

**Annual Report 2010**  
**AEGON Custody B.V.**  
**Year to 31 December 2010**

## Contents of the Annual Report

<b>Company Information</b> .....	3
<b>Annual report 2010</b> .....	4
<b>Financial statements</b> .....	7
Balance sheet as at December 31 .....	8
Profit and loss account for the year ended December 31 .....	9
Cash flow statement for the year ended December 31 .....	10
Notes to the financial statements.....	11
<b>Other information</b> .....	15
Independent Auditor's report .....	15
Statutory provision regarding appropriation of the result .....	15
Appropriation of the result 2010 .....	15

## **Company Information**

### **Members of the Executive Committee**

J. B. L. M. Van Besouw

A.H. Maatman

G. E. Sweertman

### **Secretary**

P. Sachse

### **Registered Office**

AEGONplein 50

2591 TV

The Hague

The Netherlands

### **Auditors**

Ernst & Young Accountants LLP

Wassenaarseweg 80

2596 CZ

The Hague

The Netherlands

## **Annual report 2010**

- Managing directors' report
- Financial statements
- Other information

## **Report of Directors**

### **General information**

AEGON Custody B.V., incorporated and domiciled in the Netherlands, 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. AEGON Custody B.V. is wholly owned subsidiary of AEGON Asset Management Holding B.V

### **Principal and ongoing activity**

The principal activities of the Company are those of legal ownership of assets and depository for funds managed by AEGON Investment Management B.V. and TKP Investments B.V. All assets are kept in custody by an external custodian at accounts which are in the name of AEGON Custody B.V. however solely on behalf of the beneficial owners of the funds. It is for the aforementioned reason that no transactions flow through the P&L of the Company.

### **Review of business and future developments**

The company delivered €0k, (2009: €1k) profit after tax which was in line with directors expectations.

### **Corporate governance**

#### ***Credit Risk***

The company carries very low credit risk as its only receivables are Intercompany transactions with other members of the AEGON group. The Company does not hold financial instruments which give rise to concentrations of risk.

#### ***Liquidity Risk***

The company has very limited exposure to Liquidity risk as balances are intercompany amounts with other AEGON group companies.

#### ***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.

### **Development and Performance of the Business**

The company will continue to act as custodian of assets and depository for funds managed by AEGON Investment Management B.V. and TKP Investments B.V. No significant changes in the Company's activities are expected for the year 2011.

## Directors and their Interests

The following Directors served throughout the year

J. B. L. M. Van Besouw

A.H. Maatman

G. E. Sweertman

The Directors have declared that they had no interest in the share capital of the Company in the period to 31 December 2010.

The Hague, The Netherlands

28 April, 2011

\_\_\_\_\_  
J. B. L. M van Besouw

\_\_\_\_\_  
A. H. Maatman

\_\_\_\_\_  
G. E. Sweertman

.....

## **Financial statements**

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

**Balance sheet as at December 31**

(after appropriation of result)

	<b>Notes</b>	<u><b>2010</b></u> EUR000	<u><b>2009</b></u> EUR000
<b>Assets</b>			
<b>Current Assets</b>			
Trade and other receivables	3	158	158
<b>Shareholders' equity</b>			
Share capital	4	23	23
Other reserves		135	135
		<u>158</u>	<u>158</u>

**Profit and loss account for the year ended December 31**

	Notes	2010	2009
		EUR000	EUR000
Intercompany Interest Income		-	1
<b>Profit before tax</b>		-	1
Tax credit / (Charge)		-	0
<b>Profit for the year</b>		-	1

The profit for the year is attributable to the equity holders of the company.

**Cash flow statement for the year ended December 31**

<b>Notes</b>	<u><b>2010</b></u>	<u><b>2009</b></u>
	EUR000	EUR000
<b>Operating Earnings</b>		
Profit before tax	-	1
<i>Adjustments to reconcile profit before tax to net cashflow</i>		
<i>From operating activities:</i>		
Increase in Trade and Other receivables	-	(1)
Net cash flow from operating activities	-	-
Net increase in cash and cash equivalents	-	-
Cash and Cash equivalents at 1 January	-	-
Cash and cash equivalents 31 December	-	-

The cash flow statement is prepared according to the indirect method

## **Notes to the financial statements**

### **1. General information**

AEGON Custody B.V., incorporated and domiciled in the Netherlands, 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. AEGON Custody B.V. is wholly owned subsidiary of AEGON Asset Management Holding B.V.

The principal activities of the Company are that of legal custodian of assets and depository for funds managed by AEGON Investment Management B.V. and TKP Investments B.V. All assets are kept in custody by an external custodian at accounts which are in the name of AEGON Custody B.V. however solely on behalf of the beneficial owners of the funds. It is for the aforementioned reason that no transactions flow through the P&L of the Company.

### **2. Summary of significant accounting policies**

#### **Accounting principles**

The financial statements have been prepared under the historical cost convention, 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.

#### **403 Declaration**

AEGON Nederland N.V. is fully liable for its debt following from art. 403 section 1 subsection f Book 2 BW. AEGON Nederland N.V. has agreed to the publication of the annual report. AEGON Custody B.V. has thus been authorized to publish the annual report.

### 3 Trade and Other Receivables

	<u>31-12-2010</u>	<u>31-12-2009</u>
	EUR000	EUR000
Amounts owed to AEGON Asset Management Holding B.V.	158	158

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 year ended 31 December 2010 the Company has not made any provision for doubtful debts.

