Annual Report 2013

AEGON Investment Management B.V.

Year to 31 December 2013

Contents of the annual report

Company information

Members of the Management Board

Ms. Sarah A.C. Russell

Mr. Philip J.G. Smith

Mr. Rishi R.S. Santokhi

Mr. Henk Eggens

Mr. Wouter J.J. Peters (appointed as per 4 September 2013)

Mr. Frans F.F. de Beaufort (resigned as per 1 September 2013)

Secretary

Ms. Welmoed Jansen

Registered Office

AEGONplein 50

2591 TV, The Hague

Netherlands

Auditors

Ernst & Young Accountants LLP

Wassenaarseweg 80

2596 CZ, The Hague

The Netherlands

Annual report 2013

- Report of Directors
- Financial statements
- Other information

Report of Directors

General information

AEGON Investment Management B.V. (further: 'the Company' or AIM) 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 management of investment funds and individual portfolio management and investment advice. The Company is incorporated and domiciled in the Netherlands and is regulated by De Nederlandsche Bank (DNB) and Autoriteit Financiële Markten (AFM).

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

General market developments

The year 2013 started with a last minute agreement in the United States which avoided the so called fiscal cliff. As a result of this agreement and the corresponding lower budgetary cuts, the economy grew. The quantitative easing (QE) program also contributed to this, but when the Federal Reserve announced its intention to gradually reduce this, markets across the world reacted heavily to this. Particularly emerging markets were impacted negatively, but also the developed bond and equity markets dropped. In Europe, the debt crisis gradually improved which led to a modest economic growth and unemployment that stabilised. The European Central Bank (ECB) lowered interest rates twice given that inflation was lower than expected.

Under these circumstances fixed income portfolios achieved a negative absolute return for 2013 of approximately EUR 1.1 billion. Whereas market movements contributed negatively to the fixed income assets under management, there was a net inflow of approximately EUR 2.0 billion. Over the full year, fixed income assets under management increased from EUR 36.9 billion to EUR 37.8 billion.

Equity assets under management increased from EUR 10.9 billion as per the beginning of the year to EUR 11.5 billion as per year end. An amount of EUR 1.5 billion is due to positive market movements and this effect was partly offset by a EUR 0.9 billion net outflow of equity assets.

Alternative investments under management (consisting of for instance the derivatives and hedging book and private equity investments) decreased from EUR 4.5 billion to EUR 3.1 billion. More or less the entire decrease of EUR 1.4 billion was caused by negative market movements, predominantly in the derivatives and hedging portfolio of our insurance affiliate. The flows were negligible.

On an aggregate level, the Company's total assets under management moved up slightly from EUR 52.3 billion as per the beginning of the year to EUR 52.4 billion as per the end of the year.

Performance of the Company and developments during the year

Performance of the Company

The Company delivered a loss after tax of EUR 3,995k (2012: profit of EUR 1,057k). The result over 2013 was significantly impacted by performance fees generated by an affiliated manager and which have been reimbursed to clients of the Company leading to a performance fee expense of EUR 5,318k. Furthermore, a restructuring has led to the recognition of a provision amounting to EUR 1,049k.

Revenues predominantly consist of management fees earned from the management of assets for affiliated insurance companies as well as external clients and service fees charged to the investment funds to cover for certain expenses. These fees were generally consistent with the fees in the previous year. In addition performance fees paid to affiliated alpha equity managers were substantially higher at EUR 5.3 million compared to EUR 0.8 million in 2012.

The main expenses of the Company are personnel expenses, investment management service fees, IT expenses and intercompany recharges.

The aforementioned developments led to a loss after tax of EUR 3,995k compared to prior year's profit.

Towards the end of the year, the Company received a capital contribution from the parent company AEGON Asset Management Holding B.V. The capital contribution was received in December 2013, amounted to EUR 2.7 million and has been initiated to enhance the capital position of the Company. As at 31 December 2013 the Company's equity amounted to EUR 29.3 million compared to the minimum capital required of EUR 23.0 million.

Developments during the year

The Company continued to produce strong investment performance and almost all flagship funds outperformed their benchmarks. From an organisational and governance perspective, the Company processed a limited restructuring in decreasing the number of headcount late in 2013.

From an operational perspective, the Company completed a number of actions aimed at upgrading its infrastructure and client service. Further enhancements, primarily in the area of IT are planned for 2014 and these could entail some capital investment.

