

Annual Report 2009
AEGON Investment Management B.V.
Year to 31 December 2009

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Company Information

Members of the Executive Committee

Mr. Andrew N. R. Fleming, BA (Appointed 1 October 2010)

Mr. Willem H. van Houwelingen MBA, PhD

Mr. Eric F. M. Rutten JD, MBA

Mr. Philip J. G. Smith, MA, CA (Appointed 1 October 2010)

Secretary

Ms Welmoed Janssen

Registered Office

AEGONplein 50

2591 TV, The Hague

Netherlands

Auditors

Ernst & Young Accountants LLP

Wassenaarseweg 80

2596 CZ, The Hague

The Netherlands

Annual report 2009

- Report of Directors
- Financial statements
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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 ownership of the Company transferred from AEGON Nederland N.V. to AEGON Asset Management Holding B.V. on 1st October 2009. As a consequence, the Company is a wholly owned subsidiary of AEGON Asset Management Holding B.V. from that date.

Review of business and future developments

The Company delivered a loss after tax of €4,735k (2008: €7,594k). The result over 2009 was in line with Directors' expectations for 2009 given the fee arrangements that were in place during the year. Capital contributions of €11,870k (2008: €7,124k) were received during the year and fees have been revised upward for 2010.

2009 was a successful year for our investment funds. All Fixed Income funds achieved a positive return on a year to date basis. The more risk bearing funds profited the most from the global recovery of markets (High Yield +49%, Emerging Market Debt +39%, Credits +22%, and ABS +24%).

Our Equity funds ended the year with a positive return as well. The funds focusing on the United States, the Far East (excluding Japan) and Emerging markets all outperformed their peers.

This positive market performance in conjunction with new inflows increased assets under management by €2.6bn to over €46 billion by the end of 2009. The majority of new inflows came from affiliated insurance companies.

In June 2008, AEGON N.V. announced its strategy to unlock the potential of asset management globally, managing it as an international group. AEGON N.V. aims to achieve a greater consistency in management of general account assets (assets for the risk of the Insurer) globally and greater prospects for its third party business.

2009 saw the implementation of this structure with the company being sold from AEGON Nederland N.V. to AEGON Asset Management Holding B.V. on the 1st of October 2009. Since then the Company has operated under the global governance framework of AEGON Asset Management and its activities have expanded to include more international initiatives.

Further expansion is expected for the future, which will also affect the result of the Company for the next years.

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.

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.

The Company is not exposed to significant financial instrument risk. Financial instruments comprise trade receivables and cash and short-term deposits. Credit risk is significantly reduced as assets are primarily cash and short term deposits, which are placed with major banks of acceptable credit standing.

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 uncontrollable, as it is 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 risk uncontrollable, as it is 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 year

Mr. Willem H. van Houwelingen

Mr. Erik F. M. Rutten

The following Directors were appointed during the year

Mr. Andrew N. R. Fleming

Mr. Philip J. G. Smith

The following directors left during the year

Mr. W. Horstman

The Directors have declared that they had no interest in the share capital of the Company in the financial year ended 31 December 2009.

This report was approved by the Board of Directors and authorised for issue on

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The Hague, The Netherlands

W.H. van Houwelingen

A.N.R. Fleming

E.F.M. Rutten

P.J.G. Smith

Financial statements

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Balance sheet as at 31 December 2009

(After appropriation of result)

	Notes	<u>31.12.2009</u> EUR000	<u>31.12.2008</u> EUR000
Assets			
Current assets			
Trade and other receivables	3	21,565	10,521
Cash and short term deposits	4	<u>17,968</u>	<u>16,410</u>
		39,533	26,931
Current liabilities: Amounts falling due within one year	5	<u>(21,869)</u>	<u>(16,402)</u>
Net current assets		17,644	10,529
Total assets less current liabilities		<u><u>17,664</u></u>	<u><u>10,529</u></u>
Shareholders' equity			
Share capital	6	1,134	1,134
Share premium		18,994	7,124
Other reserves		<u>(2,464)</u>	<u>2,271</u>
		<u><u>17,664</u></u>	<u><u>10,529</u></u>

