

Annual Report 2017
Aegon Investment Management B.V.
Year to 31 December 2017

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Company information

Members of the Management Board

S.A.C. Russell (resigned as per 3 November 2017)

A.H. Maatman (resigned as per 3 November 2017)

P. Smith (appointed as per 3 November 2017)

G. Black (appointed as per 3 November 2017)

E. van der Maarel

R.R.S. Santokhi

W.J.J. Peters

B. Bakker

O. van den Heuvel

Secretary

Ms. W. Jansen

Registered Office

Aegonplein 50

2591 TV, The Hague

The Netherlands

Independent Auditor

PricewaterhouseCoopers Accountants N.V.

Fascinatio Boulevard 350

3065 WB, Rotterdam

The Netherlands

Annual report 2017

- 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 organised under Dutch law and recorded in the Commercial Register of The Hague under its registered address at Aegonplein 50, 2591 TV The Hague. AIM is registered under number 27075825 in the Commercial Register of the Chamber of Commerce and Industries for Haaglanden, The Hague, the Netherlands. 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 Eurozone has experienced a period of above trend growth. Consumption was supported by the rapid decline in unemployment, while investments grew strongly due to a supportive global economic backdrop. Spain and Germany were the fastest growing large economies. Inflation pressures were again absent. Wage growth did pick up slightly, but not enough to push inflation above the target of the ECB. The central bank therefore maintained its accommodative stance, but did decide to taper its purchase program further from 60bln to 30bln per month. Growth in the UK slowed down, due to uncertainty surrounding Brexit.

The French elections resulted in a victory for Macron, who is likely to pursue a pro-European course. Catalanian politicians tried to gain independence from Spain via a referendum. However, so far their efforts did not result in more autonomy. Italy reformed its electoral law and announced to hold elections in March 2019.

The UK triggered Article 50 in March which set the Brexit negotiation process in motion. Prime minister May called early elections soon afterward, in which she wasn't able to achieve her desired majority. At the end of the year, the EU and the UK managed to agree on a deal covering citizen's rights, the Irish border and the financial settlement. This allowed the negotiations to proceed to the next stage, which will mainly cover a transition period and a trade agreement.

Under these circumstances fixed income portfolios achieved a negative absolute return for 2017 of approximately EUR 0.1 billion. In addition to the market movements, there was a net inflow of approximately EUR 0.6 billion, predominantly in the Third Party client segment. Over the full year, fixed income assets under management increased from EUR 54.1 billion to EUR 54.6 billion.

Equity assets under management decreased from EUR 11.6 billion to EUR 11.1 billion at year end. Although there was a positive market movement amounting to EUR 1.1 billion, this effect was fully offset by a net outflow of equity assets of EUR 1.6 billion.

Alternative investments under management (consisting of for instance the derivatives and hedging book and private equity investments) decreased from EUR 1.2 billion to EUR 0.6 billion.

On an aggregate level, the Company's total assets under management has decreased from EUR 66.9 billion as per the beginning of the year to EUR 66.4 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 profit after tax of EUR 8,090k (2016: profit of EUR 6,804k). The result over 2017 was in line with the Directors' expectations for 2017. Total income and cost increased compared to 2016.

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 higher compared to the previous year especially for the Third Party clients due to the aforementioned asset growth.

The main expenses of the Company are personnel expenses, investment management services fees, IT expenses and intercompany recharges. The higher costs compared to the previous year are mainly driven by higher personnel expenses and investment management services fees.

The aforementioned developments led to a profit after tax of EUR 8,090k.

As at 31 December 2017, the Company's equity amounted to EUR 35.7 million. Eligible capital amounted to EUR 31.8 million compared to the minimum capital required of EUR 19.4 million.

Developments during the year

The Company has expanded its third party client base by combining growth in The Netherlands with attracting new clients from outside of The Netherlands, for example Belgium and Germany. This has resulted in an increase of our third party assets of over EUR 3 billion. During 2017, the Company has also launched a number of new propositions which are expected to contribute to further growth of our asset base.