As a result of a review of the Company's product offering during 2013, a new fund was launched (Mortgage fund) which has been instantly successful in attracting third party funds. The Company will continue to work on further developing the product range as part of its strategy to grow third party assets.

The focus of the Company during 2013 has also been on moving to regulatory compliance in respect of for instance Alternative Investment Fund Managers Directive (AIFM), European Market Infrastructure Regulation (EMIR) and Foreign Account Tax Compliance Act (FATCA), all of which are expected to be fully implemented during 2014.

On 22 July 2013 the Alternative Investment Fund Manager Directive (AIFMD) was implemented in the Dutch Financial Supervision Act. This directive covers managers of investment funds not being UCITS funds. Through this directive, funds that are offered to professional investors will also become under supervision. The AIFM directive will impact the Company since it offers a wide variety of investment funds to various professional institutional investors. To obtain an AIFM license, the Company will need to demonstrate that all requirements included in the directive are implemented. The license will then be granted by the Autoriteit Financiële markten (AFM).

Based on the transitional rules in the Dutch Financial Supervision Act the current license of the Company will automatically be converted into an AIFM license on 22 July 2014. During the transitional period between 22 July 2013 and 22 July 2014, the Company will be working on moving to full AIFM compliance.

Responsible investment

In 2013 the Company continued to develop its approach to Responsible Investing (RI). Once again it scored in the top 5 of the annual VBDO insurance company benchmark ("Vereniging van Beleggers voor Duurzame Ontwikkeling", "Association for Sustainable Investors"). It also published its second (global) AAM Responsible Investment Report and decided to make ESG training mandatory for all portfolio managers and analysts. The Company is also considering impact investment options and has decided to establish an Impact Investment Working Group for this purpose.

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 and business risks 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 De Nederlandsche Bank and Autoriteit Financiële Markten. The Company maintains capital in line with the requirements from De Nederlandsche Bank. The Company reports its capital position to De Nederlandsche 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 held by the Company comprise of trade receivables and cash and short-term deposits. Credit risk is relatively low as assets are primarily cash and short term deposits, which are placed with major banks of acceptable credit standing and with a degree of diversification.

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. 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 as the vast majority of the assets consists of intercompany receivables with other members of the AEGON group, fee receivables in respect of investment funds and cash and cash equivalents. The Company does not hold financial instruments which give rise to concentrations of risk. Details of these balances are listed under notes 4, 5 and 7 of the notes to the financial statements.

Liquidity risk

The Company only has limited exposure to liquidity risk as balances are predominantly held in cash and short term deposits and intercompany receivables. Amounts due are settled without the need to realise illiquid assets. Details of these balances are listed under notes 4, 5 and 7.

Market risk

Market risk is significant only in that market price changes affect our assets under management. This refers to fluctuations in the financial markets that affect the assets we manage. The Company is therefore only indirectly exposed to market risk.

Interest rate risk

Interest rate risk is significant only in the impact of interest rate movements upon our fixed income assets under management. This refers to business risk caused by fluctuations in the interest rates that will affect the valuation of the fixed income securities that we manage. The Company is exposed to insignificant interest rate risk since it does not hold interest bearing financial instruments such as bonds. The Company is therefore only indirectly exposed to interest rate risk.

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.

Outlook

The Directors believe the Company is well positioned for the future and in 2014 our aim is to make further progress with our infrastructure upgrade while increasing the amount of assets we manage for third party customers and further focusing on developing our product range.

Directors and their interests

Directors at the date of signing who served throughout the year

S.A.C. Russell

P.J.G. Smith

H. Eggens

R.R.S. Santokhi

W.J.J. Peters (appointed as per 4 September 2013)

The Directors have declared that they had no interest in the share capital of the Company in the financial year ended 31 December 2013.

