

Semi Annual Report 2010
AEGON Investment Management B.V.
Period to 30 June 2010

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Semi Annual report 2010

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Report of Directors

General information

AEGON Investment Management B.V. (further: 'the Company') is a private limited liability company organized under Dutch law and recorded in the Commercial Register of The Hague under its registered address at AEGONplein 50, 2591 TV The Hague. The principal activities of the Company are that of intra-group asset management services, investment management and investment administration services for clients in the Netherlands. The Company is incorporated and domiciled in the Netherlands and is regulated by the Dutch National Bank and Autoriteit Financiële Markten.

The Company is a wholly owned subsidiary of AEGON Asset Management Holding B.V.

Review of business and future developments

The Company delivered a profit / (loss) after tax of €1,238k (2009: (€6,274k)). The result is in line with Directors' expectations for 2010. Management fees for 2010 were renegotiated with AEGON Nederland N.V., our biggest client, resulting in our increased profit.

Development and Performance of the Business

The Board of the company monitors key management information on a quarterly basis to track business performance. This information includes investment performance, assets under management, revenues, expenses, headcount and capital position.

Audit

These interim reports are unaudited

Corporate governance, capital management and financial instruments

The Company has established a governance framework for monitoring and overseeing strategy, conduct of business standards and operations of the business across the group that includes a clearly stated corporate organisational structure, appropriate delegated authorities and independent internal audit and risk management functions. Risk management for the Company operates within this governance framework.

The Company operates a formal risk management framework to assess operational risk and mitigating controls. In addition the Company reviews risks as part of its Internal Capital Adequacy Assessment Process. The Directors consider that the Company is subject largely to business market risk, business reputational risk and operational risk. They operate a policy which is designed to ensure that after taking account of mitigating actions and future profits, the Company maintains a level of capital that is appropriate for the risks it faces.

- Business risk (market) considers the impact of significant falls in both equity and bond markets on assets under management and fee income.
- Business risk (reputational) considers the impact of events such as potential poor investment performance or poor service delivery on sales and withdrawals.
- Operational risk considers the impact of inadequate or failed operational processes which may impact in terms of higher costs and also cause reputational damage.

The Company's objective in managing its capital is to ensure that there are adequate resources to meet the Company's liabilities as they fall due, and to allocate capital efficiently to support growth and repatriate excess capital where appropriate. The Company manages its capital by measuring its resources and cash available on a regular basis.

The Company is regulated by the Dutch National Bank and Autoriteit Financiële Markten. The Company maintains capital in line with the Dutch National Bank requirements. The Company reports its capital position to the Dutch National Bank on a quarterly basis. The Directors operate a policy which is designed to ensure that the Company maintains a level of capital that is appropriate for the risks it faces.

Financial Risks

General

The company is exposed to financial risks. The main financial risks are credit risk, liquidity risk and market risk, with the principal elements of market risk being interest rate risk and equity price risk. The company is not exposed to significant currency risk other than through exposure to the funds it manages, and this risk is managed as for Market risks. The Corporate governance, capital management and financial instruments section of the Report of the Directors describes the Company's general approach to risk management and the management of financial risks.

Credit Risk

The company carries very low credit risk as the vast majority of receivables are intercompany transactions with other members of the AEGON group and the non group receivables are deducted directly from the clients funds under management. The Company does not hold financial instruments which give rise to concentrations of risk.

Details of these balances are listed under note 3 of the notes to the financial statements.

Liquidity Risk

The company has only limited exposure to Liquidity risk as balances are held in cash and short term deposits. Amounts due are settled without the need to realise illiquid assets.

Details of these balances are listed under note 4.

Market Risk

Market Risk is significant only in that market price changes affect our assets under management. This refers to fluctuations in the stock market that affect the assets we manage. The Company considers this risk inherent in the business of asset management.

Interest Rate Risk

Interest Rate Risk is significant only in the impact of interest rate movements upon our assets under management. This refers to business risk caused by fluctuations in the wider stock market that will affect the valuation of the assets that we manage. The company considers this inherent in the business of asset management.

Creditor Payment Policy

The objective is to treat our suppliers fairly and in accordance with good commercial practice. Suppliers' invoices are settled in accordance with agreed contractual terms or, if no terms are scheduled, generally within 45 days of the appropriate invoice date.

