obligation to publicly update or revise any forward-looking statements. Readers are cautioned not to place undue reliance on these forward-looking statements, which speak only as of their dates.

All forward-looking statements are subject to various risks and uncertainties that could cause actual results to differ materially from expectations, including, but not limited to, the following:

changes in general economic conditions, particularly in the United States, The Netherlands and the United Kingdom;

changes in the performance of financial markets, including emerging markets, including:

the frequency and severity of defaults by issuers in our fixed income investment portfolios; and

the effects of corporate bankruptcies and/or accounting restatements (such as Enron and WorldCom) on the financial markets and the resulting decline in value of equity and debt securities we hold;

the frequency and severity of insured loss events;

changes affecting mortality, morbidity and other factors that may affect the profitability of our insurance products;

changes affecting interest rate levels and continuing low interest levels;

changes affecting currency exchange rates, including the euro/US dollar and euro/UK pound exchange rates;

increasing levels of competition in the United States, The Netherlands, the United Kingdom and emerging markets;

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changes in laws and regulations, particularly those affecting our operations, the products we sell and the attractiveness of certain products to our consumers;

regulatory changes relating to the insurance industry in the jurisdictions in which we operate;

acts of God, acts of terrorism and acts of war;

changes in the policies of central banks and/or foreign governments;

litigation or regulatory action that could require us to pay significant damages or change the way we do business;

customer responsiveness to both new products and distribution channels; and

competitive, legal, regulatory, or tax changes that affect the distribution cost of or demand for our products and our failure to achieve anticipated levels of earnings or operational efficiencies as well as other cost saving initiatives.

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In the table below, we provide you with our summary historical financial data. We have prepared this information using our consolidated financial statements for each of the five years ended December 31, 2002.

Our consolidated financial statements are prepared in accordance with generally accepted accounting principles in the Netherlands (Dutch accounting principles), which differ in certain significant respects from generally accepted accounting principles in the United States (US GAAP). You can find a description of the significant differences between Dutch accounting principles and US GAAP and a reconciliation of shareholders' equity and net income based on Dutch accounting principles to US GAAP in note 5 of the notes to our consolidated financial statements in Item 18 of this Annual Report on Form 20-F.

When you read this summary historical financial data, it is important that you read it in conjunction with, and it is qualified by reference to, the historical financial statements and related notes in Item 18.

All per share amounts have been calculated based on the weighted average number of common shares outstanding after giving effect to all stock dividends and stock splits through December 31, 2002.

	Years ended December 31,				
	2002	2001	2000	1999	1998
	(in million EUR, except per share amounts)				
Consolidated income statement information:					
Amounts based upon Dutch accounting principles ¹					
Premium income	21,356	21,578	20,771	14,980	11,550
Investment income	9,372	9,933	9,612	6,690	5,003
Total revenues ^{3,4}	31,144	31,895	30,707	22,374	17,179
Income before tax	1,849	3,243	2,839	2,181	1,634
Net income ⁴	1,547	2,397	2,066	1,570	1,247
Net income per common share ⁵					
Net income	1.08	1.76	1.57	1.28	1.08
Net income, fully diluted	1.08	1.75	1.55	1.26	1.06
Amounts based upon US GAAP ^{1,2}					
Premium income	10,191	10,214	7,509	5,784	4,928
Investment income	8,640	11,001	12,773	7,013	5,656
Total revenues ^{3,4}	19,247	21,599	20,654	13,501	11,210

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Income from continuing operations before tax	(841)	1,158	3,492	1,950	1,928
Net income	(2,328)	632	2,716	1,601	1,471
Net income per common share ⁵					
Basic	(1.68)	0.46	2.06	1.31	1.28
Diluted	(1.68)	0.46	2.04	1.29	1.25

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	Years ended December 31,				
	2002	2001	2000	1999	1998
(in million EUR, except per share amounts)					
Consolidated balance sheet information:					
Amounts based upon Dutch accounting principles ¹					
Total assets	238,206	264,061	244,216	228,808	131,196
Technical provisions	197,642	220,523	206,097	190,145	102,959
Long-term liabilities (including current portion)	6,480	7,855	6,528	5,735	3,891
Shareholders' equity	14,231	15,923	12,844	13,543	7,934
Amounts based upon US GAAP ^{1, 2}					
Total assets	268,316	299,603	281,580	262,694	138,083
Technical provisions	217,022	240,297	225,602	206,007	108,355
Long-term liabilities (including current portion)	7,220	10,462	15,749	14,770	3,804
Trust pass-through securities (TRUPS) and monthly income preferred stock (MIPS)	491	584	553	512	87
Shareholders' equity	17,554	20,831	18,965	17,050	9,612
Other:					
Life insurance in force	1,244,741	1,248,452	1,163,443	972,560	300,466
Investment income for the account of policyholders ³	(11,524)	(9,515)	(3,495)	13,533	8,466
Annuity deposits, including GIC/funding agreements ³	28,419	26,381	25,506	17,445	6,723
Share capital	226	224	215	216	185
(in thousands)					
Number of common shares:					
Balance at January 1	1,422,253	1,350,524	668,426	583,180	289,863
Stock split			668,426		289,863
Issuance of shares		55,000		82,546	
Stock dividends	22,326	16,484	13,194	2,319	2,195
Exercise of options		245	478	381	1,259
Balance at end of period	1,444,579	1,422,253	1,350,524	668,426	583,180

¹ Our consolidated financial statements were prepared in accordance with Dutch accounting principles, which differ in certain respects from US GAAP. See Note 5 to our consolidated financial statements in Item 18 of this Annual Report for information concerning the differences between Dutch accounting principles and US GAAP.