This report was approved by the Board of Directors and authorised for issue on 29 April 2014

The Hague, The Netherlands

S.A.C. Russell

P.J.G. Smith

H. Eggens

R.R.S. Santokhi

W.J.J. Peters

Financial statements

- Balance sheet
- Profit and Loss account
- Cash flow statement
- Notes to the balance sheet and profit and loss account

Balance sheet as at 31 December

(After appropriation of result)
(all amounts are in thousands of Euro)

	Notes	2013	2012
Assets			
Non-current assets			
Intangible assets	3	406	-
Current assets			
Intercompany receivables	4	5,858	15,989
Trade receivables, prepayments and other receivables	5	11,287	10,193
Corporate income tax receivable	6	1,332	-
Cash and cash equivalents	7	29,755	19,659
		48,638	45,841
Current liabilities			
Intercompany payables	8	(10,330)	(5,125)
Trade payables and other creditors	9	(7,935)	(9,727)
Corporate income tax payable		-	(352)
Provisions	10	(1,049)	-
		(19,314)	(15,204)
Total assets less current liabilities		29,324	30,637
Net assets		29,324	30,637
Shareholders' equity	11		
Share capital		1,134	1,134
Share premium		28,676	25,994
Others reserves		3,509	2,452
Net result for the year		(3,995)	1,057
		29,324	30,637

Profit and Loss account for the year ended 31 December

	Notes	2013	2012
Net management fee	12	41,049	41,422
Net service fee	13	4,818	3,017
Net performance fee	14	(4,533)	(12)
Other income	15	5,377	4,862
Total income		46,711	49,289
Staff expenses	16	(29,529)	(25,577)
Other operating expenses	17	(21,219)	(21,396)
Other expenses		(229)	(847)
Total expenses		(50,977)	(47,820)
Operating profit/(loss) for the year		(4,266)	1,469
Addition to provisions	10	(1,049)	-
Interest income	18	16	1
Interest expense	19	(28)	(61)
Profit/(loss) on ordinary activities before taxation		(5,327)	1,409
Tax (charge)	20	1,332	(352)
Profit/(loss) for the financial year		(3,995)	1,057

Cash flow statement for the year ended 31 December

	2013	2012
Operating activities:		
Operating profit/(loss)	(4,266)	1,469
Adjustments to reconcile Operating profit/(loss) before tax to net cash flow from operating activities:		
Decrease/(increase) in non-current assets	(406)	-
Decrease/(increase) in current assets	9,037	4,120
(Decrease)/increase in current liabilities	3,061	(9,200)
Net cash flow from operating activities	7,426	(3,611)
Financing activities:		
Capital contribution	2,682	2,000
Interest received	16	1
Interest paid	(28)	(61)
Net cash flow from financing activities	2,670	1,940
Net increase in cash and cash equivalents	10,096	(1,671)
Cash and cash equivalents as at 1 January	19,659	21,330
Cash and cash equivalents as at 31 December	29,755	19,659
	10,096	(1,671)

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, incorporated and domiciled in the Netherlands. The Company 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, 2591 TV The Hague. AEGON Investment Management B.V. is a wholly owned subsidiary of AEGON Asset Management Holding B.V. with the ultimate parent company being AEGON N.V., which is incorporated in the Netherlands.

The principal activities of the Company are management of investment funds, individual portfolio management and investment advice. The Company is the asset manager of AEGON Paraplufonds I which is an AFM registered investment fund. The Company is also asset manager of multiple non-registered funds and pools for the institutional clients of our insurance affiliate.

The Company outsourced part of the asset management activities to BlackRock Advisors (UK) Limited, TKP Investments B.V., Saemor Capital B.V., Pelargos Capital B.V., Kames Capital plc and AEGON USA Investment Management LLC. Except for BlackRock Advisors (UK) Limited these companies are part of the AEGON Group.

The Company outsourced the administration of the funds and pools to Citi Fund Services (Ireland) Limited.

AEGON Custody B.V. is the depositary of the funds and pools under management of the Company.

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.

Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured. Revenue is measured at the fair value of the consideration received. The following specific recognition criteria must also be met before revenue is recognized:

Fees are recognised as revenue over the period when the services have been performed and the amount can be reliably measured. Management and service fees are primarily based on predetermined percentages of the market value of the assets under management. Performance fees are calculated as a percentage of the performance of the relevant assets under management and recorded when earned.

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

Long term share and cash incentive plans awarded to eligible employees are accounted for over the period between the date of award and the date of vesting.

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.

All amounts are reported in thousands of Euro unless otherwise stated.

Significant accounting judgments, estimates and assumptions

The preparation of annual financial statements requires the use of judgment and estimates that affect the recognition and valuation of assets and liabilities, the disclosure of contingent liabilities as of the date of the annual financial statements and the reported amounts of income and expenses during the reporting period. Although these estimates are based on management's best knowledge of current events and actions, the actual results may differ ultimately from these estimates. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised.