Directors and their Interests

The following Directors served throughout the period

Mr. Willem H. van Houwelingen

Mr. Erik F. M. Rutten


Mr. Andrew N. R. Fleming

Mr. Philip J. G. Smith

The Directors have declared that they had no interest in the share capital of the Company in the financial period ended 30 June 2010.

This report was approved by the Chairman and authorised for issue on 23/08/2010

The Hague, The Netherlands

A large, stylized handwritten signature in black ink, written over the text "The Hague, The Netherlands" and extending above the name "W.H. van Houwelingen".

W.H. van Houwelingen

Financial statements

- Balance sheet
- Profit and loss account
- Cash flow statement
- Notes to the financial statements

Balance sheet as at 30 June 2010

(After appropriation of result)

	Notes	30.06.2010 EUR000	30.06.2009 EUR000
Assets			
Current assets			
Trade and other receivables	3	23,890	9,755
Cash and short term deposits	4	20,685	10,039
		<u>44,575</u>	<u>19,794</u>
Current liabilities: Amounts falling due within one year	5	<u>(25,673)</u>	<u>(7,930)</u>
Net current assets		18,902	11,864
Total assets less current liabilities		<u>18,902</u>	<u>11,864</u>
Shareholders' equity			
Share capital	6	1,134	1,134
Share premium		18,994	14,733
Other reserves		<u>(1,226)</u>	<u>(4,003)</u>
		<u>18,902</u>	<u>11,864</u>

Profit and loss account for the six months ended June 2010

	Notes	30.06.2010	30.06.2009
		EUR000	EUR000
Management Fees	7	22,650	11,525
Service Fee Income	8	3,358	3,862
Other Income	9	<u>2,737</u>	<u>1,557</u>
Total income		28,745	16,944
Staff Expenses	10	(13,387)	(11,464)
Other Operating Expenses		(13,353)	(13,876)
Other Expenses		<u>(269)</u>	<u>(69)</u>
Total expenses		(27,009)	(25,409)
Operating Profit / (Loss)		1,736	(8,465)
Investment Income	11		173
Finance Costs	12	<u>(74)</u>	<u>(130)</u>
Profit / (Loss) on ordinary activities before taxation		1,662	(8,422)
Tax (Charge) / Credit	13	<u>(424)</u>	<u>2,147</u>
Profit / (Loss) for the financial year		<u>1,238</u>	<u>(6,275)</u>

Cash flow statement for the six months ended 30 June 2010

	Notes	<u>30.06.2010</u>	<u>30.06.2009</u>
		EUR000	EUR000
<i>Operating activities:</i>			
Profit/(Loss) before interest and tax		1,736	(8,465)
<i>Adjustments to reconcile Operating Loss before tax to net cash outflow from operating activities:</i>			
Increase in trade and other receivables		(2,324)	766
Increase in trade and other payables		3,804	(8,472)
Interest received			173
Income tax receivable / (due)		(424)	2,147
Net cash flow from operating activities		<u>2,792</u>	<u>(13,851)</u>
<i>Financing activities:</i>			
Capital Contributions			7,609
Finance costs		(74)	(130)
Net cash flow from financing activities		<u>(74)</u>	<u>7,479</u>
Net increase in cash and cash equivalents		2,718	(6,372)
Cash and cash equivalents at 1 January		17,967	16,411
Cash and cash equivalents 30 June	4	<u>20,685</u>	<u>10,039</u>

The cash flow statement is prepared according to the indirect method.

Notes to the financial statements

1. General information

AEGON Investment Management B.V. is an Investment Management Company located in the Netherlands.

The Company, incorporated and domiciled in the Netherlands, is a private limited liability share company organized under Dutch law and recorded in the Commercial Register of The Hague under its registered address at AEGONplein 50, 2501 CB The Hague. AEGON Investment Management B.V. is a wholly owned subsidiary of AEGON Asset Management Holding B.V.

2. Summary of significant accounting policies

Accounting principles

The financial statements have been prepared under the historical cost convention and in accordance with accounting principles generally accepted in the Netherlands and with the financial reporting requirements included in Title 9 of Book 2 of the Dutch Civil Code.

Unless otherwise stated, all other assets and liabilities are stated at face value.