Investment performance over the full year has been good. The Company ended the year with a positive relative performance for almost all capabilities. From an operational perspective, the Company completed a number of actions aimed at upgrading its infrastructure, client service, reducing complexity and enhancing the quality of data and IT. Further enhancements, primarily in the area of performance measurement are planned for 2018 and these will entail some capital investment.

Responsible investment

In 2017, Aegon Asset Management continued to make steps to further integrate Responsible Investment principles into our investment process.

Late in 2017, Aegon NV decided to update its Responsible Investment Policy. The policy update strengthened the company's position on a number of responsible investment topics and its governance framework. We also launched internal projects to reinforce our ESG integration approach and to evaluate external manager compliance to our policy.

Climate change continued to be a key focus area for the company. Following the Climate Investment risk project we conducted in 2016, this year we established a Climate Working Group (CWG) to monitor on-going climate risks. Discussing how to implement the recommendations of the FSB, Task-Force on Climate-Related Financial Disclosures was a central topic in the CWG this year. Aegon Asset Management also spent time investigating clean energy investment opportunities for the Aegon Group.

With an increasing focus on the financial sector to contribute to targets such as the Sustainable Development Goals, Aegon Asset Management participated in a number of consultations and working groups aiming to guide future sustainability efforts in financial institutions. Finally, as active investment manager we also increased our corporate engagement activities on environmental and social issues from 30 to 40 percent of our overall engagements.

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 financial, 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. The Company manages its capital by measuring its resources and cash available on a regular basis.

The Company is regulated by De Nederlandsche Bank (DNB) and Autoriteit Financiële Markten (AFM). The Company maintains capital in line with the requirements from DNB. The Company reports its capital position to DNB 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.

Risk management

General

The Company operates a formal risk management framework to identify, assess and manage risk. The Company complements this with a robust control framework, overseen via a monthly control meeting cycle, which culminates in the monthly Risk and Control Committee meeting. The Company also has a series of policies setting out the standards the Management Board expects and the restrictions on the employees' authority. Taken together, these elements help to articulate the risk tolerance. Any changes to these policies as a consequence of strategic initiatives will be reviewed to ensure that they are aligned with the risk tolerance of the Management Board.

The Company is primarily exposed to operational risks and to a lesser extent to financial risks.

Operational Risk

Operational risk is the risk of losses resulting from inadequate or failed internal or external processes, people and systems, or from external events. The Company seeks to minimize operational risk events and has no tolerance for single event related losses exceeding € 6 million more frequently than once every 10 years and have no tolerance for single event related losses exceeding € 0.5 million more frequently than once every 12 months. During the year, the Company has made steps to reduce the operational risk profile by completing a number of projects aimed at a higher degree of automation and improved data quality, by a more robust mandate compliance procedure and by improving the governance around a number of models. The Company has also renewed its errors and omissions insurance policy with a lower own risk as a result of which the impact of operational losses is further reduced.

Legal & compliance risk

Legal & compliance risk is defined as the risk that losses occur due to non-voluntary legal liabilities, inadequate legal documentation, inadequate patenting of brands and intellectual property, and the risk of impairment to the organization's business model, reputation, integrity and financial condition, resulting from failure to comply with laws, regulations and internal company rules and policies, as well as late identification of significant legal and regulatory development. This includes the risk of failure to comply with established good business practices and expectations of key stakeholders such as customers, employees and society as a whole. The Company has a dedicated legal department that actively identify and address developments in the regulatory environment and translates this into a regulatory calendar. From a second line perspective, the Company's compliance department has a monitoring program in place to monitor compliance with regulation and policies.

Financial Risk

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. In addition to the financial risks the Company has identified group 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

Credit risk is the risk that a counterparty defaults on contractual or other agreed obligations (including supplied credits, loans, claims, received warranties) whether or not as a result of being subject to limitations of foreign payments. The policy of the Company is not to carry out credit activities. There is a very small risk within the Company of not being able to collect management fees from the funds the Company manage. The Company considers that the exposure to credit risk is limited given the prior experience where the Company have not had to write off any significant bad debts over the past 10 years.