Judgments made by management that have an impact on the annual financial statements include intangible assets and provisions.

Intangible assets

Intangible assets consist of purchased capitalized software. Intangible assets are stated at cost less any accumulated amortization and any accumulated impairment losses determined individually for each asset. A periodic impairment test will be performed once the assets are in use.

Amortization starts when the asset is in use. The amortization is calculated using the straight-line method over the expected useful economic life of the intangible assets, not exceeding a period of five years.

Provisions

The provision concerns a restructuring provision resulting from some organisational changes that have been implemented in 2013. The amount accounted for reflects payables for contract terminations.

Notes to the balance sheet

3. Intangible assets

	2013	2012
Software	406	-
	406	**-**

The movement in intangible assets is as follows:

	2013	2012
As at January 1	-	-
Additions	406	-
Disposals	-	-
Impairment losses	-	-
Amortization through income statement	-	-
Other movements	-	-
	406	**-**

Amortization will take place once the system has been fully implemented and is in operation.

4. Intercompany receivables

	2013	2012
Intercompany receivable with AEGON Asset Management Holding B.V	5,794	13,496
Intercompany receivable with AEGON Nederland N.V.	4	2,493
Intercompany receivable with TKP Investments B.V.	25	-
Intercompany receivable with AEGON N.V.	23	-
Intercompany receivable with AEGON Magyarország Befektetési Alapkezelő Zrt.	12	-
	5,858	**15,989**

Notes to the balance sheet

5. Trade receivables, prepayments and other receivables

	2013	2012
Trade receivables, prepayments and other receivables	2,414	2,194
Management fee receivable from the AEGON funds	8,181	7,337
Service fee receivable from the AEGON funds	692	662
	11,287	**10,193**

Outstanding balances are unsecured and cash settlement is generally expected within 45 days of invoice. During the year ended 31 December 2013 the Company has not made any provision for doubtful debtors.

6. Corporate income tax receivable

The Company is part of the fiscal unity headed by AEGON N.V. As a consequence the corporate income tax receivable is a receivable from AEGON N.V.

7. Cash and cash equivalents

	2013	2012
Cash at banks	10,748	19,659
Short term deposits	19,007	-
	29,755	**19,659**

Cash and cash equivalents in the balance sheet comprise cash at banks and short term deposits with an original maturity of three months or less. For the purpose of the cash flow statement, cash and cash equivalents consist of cash and short term deposits as defined above.

Notes to the balance sheet

8. Intercompany payables

	2013	2012
Intercompany payable to AEGON USA Investment Management LLC	388	3,120
Intercompany payable to Kames Capital plc	488	193
Intercompany payable to AEGON Global Technology Europe	400	-
Intercompany payable to Saemor Capital B.V. and Pelargos Capital B.V.	9,054	1,746
Intercompany payable to AEGON US AGT TransAmerica	-	58
Intercompany payable to AEGON N.V.	-	8
	10,330	**5,125**

9. Trade payables and other creditor

	2013	2012
Payables due to bonus reservations	3,139	3,133
Payables due to management fee expenses to sub advisors	579	598
Payables due to fund administration expenses	805	1,862
Payables due to crisis levy	705	282
Other payables and accrued expenses	2,707	3,852
	7,935	**9,727**

10. Provisions

	2013	2012
As at January 1	-	-
Additions	1,049	-
Amounts used during the year	-	-
Unused amounts reversed during the period	-	-
Other movements	-	-
	1,049	**-**

The provision concerns a restructuring provision resulting from some organisational changes that have been implemented in 2013. The amount accounted for reflects payables for contract terminations.

Notes to the balance sheet

11. Shareholders' equity

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

Share capital – par value	**2013**	**2012**
Authorised Share Capital		
2,500 Ordinary Shares of EUR 454 each	1,134	1,134
Allotted, called up and fully paid		
2,500 Ordinary Shares of EUR 454 each	1,134	1,134

The movement in shareholders' equity is as follows:

	Issued Capital	**Share Premium**	**Other Reserves**	**Net Result**	**Total**
As at 1 January 2012	**1,134**	**23,994**	**1,423**	**1,029**	**27,580**
Capital contribution		2,000			2,000
Add profit PY to other reserves			1,029	(1,029)	-
Profit for the financial year				1,057	1,057
As at 1 January 2013	**1,134**	**25,994**	**2,452**	**1,057**	**30,637**
Capital contribution		2,682			2,682
Add profit PY to other reserves			1,057	(1,057)	-
Loss for the financial year				(3,995)	(3,995)
As at 31 December 2013	**1,134**	**28,676**	**3,509**	**(3,995)**	**29,324**

At the end of the year, the Company received a capital contribution from the parent company AEGON Asset Management Holding B.V. The capital contribution was received in December 2013, amounted to EUR 2.7 million and has been initiated to enhance the capital position of the Company.