Profit and loss account for the year ended 31 December 2009

	Notes	<u>2009</u> EUR000	<u>2008</u> EUR000
Management Fees	7	28,223	30,160
Service Fee Income	8	5,287	1,423
Other Income	9	<u>2,440</u>	<u>5,880</u>
Total income		35,950	37,463
Staff Expenses	10	(23,705)	(22,819)
Other Operating Expenses		(18,296)	(25,178)
Other Expenses		<u>(337)</u>	<u>(200)</u>
Total expenses		(42,338)	(48,197)
Operating Loss		(6,388)	(10,734)
Investment Income	11	228	778
Finance Costs	12	<u>(196)</u>	<u>(171)</u>
Loss on ordinary activities before taxation		(6,356)	(10,127)
Tax Credit	13	<u>1,621</u>	<u>2,533</u>
Loss for the financial year		<u>(4,735)</u>	<u>(7,594)</u>

Cash flow statement for the year ended 31 December 2009

	Notes	<u>2009</u>	<u>2008</u>
		EUR000	EUR000
<i>Operating activities:</i>			
(Loss) before interest and tax		(6,388)	(10,734)
<i>Adjustments to reconcile Operating Loss before tax to net cash outflow from operating activities:</i>			
Increase in trade and other receivables		(11,044)	(6,503)
Increase in trade and other payables		5,467	9,067
Interest received		228	778
Income tax received		<u>1,621</u>	<u>2,533</u>
Net cash flow from operating activities		<u>(10,116)</u>	<u>(4,859)</u>
<i>Financing activities:</i>			
Capital Contributions		11,870	7,124
Finance costs		<u>(196)</u>	<u>(171)</u>
Net cash flow from financing activities		<u>11,674</u>	<u>6,953</u>
Net increase in cash and cash equivalents		1,558	2,094
Cash and cash equivalents at 1 January		<u>16,410</u>	<u>14,316</u>
Cash and cash equivalents 31 December	4	<u>17,968</u>	<u>16,410</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.

Ownership of AEGON Investment Management B.V. transferred from AEGON Nederlands N.V. to AEGON Asset Management Holding B.V. on 1st October 2009.

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>31-12-2009</u>	<u>31-12-2008</u>
	EUR000	EUR000
Trade receivables	67	596
Intercompany receivables with AEGON Asset Management Holding B.V	12,844	-
Intercompany receivables with Pelargos Capital B.V.	265	-
Intercompany receivables with Saemor Capital B.V.	305	-
Tax (receivable from AEGON N.V.)	1,499	2,533
Commercial Fee receivable from the funds	<u>6,585</u>	<u>7,392</u>
	<u>21,565</u>	<u>10,521</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 year ended 31 December 2009 the Company has not made any provision for doubtful debts.

4 Cash and cash equivalents

	<u>31-12-2009</u>	<u>31-12-2008</u>
	EUR000	EUR000
Cash at Bank	<u>17,968</u>	<u>16,410</u>

The company can freely dispose of this cash balance.

5 Trade and other payables

	<u>31-12-2009</u>	<u>31-12-2008</u>
	EUR000	EUR000
Intercompany payables to AEGON Nederland N.V.	12,160	11,209
Other payables	140	993
Deferred Income and accrued expenses	<u>9,569</u>	<u>4,200</u>
	<u>21,869</u>	<u>16,402</u>

6 Shareholders' equity

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

Share capital – par value	<u>31-12-2009</u> EUR000	<u>31-12-2008</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	Share Premium	Other Reserves	Total
	EUR000	EUR000	EUR000	EUR000
As at 1 January 2008	1,134	-	9,865	10,999
Capital Contribution	-	7,124		7,124
Loss for the year	-	-	(7,594)	(7,594)
As at 1 January 2009	1,134	7,124	2,271	10,529
Capital Contribution	-	11,870	-	11,870
Loss for the year	-	-	(4,735)	(4,735)
At 31 December 2009	1,134	18,994	(2,464)	17,664

Notes to the Profit and Loss account

7 Management fee

	<u>2009</u>	<u>2008</u>
	EUR000	EUR000
Rendering of services:		
Asset Management Fees group companies	25,712	27,275
Asset Management Fees third parties	<u>2,511</u>	<u>2,885</u>
	<u>28,223</u>	<u>30,160</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. From 2009, this applies to both the retail fund range and the unit linked fund range.