A counterparty management policy is in place which limits the maximum amount of our own funds which the Company deposit with individual banks. During normal market conditions a bank balance above the Company's internal set minimum of EUR 10 million will be deposited at a minimum of two counterparties with a high credit rating. This ensures that the Company engages with a minimum of three counterparties at all times thereby limiting the risk in this area.

The Company offers standard industry credit terms to clients. The credit risk to clients is very limited as the fee income is related to funds and Aegon Nederland N.V. The credit risk relates to the clients of the Company (not related to Aegon Nederland N.V.) with a discretionary portfolio. On average the fee income from the clients of the Company with a discretionary portfolio represent a marginal amount of the total fee income. As the risk is insignificant the Company accepts this risk. The third party growth strategy could lead to an increasing number of discretionary portfolios and consequently a higher amount of receivables on which credit risk applies.

Aged items are monitored by the Finance team of the Company and action is taken to recover such debts (through deduction from client assets if appropriate). The Company does not impose restrictions on the size of such debts, but aims to collect them in a timely way, thus reducing the amount of capital required to cover them. The Company has no appetite for on-balance sheet trading activity that might create counterparty risk.

Details of these balances are listed under notes 4, 5 and 6 of the notes to the financial statements.

Liquidity Risk

Liquidity risk considers the probability that insufficient cash is available to fulfil obligations. Liabilities that require liquid capital from the Company are in relation to operating expenses and the Company has a liquidity policy requiring a minimum level of working capital that enables it to manage liquidity risk. The key feature of this policy is that the Company is required to hold liquid capital to cover at least 3 months expenditure on a continuous basis. In practice liquid assets are considerably higher than this.

The Company monitors the composition of the balance sheet as well as the size of the balance sheet. This therefore reviews the cash balances available to make payments as they fall due. The review of the future forecasts shows that the Company is able to maintain sufficient liquid assets to meet its liabilities.

Details of these balances are listed under notes 4, 5 and 6 of the notes to the financial statements.

Market Risk

Market risk is the risk resulting from exposure to changes in market prices of tradable financial instruments within a portfolio. The Company has a not complex balance sheet consisting largely of cash and short-term assets and liabilities; all client assets are held separately off-balance sheet for the risk of clients. With the exception of the possibility of holding seed capital positions in certain circumstances, it is policy of the Company that investments are not carried out for its own account and therefore the direct exposure to market risk is limited. Currently, the Company does not hold any seed capital positions.

The Company is exposed to indirect market risk caused by fluctuations in the wider financial markets that will affect the valuation of the assets that the Company manage. The Company is therefore subject to indirect market risk through market impacts on fee income. Although the Company retains the ability to hedge this risk in certain situations the Company generally considers it uncontrollable, as it is inherent in the business of asset management. In practice, the exposure to this risk is diversified, to a degree, by having significant exposure to both bonds and equities.

The Company has a not complex balance sheet consisting largely of cash and short-term assets and liabilities; all client assets are held separately off-balance sheet for the risk of clients.

Group Risk

The Company is part of the Aegon N.V. Group and within this is a member of the Aegon Asset Management Group and is thus subject to group risk. This is inherent to our organisational structure. Group risk may impact us in a number of ways:

- potential financial or reputational difficulties at Group level
- the Group's control over our actions or spending power
- Group actions such as takeover activity or strategic announcements (considered to be an inherent risk but mitigated through close communication).

The Company considers the benefits of membership of Aegon outweigh these potential risks. A key benefit of group membership is that capital and liquidity support over and above the Companies own capital requirement could be available as an additional buffer, depending on circumstances.

Creditor payment policy

The objective is to treat 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 30 days of the appropriate invoice date.