Notes to the Profit and Loss account

12. Net management fee

	2013	2012
Intercompany management fee income from AEGON Nederland N.V.	47,000	47,000
Management fee income third parties	5,798	5,760
Total management fee income	52,798	52,760
Intercompany management fee expense to Saemor Capital B.V. and Pelargos Capital B.V.	(7,072)	(6,726)
Intercompany management fee expense to AEGON USA Investment Management LLC	(881)	(1,048)
Intercompany management fee expense to TKP Investments	(1,444)	(1,318)
Management fee expense to third parties	(2,352)	(2,246)
Total management fee expense	(11,749)	(11,338)
Net management fee	**41,049**	**41,422**

13. Net service fee

	2013	2012
Service fee income	8,144	8,048
Service fee expense	(3,326)	(5,031)
	4,818	**3,017**

A service fee is charged to the applicable funds to cover for expenses such as costs of supervisors, custody, auditors, (legal) advice, administration and marketing and communications. The expenses are incurred by the Company.

14. Net performance fee

	2013	2012
Intercompany performance fee income from AEGON Nederland N.V.	785	791
Intercompany performance fee expense with respect to Saemor Capital B.V. and Pelargos Capital B.V.	(5,318)	(803)
	(4,533)	**(12)**

Notes to the Profit and Loss account

15. Other income

	2013	2012
Security lending fee from AEGON Nederland N.V.	500	500
Security lending fee from third parties	92	-
Other services to AEGON Nederland N.V.	4,450	4,258
Other income	335	104
	5,377	**4,862**

Other services to AEGON Nederland N.V. represents additional fee income in respect of non-portfolio management services such as client reporting services, derivatives and hedging services and investment solutions expertise.

The security lending fee with respect to insured funds from AEGON Nederland N.V. is maximised at EUR 500 in accordance with the agreement between the Company and AEGON Nederland N.V. The security lending fee in excess of EUR 500 will directly flow to AEGON Nederland N.V. The total security lending fee including the maximised fee of EUR 500 on account of the Company amounted to EUR 1,777 (2012: EUR 2,210).

16. Staff expenses

Staff expenses are EUR 29,529 (2012: EUR 25,577) and are related to recharges to the Company by AEGON Nederland N.V. for salaries, pension, social charges, etc. For terms and conditions relating to related party transactions refer to note 21.

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

Notes to the Profit and Loss account

17. Other operating expenses

	2013	2012
Intercompany charges Kames Capital plc	1,384	1,117
Intercompany charges AEGON USA Investment Management LLC	1,982	2,341
Intercompany charges AEGON Nederland N.V.	2,377	3,253
Intercompany charges AEGON Asset Management Holding B.V.	2,427	1,267
Intercompany charges TKP Investments	(234)	(103)
Intercompany charges AEGON N.V.	-	45
Intercompany charges AEGON US AGT TransAmerica	179	655
Intercompany charges AEGON Global Technology Europe	1,317	-
Intercompany charges AEGON Magyarország Befektetési Alapkezelő Zrt.	(129)	-
Intercompany charges AEGON Asset Management (Asia) Limited	(32)	-
Other administrative expenses	11,948	12,821
	21,219	**21,396**

Other administrative expenses include expenses from various services providers (e.g. third party administrator, consultants, auditors, tax advisors, etc), maintenance software licenses, rent and travel expenses.