² Reflects adjustments made to certain income statement amounts based on US GAAP in 2002 and 2000 and to certain balance sheet amounts based on US GAAP at December 31, 2001. The adjustments are described in more detail in Note 5 to our consolidated financial statements in Item 18 of this Annual Report.

³ Excluded from the income statements prepared in accordance with Dutch accounting principles are receipts related to investment-type annuity products and investment income for the account of policyholders. In addition, universal life-type deposits are excluded from premium revenue in the income statements prepared in accordance with US GAAP.

⁴ Foreign currency items in the consolidated income statements have been converted at weighted average annual rates.

⁵ Per share data have been calculated based on the weighted average number of common shares outstanding after giving effect to all stock dividends and stock splits through December 31, 2002. Diluted per share data give effect to all dilutive securities.

⁶ The figures for 1998 through 2000 have not been adjusted for the change in accounting for dividends.

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AEGON has declared interim and final dividends for the years 1998 through 2002 in the amounts set forth in the table below. Dividends in US dollars are calculated based on the Midpoint Rate (the rate settled each working day at 14:15 hours by the Dutch Central Bank) on the business day following the shareholder meeting approving the relevant interim and final dividend.

Year	EUR per common share ¹			USD per common share ¹		
	Interim	Final	Total	Interim	Final	Total
1998	0.21	0.30	0.51	0.23	0.31	0.54
1999	0.25	0.35	0.60	0.27	0.31	0.58
2000	0.30	0.44	0.74	0.27	0.39	0.66
2001	0.37	0.46	0.83	0.33	0.41	0.74
2002	0.37	0.37 ²	0.74 ²	0.36	0.34 ²	0.70 ²

¹ Paid, at each shareholder's option, in cash or in stock, except 2002 final dividend.

² The final dividend for 2002 has been proposed to be paid entirely in common shares at the rate of one new common share for every 25 common shares held on the record date.

On August 8, 2002, AEGON declared an interim dividend for 2002 of EUR 0.37 per common share. AEGON has proposed to its Annual General Meeting of Shareholders, scheduled to occur on April 17, 2003, that the full year 2002 dividend be set at EUR 0.74 per common shares, resulting in a final dividend for 2002 of EUR 0.37 per common share.

AEGON has proposed that the EUR 0.37 final dividend for 2002 be paid entirely in common shares. The final dividend will entitle holders of common shares on the record date to receive one new common share for each 25 common shares held. AEGON announced on March 6, 2003 that it is currently considering proposing a dividend for 2003 of EUR 0.40 to be paid in cash or common shares depending on its capital position at that time.

Annual dividends on AEGON's preferred shares are calculated as a percentage of the paid-in capital on the preferred shares using a rate equal to the European Central Bank's fixed interest percentage for basic refinancing transactions plus 1.75%, as determined on the first Euronext Amsterdam working day of the financial year to which the dividend relates, resulting in a rate of 5.0% for 2002. Applying this rate to the weighted average paid-in capital of our preferred shares during 2002, taking into account the increase in paid-in capital on the preferred shares as a result of the September 2002 restructuring described in Item 4. Information on the Company's Recent Developments and Capital Expenditures and Divestments, the annual dividend on our preferred shares payable for 2002 will be EUR 30 million, as compared to an annual dividend in 2001 prior to such restructuring of EUR 3 million. The rate for annual dividends on preferred shares in 2003, as determined on January 2, 2003, is 4.5% and the annual dividend on preferred shares for 2003, based on the paid-in capital on the preferred shares on January 2, 2003, will be EUR 95 million.

Exchange Rates

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On January 1, 1999, the Dutch guilder became a component of the euro. The exchange rate at which the guilder has been irrevocably fixed against the euro is EUR 1 = NLG 2.20371.

Fluctuations in the exchange rate between the euro and the US dollar will affect the dollar equivalent of the euro price of our common shares traded on Euronext Amsterdam and, as a result, are likely to affect the market price of our common shares in the United States. Such fluctuations will also affect any dollar amounts received by holders of common shares on conversion of any cash dividends paid in euros on our common shares.