9 Other income

	<u>2009</u>	<u>2008</u>
	EUR000	EUR000
Securities Lending fees	1,251	5,880
Other	<u>1,189</u>	<u>-</u>
	<u>2,440</u>	<u>5,880</u>

10 Staff expenses

Staff expenses are €23,705 (2008: €22,819k) and are related to recharges to the Company by AEGON Nederland B.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>2009</u>	<u>2008</u>
	EUR000	EUR000
Audit expenses Ernst & Young regarding legally required audit of the financial statements	12	16
Audit expenses Ernst & Young regarding Investment Funds	<u>517</u>	<u>613</u>
Total	<u>529</u>	<u>629</u>

11 Investment income

	<u>2009</u>	<u>2008</u>
	EUR000	EUR000
Bank Interest Income	<u>228</u>	<u>778</u>

12 Finance costs

	<u>2009</u>	<u>2008</u>
	EUR000	EUR000
Bank Charges and Overdraft Interest Expense	91	-
Cash and Short term deposit expense	<u>105</u>	<u>171</u>
	<u>196</u>	<u>171</u>

13 Taxation

Reconciliation of tax credit

	<u>2009</u>	<u>2008</u>
	EUR000	EUR000
Accounting loss before tax	<u>(6,356)</u>	<u>(10,127)</u>
Accounting profit multiplied by the NL standard rate of Corporation tax of 25.5%	1,621	2,582
Prior year adjustments	<u>-</u>	<u>(49)</u>
Total tax credit in the profit and loss account statement	<u>1,621</u>	<u>2,533</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, 2501 CB 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) Year 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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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 uncontrollable, as it is 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 risk uncontrollable, as it is inherent in the business of asset management.

16 Number of employees

During the years 2009 and 2008, 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

.. May 2010

W.H. van Houwelingen

A. N. R. Fleming

E.F.M. Rutten

P.J.G. Smith

Other information

Auditors' report

Reference is made to the auditors' report hereinafter.

Statutory provision regarding appropriation of the result

The articles of association provide that the net result for the year is subject to disposition to be decided upon by the Annual General Meeting of Shareholders.

Appropriation of the result 2009

In the coming Annual General Meeting of Shareholders it will be proposed to deduct the net loss for the year amounting to EUR 4,735k from the other reserves.

In anticipation of such decision, the proposal has been reflected in the financial statements.

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

Auditor's report

Report on the financial statements

We have audited the accompanying financial statements 2009 of AEGON Investment Management B.V., The Hague, which comprise the balance sheet as at 31 December 2009, the profit and loss account for the year then ended and the notes.

Management's responsibility

Management is responsible for the preparation and fair presentation of the financial statements and for the preparation of the report of Directors, both in accordance with Part 9 of Book 2 of the Netherlands Civil Code and the Dutch Financial Supervision Act. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of the financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's responsibility

Our responsibility is to express an opinion on the financial statements based on our audit. We conducted our audit in accordance with Dutch law. This law requires that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance 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

In our opinion, the financial statements give a true and fair view of the financial position of AEGON Investment Management B.V. as at 31 December 2009, and of its result for the year then ended in accordance with Part 9 of Book 2 of the Netherlands Civil Code and the Dutch Financial Supervision Act.

Report on other legal and regulatory requirements

Pursuant to the legal requirement under 2:393 sub 5 part f of the Netherlands Civil Code, we report, to the extent of our competence, that the Report of Directors is consistent with the financial statements as required by 2:391 sub 4 of the Netherlands Civil Code.

The Hague, May 2010

Ernst & Young Accountants LLP

signed by W.J. Thuss