The auditor's expenses for 2013 consist of:

	2013	2012
Audit expenses Ernst & Young regarding legally required audit of the financial statements	21	20
Audit expenses Ernst & Young regarding Investment Funds and Client Mandates	588	520
Other assurance services	42	35
Advisory services	-	40
	651	**615**

Notes to the Profit and Loss account

18. Interest income

	2013	2012
Bank interest income	-	1
Short term deposits interest income	10	-
Intercompany interest income	6	-
Short term deposits interest income	**16**	**1**

19. Interest expense

	2013	2012
Bank charges and overdraft interest expense	17	42
Intercompany interest expense	11	19
	28	**61**

20. Tax charge

Reconciliation of tax charge	2013	2012
Accounting profit before tax	(5,327)	1,409
Accounting profit multiplied by the NL standard rate of Corporation tax of 25%	1,332	(352)
Non-deductable expenses	-	-
Total tax (credit) in the profit and loss account statement	1,332	(352)

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

Notes to the Profit and Loss account

21. 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 N.V., 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) Other related Parties

Other related parties are AEGON Nederland N.V., Saemor Capital B.V., Pelargos Capital B.V. and TKP Investments B.V., all incorporated in the Netherlands, AEGON Asset Management (Asia) Ltd incorporated in Hong Kong, Kames Capital plc, AEGON Global Technology Europe, both incorporated in the UK, AEGON Magyarország Befektetési Alapkezelő Zrt incorporated in Hungary and AEGON USA Investment Management LLC, AEGON US AGT TransAmerica, both incorporated in the USA.

(d) 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 notes 12, 14 and 15 for total amount of such transactions). All transactions with related parties are done at arm’s length. Staff and other operating expenses are recharged to the Company at cost by AEGON Nederland N.V., a subsidiary of AEGON N.V. (see note 16 for total amount of such transactions). The intercompany balance with AEGON Nederland N.V. is interest bearing in accordance with market rates. The intercompany balances with other related parties are non-interest bearing and mainly relate to recharges across the asset management units. These recharges have been made for cross border personnel and other expenses. This includes balances with AEGON Asset Management Holding B.V., Kames Capital Plc, AEGON Asset Management (Asia) ltd, AEGON USA Investment Management LLC. Year end balances for related party transactions are detailed in notes 4 and 8.

Notes to the Profit and Loss account

22. 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, equity price risk and foreign exchange risk. The Company is not exposed to significant foreign exchange 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 as the vast majority of the assets consists of intercompany receivables with other members of the AEGON group, fee receivables in respect of investment funds and cash and cash equivalents. The Company does not hold financial instruments which give rise to concentrations of risk. Details of these balances are listed under notes 4, 5 and 7 of the notes to the financial statements.

Liquidity Risk

The Company has only limited exposure to liquidity risk as balances are predominantly held in cash and short term deposits and intercompany receivables. Amounts due are settled without the need to realise illiquid assets. Details of these balances are listed under notes 4, 5 and 7.

Market Risk

Market risk is significant only in that market price changes affect our assets under management. This refers to fluctuations in the financial markets that affect the assets we manage. The Company is therefore only indirectly exposed to market risk.

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 interest rates that will affect the valuation of the fixed income securities that we manage. The Company is therefore only indirectly exposed to interest rate risk.

23. Number of employees

During the years 2013 and 2012, the Company had no employees. AEGON Nederland N.V. employs all staff that work for AEGON Investment Management B.V. The number of FTE that work for AEGON Investment Management B.V. is 176.6 (2012: 183.4).

Notes to the Profit and Loss account

24. Director's remuneration

During the financial year 6 Director's held office. The total remuneration of the Directors in respect of their service to the Company was as follows:

	2013	2012
Salaries, pension, bonuses and other benefits	1,415,364	1,340,717

25. Contingent liabilities

As at 31 December 2013 the Company had no contingent liabilities.

26. Subsequent events

The Company received a capital contribution from the parent company AEGON Asset Management Holding B.V. The Company received the capital contribution of EUR 4.3 million in January 2014. The capital contribution has been initiated to enhance the capital position of the Company. In February 2014, the Company paid dividend to the parent company, amounted to EUR 2 million.

Signing of the financial statements

The Hague, The Netherlands

29 April 2014

S.A.C. Russell

P.J.G. Smith

R.R.S. Santokhi

H. Eggens

W.J.J. Peters

Other information

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 2013

In the coming Annual General Meeting of Shareholders it will be proposed to transfer the net loss for the year amounting to EUR (3,995) to the other reserves.

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

Independent auditor's report

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

Report on the financial statements

We have audited the accompanying financial statements 2013 of AEGON Investment Management B.V., The Hague, which comprise the balance sheet as at 31 December 2013, 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 Investment Management B.V. as at 31 December 2013 and of its result and the cash flows 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 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 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, 29 April 2014

Ernst & Young Accountants LLP

signed by T. De Kuijper