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As at March 25, 2003 the USD exchange rate¹ was EUR 1 = USD 1.0673

The high and low exchange rates¹ for the US dollar per euro for each of the last six months through February 2003 are set forth below:

	<u>Sept. 2002</u>	<u>Oct. 2002</u>	<u>Nov. 2002</u>	<u>Dec. 2002</u>	<u>Jan. 2003</u>	<u>Feb. 2003</u>
High (USD per EUR)	0.9959	0.9881	1.0139	1.0485	1.0861	1.0875
Low (USD per EUR)	0.9685	0.9708	0.9895	0.9927	1.0361	1.0708

The average exchange rates¹ for the US dollar per euro for the five years ended December 31, 2002, calculated by using the average of the exchange rates on the last day of each month during the period, are set forth below:

<u>Year ended December 31,</u>	<u>Average rate</u>
1998	1.1116
1999	1.0588
2000	0.9207
2001	0.8909
2002	0.9495

¹ The US dollar exchange rates are the noon buying rates in New York City for cable transfers in euro as certified for customs purposes by the Federal Reserve Bank of New York.

Risk Factors

Relating to AEGON's Business

Interest rate volatility in the form of rapid increases or sustained high or low interest rate levels may adversely affect our profitability and shareholders' equity

In periods of rapidly increasing or sustained high interest rates, policy loans and surrenders and withdrawals may tend to increase as policyholders seek investments with higher perceived returns. This activity may result in cash payments by us requiring that we sell invested assets at a time when the prices of those assets are adversely affected by the increase in market interest rates, which may result in realized investment losses. Regardless of whether we realize an investment loss, these cash payments would result in a decrease in our total invested assets and a decrease in our net income. Among other things, premature withdrawals may also cause us to accelerate amortization of policy acquisition costs, which would also reduce our net income.

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Conversely, during periods of sustained low interest rates, life insurance and annuity products may be relatively more attractive to consumers, resulting in increased premium payments on products with flexible premium features, and a higher percentage of insurance policies remaining in force from year to year. During such a period, investment earnings may be lower because the interest earnings on new fixed income investments will likely have declined with the market interest rates. In addition, mortgages and redeemable bonds in the investment portfolio are more likely to be repaid as borrowers seek to borrow at lower interest rates, and we may be required to reinvest the proceeds in securities bearing lower interest rates. Accordingly, during periods of sustained low interest rates, our net income may decline as a result of a decrease in the spread between either the interest rates credited to policyholders or the rates assumed in reserves, and returns on the investment portfolio. See Item 11, Quantitative and Qualitative Disclosure about Market Risk , of this Annual Report for a detailed sensitivity analysis discussion.

The profitability of spread-based business depends in large part upon the ability to manage interest rate spreads, and the credit and other risks inherent in the investment portfolio. Investment income from general account fixed income investments for the years 2000, 2001 and 2002 was EUR 8.7 billion, EUR 8.8 billion and EUR 8.3 billion, respectively. The value of the related general account fixed income investment portfolio at the

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end of the years 2000, 2001 and 2002 was EUR 109 billion, EUR 128 billion and EUR 124 billion, respectively. We may not be able to successfully manage interest rate spreads or the potential negative impact of those risks.

A decline in the equity securities markets may adversely affect our profitability and shareholders' equity as well as our sales of savings and investment products and the amount of assets under management

Fluctuations in the equity securities markets and other economic factors have adversely affected and may continue to adversely affect our profitability as well as our sales of our separate account unit linked products, pension products, variable annuities, variable life insurance, and mutual funds. The level of volatility in the markets in which we invest and the overall investment returns earned in those markets also affect our profitability and can reduce our shareholders' equity. Significant terrorist actions, as well as general economic conditions, have led to and may continue to result in significant decreases in the value of the equity securities in which we invest. Realized losses or impairment losses are, under Dutch accounting principles, transferred from the unrealized part of the revaluation account to the realized part of the revaluation account. In 2002 and 2001, declines in equity securities held in our general account resulted in the recognition of impairment losses of EUR 1.057 billion and EUR 36 million, respectively.

Additionally, equity market declines have required and may continue to require us to accelerate amortization of policy acquisition costs and to establish additional reserves for minimum guaranteed benefits, which reduces our net income and shareholders' equity. These market conditions may also significantly reduce the popularity of our savings and investment products, which could lead to lower sales and net income. During 2002, AEGON recognized accelerated amortization of deferred policy acquisition costs of EUR 450 million and increased provisions for products with guaranteed minimum benefit reserves of EUR 482 million.

Differences between actual claims experience and underwriting and reserve assumptions may require liabilities to be increased

Our earnings depend significantly upon the extent to which our actual claims experience is consistent with the assumptions we use in setting the prices for products and establishing the liabilities for obligations for technical provisions and claims. To the extent that our actual claims experience is less favorable than the underlying assumptions used in establishing such liabilities, we may be required to increase our liabilities, which may reduce our net income. In addition, certain acquisition costs related to the sale of new policies and the purchase of policies already in force have been recorded as assets on the balance sheet and are being amortized into income over time. If the assumptions relating to the future profitability of these policies (such as future claims, investment income and expenses) are not realized, the amortization of these costs could be accelerated and may even require write-offs due to unrecoverability. This could have a material adverse effect on our business, results of operations and financial condition.

Fluctuations in currency exchange rates may affect our reported results of operations

As an international l