Assets and liabilities denominated in foreign currencies are translated into Euros at rates prevailing at the balance sheet date. Transactions in foreign currencies are translated into Euros at the rates prevailing at the date of the related transaction.

Exchange gains and losses are recognised in the Profit and Loss account.

Other income and expenses are accounted for on an accrual basis.

Tax on income is computed by applying the current tax rate to the result for the financial year, adjusted for exempted sources of income and tax allowances.

Notes to the balance sheet

3 Trade and other receivables

	<u>30-06-2010</u>	<u>30-06-2009</u>
	EUR000	EUR000
Trade receivables	52	945
Intercompany receivables with AEGON Asset Management Holding B.V	14,906	
Intercompany receivables with AEGON Nederland N.V.		1,400
Intercompany receivables with Pelargos Capital B.V.	265	
Intercompany receivables with Saemor Capital B.V.	305	
Tax (receivable from AEGON N.V.)	1,075	
Commercial Fee receivable from the funds	<u>7,287</u>	<u>7,410</u>
	<u>23,890</u>	<u>9,755</u>

The company is part of the fiscal unity headed by Aegon N.V. As a consequence the tax receivable is a receivable with Aegon N.V.

Outstanding balances are unsecured and cash settlement is generally expected within 45 days of invoice. The Company has not benefited from any guarantees for any related party receivables. During the period ended 30 June 2010 the Company has not made any provision for doubtful debts.

4 Cash and cash equivalents

	<u>30-06-2010</u>	<u>30-06-2009</u>
	EUR000	EUR000
Cash at Bank	<u>20,685</u>	<u>10,039</u>

The company can freely dispose of this cash balance.

5 Trade and other payables

	<u>30-06-2010</u>	<u>30-06-2009</u>
	EUR000	EUR000
Intercompany payables to AEGON Nederland N.V.	11,303	
Other payables	198	383
Accrued expenses	<u>14,172</u>	<u>7,547</u>
	<u>25,673</u>	<u>7,930</u>

6 Shareholders' equity

Issued share capital and reserves attributable to shareholders of AEGON Investment Management B.V.

Share capital – par value	<u>30-06-2010</u> EUR000	<u>30-06-2009</u> EUR000
Authorised Share Capital		
2,500 Ordinary Shares of €454 each	1,134	1,134
Allotted, called up and fully paid		
2,500 Ordinary Shares of €454 each	1,134	1,134

The movement in shareholders' equity is as follows:

	Issued Capital EUR000	Share Premium EUR000	Other Reserves EUR000	Total EUR000
As at 1 January 2009	1,134	7,124	2,271	10,529
Capital Contribution	-	7,609		7,609
Loss for the period	-	-	(6,274)	(6,274)
As at 30 June 2009	1,134	14,733	(4,003)	11,864
Capital contribution	-	4,261	-	4,261
Profit for the period	-	-	1,539	1,539
As at 1 January 2010	1,134	18,994	(2,464)	17,664
Capital Contribution	-	-	-	
Profit for the period	-	-	1,238	1,238
At 30 June 2010	1,134	18,994	(1,226)	18,902

Notes to the Profit and Loss account

7 Management fee

	<u>30.06.2010</u>	<u>30.06.2009</u>
	EUR000	EUR000
Rendering of services:		
Asset Management Fees group companies	22,463	9,594
Asset Management Fees third parties	1,467	1,931
Performance Fees paid to Satellite companies	<u>(1,280)</u>	<u> </u>
	<u>22,650</u>	<u>11,525</u>

8 Service fee

The service fee income is in regards to fund related expenses. A basis point fee is charged to the applicable funds to cover expenses such as costs of supervisors, custody expenses, auditors, (legal) advice, administration and marketing and communications. These expenses are then paid by the company. This applies to both the retail fund range and the unit linked fund range.

9 Other income

	<u>30.06.2010</u>	<u>30.06.2009</u>
	EUR000	EUR000
Fees for non fund management services to AEGON Nederland N.V.	1,799	
Securities Lending Fees	436	687
Other	<u>502</u>	<u>870</u>
	<u>2,737</u>	<u>1,557</u>

10 Staff expenses

Staff expenses are €13,387k (2009 €11,464) and are related to recharges to the Company by AEGON Nederland N.V. For terms and conditions relating to related party transactions, refer to note 14.