Outlook

The Directors believe the Company is well positioned for the future and in 2018 our aim is to continue to diversify our asset and client base while continuing to achieve operational excellence. The focus of the Company in 2018 with respect to upgrading our infrastructure will among others be on completing the implementation of a new system for performance measurement and continuing with the implementation of a client reporting tool. Regarding developing the product range, the focus of the Company will be on launching a number of new funds to support third party growth and on more actively working on identifying cross sell opportunities with affiliated companies.

Management and Supervision Act

As of 1 January 2013, a new Management and Supervision Act came into effect. The new act requires large sized B.V.'s such as Aegon Investment Management B.V. to have as far as possible a balanced distribution on their Board with at least 30% of the seats occupied by women and at least 30% by men. Looking at the year-end 2017 situation, Aegon Investment Management B.V. did not comply with this requirement (approximately 22% of the Board was occupied by women). In 2018, the aim of a balanced composition of the Board will be further taken into account.

Directors and their interests

Directors at the date of signing who served throughout the year

S.A.C. Russell (resigned as per 3 November 2017)

A.H. Maatman (resigned as per 3 November 2017)

P. Smith (appointed as per 3 November 2017)

G. Black (appointed as per 3 November 2017)

E. van der Maarel

R.R.S. Santokhi

W.J.J. Peters

B. Bakker

O. van den Heuvel

The Directors have declared that they had no interest in the share capital of the Company in the financial year ended 31 December 2017.

This report was approved by the Board of Directors and authorised for issue on 24 April 2018.

The Hague, The Netherlands

P. Smith

G. Black

E. van der Maarel

R.R.S. Santokhi

W.J.J. Peters

B. Bakker

O. van den Heuvel

Financial statements

- Balance sheet as at 31 December
- Profit and Loss account for the year ended 31 December
- Cash flow statement for the year ended 31 December
- Notes to the financial statements

Balance sheet before profit appropriation as at 31 December

(all amounts are in thousands of euro)

	Notes	2017	2016
Assets			
Non-current assets			
Intangible assets	3	3,867	4,045
Total non-current assets		3,867	4,045
Current assets			
Intercompany receivables	4	15,612	11,112
Trade receivables, prepayments and other receivables	5	5,546	5,534
Cash and cash equivalents	6	42,862	34,161
Total current assets		64,020	50,807
Total assets		67,887	54,852
Current liabilities			
Intercompany payables	7	(11,303)	(1,302)
Trade payables and other creditors	8	(18,136)	(13,840)
Corporation tax payable	9	(2,699)	(2,802)
Provisions	10	(51)	-
Total current liabilities		(32,189)	(17,944)
Total assets less current liabilities		<u>35,698</u>	<u>36,908</u>
Net assets		35,698	36,908
Shareholder's equity			
	11		
Share capital		1,134	1,134
Share premium		38,686	38,686
Others reserves		(12,212)	(9,716)
Net result for the year		8,090	6,804
Total shareholder's equity		<u>35,698</u>	<u>36,908</u>

Profit and loss account for the year ended 31 December

(all amounts are in thousands of euro)

	Notes	2017	2016
Net management fee	12	59,828	57,725
Net service fee	13	(132)	791
Other income	14	7,266	5,241
Total income		<u>66,962</u>	<u>63,757</u>
Staff expenses	15	(35,735)	(35,325)
Other operating expenses	16	(18,604)	(17,662)
Other expenses		(796)	(323)
Amortisation intangible assets	3	(828)	(772)
Total expenses		<u>(55,963)</u>	<u>(54,082)</u>
Operating profit for the year		10,999	9,675
Addition to/ (unused amounts from) provisions	10	(51)	85
Interest expense	17	(159)	(154)
Profit on ordinary activities before taxation		10,789	9,606
Corporation tax (charge)	18	(2,699)	(2,802)
Profit for the financial year		<u>8,090</u>	<u>6,804</u>

Cash flow statement for the year ended 31 December

(all amounts are in thousands of euro)