### 4 Shareholders' equity

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

Share capital – par value	<u>31-12-2010</u>	<u>31-12-2009</u>
	EUR000	EUR000
<b>Authorised Share Capital</b>		
200 Ordinary Shares of €454 each	91	91
<b>Allotted, called up and fully paid</b>		
50 Ordinary Shares of €454 each	23	23

The movement in shareholders' equity is as follows:

	<b>Issued</b>	<b>Retained</b>	<b>Total</b>
	<b>Capital</b>	<b>Earnings</b>	
	EUR000	EUR000	EUR000
<b>As at 1 January 2009</b>	<b>23</b>	<b>134</b>	<b>157</b>
Profit for the year	-	1	1
<b>As at 1 January 2010</b>	<b>23</b>	<b>135</b>	<b>158</b>
Profit for the year	-	-	-
<b>At 31 December 2010</b>	<b>23</b>	<b>135</b>	<b>158</b>

## 5 Taxation

	<u>31-12-2010</u>	<u>31-12-2009</u>
	EUR000	EUR000
<b>(a) Current year tax credit</b>		
Corporate Tax charge for the year	0	0
Total current tax charge	<u>0</u>	<u>0</u>
<b>(b) Reconciliation of tax credit</b>		
Accounting Profit before tax	-	1
Accounting profit multiplied by the NL standard rate of Corporation tax of 25.5%	<u>0</u>	<u>0</u>

## 6 Contingent Assets and Liabilities

### Securities Lending

The company, on behalf of the funds carries out securities lending transactions. Financial assets are loaned to third parties or transferred under a repurchase agreement. This is done at a fixed price and not the value of the asset that has been withdrawn because in economic terms all the risk and benefits associated with the asset are preserved. This includes credit risk, settlement risk, country risk and market risk. The assets are transferred in return for cash collateral or other financial assets.

AEGON Investment Management B.V. and TKP Investments B.V. each have separate Securities Lending mandates. Based on these mandates AEGON Custody B.V. will carry out securities lending where the legal ownership of assets will be transferred to a third party.

The cash and non-cash collateral received is always greater than the value of the securities loaned. Cash Collateral and non-cash collateral is included in the financial statements of the funds. The income for securities lending after deduction of expenses benefits these funds.

The following table reflects the amounts of cash and non-cash financial assets that have been transferred to another party under securities lending and repurchase activity.

	<u>31-12-2010</u>	<u>31-12-2009</u>
	EUR000	EUR000
Value securities out on loan	4.541.155	2.014.134
<i>Received collateral</i>		
Other Cash	1,029.983	8.776
Non Cash	<u>3.723.177</u>	<u>2.060.602</u>
Total	<u>4.753.161</u>	<u>2.069.378</u>

### **Fiscal unity**

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.

### **7 Number of employees**

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

### **8 Amounts paid to auditors and their associates**

The cost of audit of AEGON Custody B.V. is borne on its behalf by AEGON Investment Management B.V.

### **Signing of the financial statements**

28 April 2011, The Hague

\_\_\_\_\_  
J. B. L. M van Besouw

\_\_\_\_\_  
A. H Maatman

\_\_\_\_\_  
G.E. Sweertman

## **Other information**

### **Independent Auditor's report**

Reference is made to the independent auditor's report hereinafter.

### **Statutory provision regarding appropriation of the result**

The statutory declarations in article 11, subsection 1, 2 and 3 define the allocation of net income. This article defines the decision making process, the payment of interim dividends and the minimal required level of equity after dividend payments.

### **Appropriation of the result 2010**

The 2010 result amounts to nil

## **Independent auditor's report**

To: the shareholder and the Board of Directors of AEGON Custody B.V.

### **Report on the financial statements**

We have audited the accompanying financial statements 2010 of AEGON Custody B.V., The Hague, which comprise the balance sheet as at December 31, 2010, the profit and loss account and cash flow statement for the year then ended and the notes, comprising a summary of the accounting policies and other explanatory information.

#### *Management's responsibility*

Management is responsible for the preparation and fair presentation of these financial statements and for the preparation of the managing directors' report, both in accordance with Part 9 of Book 2 of the Dutch Civil Code and the Dutch Financial Supervision Act. Furthermore management is responsible for such internal control as it determines is necessary to enable the preparation of the financial statements that are free from material misstatement, whether due to fraud or error.

#### *Auditor's responsibility*

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Dutch law, including the Dutch Standards on Auditing. This requires that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error.

In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

#### *Opinion with respect to the financial statements*

In our opinion, the financial statements give a true and fair view of the financial position of AEGON Custody B.V. as at December 31, 2010 and of its result for the year then ended in accordance with Part 9 of Book 2 of the Dutch Civil Code and the Dutch Financial Supervision Act.

**Report on other legal and regulatory requirements**

Pursuant to the legal requirement under Section 2:393 sub 5 at e and f of the Dutch Civil Code, we have no deficiencies to report as a result of our examination whether the managing directors' report, to the extent we can assess, has been prepared in accordance with Part 9 of Book 2 of this Code, and whether the information as required under Section 2:392 sub 1 at b-h has been annexed. Further we report that the managing directors' report, to the extent we can assess, is consistent with the financial statements as required by Section 2:391 sub 4 of the Dutch Civil Code.

The Hague, 28 April 2011

Ernst & Young Accountants LLP

Signed by W.J. Thuss