AEGON Nederland N.V. employs all staff of AIM B.V. whose costs are included in administrative expenses.

The recharge to the Company includes also the following expenses:

	<u>30.06.2010</u>	<u>30.06.2009</u>
	EUR000	EUR000
Audit expenses Ernst & Young regarding legally required audit of the financial statements	6	6
Audit expenses Ernst & Young regarding Investment Funds	<u>258</u>	<u>266</u>
Total	<u>264</u>	<u>272</u>

11 Investment income

	<u>30.06.2010</u>	<u>30.06.2009</u>
	EUR000	EUR000
Interest Income	<u>0</u>	<u>173</u>

12 Finance costs

	<u>30.06.2010</u>	<u>30.06.2009</u>
	EUR000	EUR000
Bank Charges and Overdraft Interest Expense	22	29
Cash and Short term deposit expense	<u>52</u>	<u>101</u>
	<u>74</u>	<u>130</u>

13 Taxation

Reconciliation of tax credit

	<u>30.06.2010</u>	<u>30.06.2009</u>
	EUR000	EUR000
Accounting Profit / (loss) before tax	<u>1,663</u>	<u>(8,421)</u>
Accounting profit multiplied by the NL standard rate of Corporation tax of 25.5%	(424)	2,147
Prior year adjustments	<u>-</u>	<u>-</u>
Total tax (Charge) /credit in the profit and loss account statement	<u>(424)</u>	<u>2,147</u>

14 Related party transactions

(a) Immediate parent undertaking

The immediate parent company is AEGON Asset Management Holding B.V., which is incorporated in the Netherlands. The group accounts of AEGON Asset Management Holding B.V. are available from the Company Secretary, AEGON Asset Management Holding B.V. AEGONplein 50, 2591 TV The Hague.

(b) Ultimate parent undertaking

The ultimate parent company is AEGON NV, which is incorporated in the Netherlands. The group accounts of AEGON N.V. are available from the Company Secretary, AEGON Asset Management Holding B.V. AEGONplein 50, 2501 CB The Hague.

(c) Period end balances and transactions with related parties

The company provides investment management services to other members of the AEGON Group at prices that are agreed from time to time between the Company and the recipients of the service, taking into account the size and nature of the service (see note 7 for total amount of such transactions). Administrative expenses are recharged to the Company at cost by AEGON Nederland B.V., a subsidiary of AEGON N.V. (see note 10 for total amount of such transactions).

Year end balances for related party transactions are detailed in notes 3 and 5.

15 Risk Management

General

The company is exposed to financial risks. The main financial risks are credit risk, liquidity risk and market risk, with the principal elements of market risk being interest rate risk and equity price risk. The company is not exposed to significant currency risk other than through exposure to the funds it manages, and this risk is managed as for Market risks. The Corporate governance, capital management and financial instruments section of the Report of the Directors describes the Company's general approach to risk management and the management of financial risks.

Credit Risk

The company is exposed to credit risk on standard industry credit available to clients and has an appetite for limited credit risk for this purpose. The company carries very low credit risk as the vast majority of receivables are Intercompany transactions with other members of the AEGON group and the non group receivables are deducted directly from the clients funds under management. The Company does not hold financial instruments which give rise to concentrations of risk.

Details of these balances are listed under note 3 of the notes to the financial statements.

Liquidity Risk

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Market Risk

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Interest Rate Risk

Interest Rate Risk is significant only in the impact of interest rate movements upon our assets under management. This refers to business risk caused by fluctuations in the wider stock market that will affect the valuation of the assets that we manage. The company considers this risk inherent in the business of asset management.

16 Number of employees

During the years 2010 and 2009, the Company had no employees.

17 Remuneration of the Board of Directors

The board of directors are not paid by or charged to AEGON Investment Management B.V. They are remunerated by other AEGON group companies.

18 Contingent liabilities


The company is part of the fiscal unity headed by Aegon N.V. and accordingly jointly and severally liable for tax liabilities of this fiscal unity.

The taxes for the Company are calculated as if the company's own tax and are deducted from the parent company's tax liability.

Signing of the financial statements

The Hague, The Netherlands

23 August 2010

A handwritten signature in black ink, appearing to be "W.H. van Houwelingen", written over a horizontal line.

W.H. van Houwelingen