	Notes	<u>2017</u>	<u>2016</u>
<i>Operating activities:</i>			
Profit on ordinary activities before taxation		10,789	9,606
<i>Adjustments to reconcile Operating profit/(loss) before tax to net cash flow from operating activities:</i>			
(Increase)/decrease in non-current assets		178	227
(Increase)/decrease in current assets		(4,512)	(6,383)
Increase/(decrease) in current liabilities		11,546	(1,181)
Net cash flow from operating activities		<u>18,001</u>	<u>2,269</u>
<i>Financing activities:</i>			
Dividend paid		(9,300)	(2,969)
Net cash flow used by financing activities		<u>(9,300)</u>	<u>(2,969)</u>
Net (decrease)/increase in cash and cash equivalents		<u>8,701</u>	<u>(700)</u>
Cash and cash equivalents as at 1 January	6	34,161	34,861
Cash and cash equivalents as at 31 December	6	<u>42,862</u>	<u>34,161</u>
		<u>8,701</u>	<u>(700)</u>

The cash flow statement is prepared according to the indirect method. During 2017 and 2016 no cash flows from investing activities were applicable.

Notes to the financial statements

1. General information

Aegon Investment Management B.V. (the Company) is an Investment Management Company, incorporated and domiciled in the Netherlands. The Company is a private limited liability share company organised under Dutch law and recorded in the Commercial Register of The Hague under its registered address at Aegonplein 50, 2591 TV The Hague. The Company 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 manager of Aegon Paraplufonds I whose sub funds are registered with the Authority for the Financial Markets (AFM). The Company is furthermore also the manager of alternative investment funds (AIF's) (which are also regulated and registered with the AFM) and of non-registered funds and pools. These non-registered (and non-regulated) funds are only offered to Aegon entities.

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.

2. Summary of significant accounting policies

General concepts of 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.

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.

Unless otherwise stated, all other assets and liabilities are recognised initially at fair value and subsequently measured at amortised cost.

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

Comparison with previous year

The valuation principles and method of determining the result are the same as those used in the previous year.

Accounting principles

Intangible assets

Intangible assets consist of purchased capitalised software. Intangible assets are stated at cost less any accumulated amortisation and any accumulated impairment losses determined individually for each asset. A periodic impairment test will be performed on assets that are in use and on assets that have not been fully implemented or are not fully in operation.

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

Intercompany receivables, trade receivables, prepayments and other receivables

Intercompany receivables, trade receivables, prepayments and other receivables are recognised initially at fair value and subsequently measured at amortised cost, unless stated otherwise.

Cash and cash equivalents

Cash at banks and in hand represent cash in hand, bank balances and deposits with terms of less than twelve months. Cash at banks and in hand is carried at nominal value.

Trade and other payables

Trade and other payables, bonus reservations and intercompany payables are initially measured at fair value, and are subsequently measured at amortised cost.

Provisions

Provisions are recognised initially at fair value and subsequently measured at amortised cost, unless stated otherwise. The provision concerns a restructuring provision resulting from some organisational changes that were implemented in 2014. The amount accounted for reflects payables for contract terminations.

Revenue

Revenue is recognised 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 recognised:

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.

Other income and expenses

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

Incentive plans

Share based bonuses are long-term share and cash incentive plans awarded to eligible employees and are accounted for over the period between the date of award and the date of vesting. For employees marked as Identified Staff (IS), the variable remuneration consists of a 50% upfront payment in cash and shares and a 50% deferred payment in cash and shares. Due to the implementation of Alternative Investment Fund Managers Directive (AIFMD) in 2014, as of 2015 share based bonus plans are no longer based on the Capital Requirements Directive (CRD) IV. Up to the implementation of AIFMD, eligible employees receive shares of Aegon N.V. A condition for payment of deferred rights in the future is that employees remain employed within the Aegon N.V. organisation. As of 2015, share based bonuses are granted in phantom shares which is a fictional instrument. At the date of vesting the fictional phantom shares will be paid out in cash.

Corporation tax

Corporation taxes are computed by applying the current tax rate to the result for the financial year, adjusted for exempted sources of income and tax allowances.

Cash flow statement

The cash flow statement has been prepared using the indirect method. The cash items disclosed in the cash flow statement comprise cash at banks and in hand, except for deposits with a maturity longer than three months. Interest paid and received, dividends received and income taxes are included in cash from financing activities. Dividends paid are recognised as cash used in financing activities.

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 recognised 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.

Notes to the balance sheet as at 31 December
3. Intangible assets

	<u>2017</u>	<u>2016</u>
Software	3,867	4,045
Total intangible assets	<u>3,867</u>	<u>4,045</u>

The movement in intangible assets are as follows:

	<u>2017</u>	<u>2016</u>
As at January 1	4,045	4,272
Additions	650	545
Disposals	-	-
Impairment losses	-	-
Amortisation through income statement	(828)	(772)
Other movements	-	-
Total intangible assets	<u><u>3,867</u></u>	<u><u>4,045</u></u>

Intangible assets in the balance sheet are comprised of three purchased and capitalised software packages. As at year-end 2017, all three systems have been fully implemented and operational. Amortisation has been initiated for these software packages using the straight-line method over the expected useful economic life of five years.

Notes to the balance sheet as at 31 December
4. Intercompany receivables

	<u>2017</u>	<u>2016</u>
Intercompany receivables with AEGON Asset Management Holding B.V.	15,299	8,460
Intercompany receivables with AEGON Nederland N.V.	-	1,779
Intercompany receivables with TKP Investments	209	377
Intercompany receivables with AEGON USA Investment Management LLC	-	356
Intercompany receivables with Aegon Hungary Investment Fund Management Company	-	74
Intercompany receivables with Blue Square Re N.V.	33	44
Intercompany receivables with AEGON – Unión Aseguradora S.A.	-	20
Intercompany receivables with AEGON N.V.	71	2
Intercompany receivables with Saemor Capital B.V. and Pelargos Capital B.V.	-	-
Total intercompany receivables	<u>15,612</u>	<u>11,112</u>

5. Trade receivables, prepayments and other receivables

	<u>2017</u>	<u>2016</u>
Trade receivables, prepayments and other receivables	2,892	2,294
Management fee receivable from the Aegon funds	2,526	2,996
Service fee receivable from the Aegon funds	128	244
Total	<u>5,546</u>	<u>5,534</u>

Outstanding balances are unsecured and cash settlement is generally expected within 45 days of invoice. At balance sheet date the prepayments amounted to EUR 1,017 (2016: EUR 725). During the year ended 31 December 2017 the Company has not made any provision for doubtful debtors.

Notes to the balance sheet as at 31 December
6. Cash and cash equivalents

	<u>2017</u>	<u>2016</u>
Cash at banks	8,858	161
Short-term deposits	<u>34,004</u>	<u>34,000</u>
Total cash and cash equivalents	<u>42,862</u>	<u>34,161</u>

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. Of the cash and cash equivalents EUR 8,858 is free at disposal. EUR 34,004 is equally divided over three counterparties with a minimum rating A from Standard and Poor's, Fitch and Moody's and in accordance with Aegon Group counterparty policies.

7. Intercompany payables

	<u>2017</u>	<u>2016</u>
Intercompany payables to Saemor Capital B.V. and Pelargos Capital B.V.	417	444
Intercompany payables to Kames Capital plc	426	426
Intercompany payables to Aegon Global Technology Europe	182	403
Intercompany payables to Aegon Asset Management Pan-Europe B.V.	780	27
Intercompany payables to AM AEGON Hong Kong	2	2
Intercompany payables to Aegon Nederland N.V.	8,882	-
Intercompany payables to Aegon Hungary Investment Fund Management Company	20	-
Intercompany payables to Aegon USA Investment Management LLC	<u>594</u>	-
Total intercompany payables	<u>11,303</u>	<u>1,302</u>

Notes to the balance sheet as at 31 December
8. Trade payables and other creditors

	<u>2017</u>	<u>2016</u>
Payables due to bonus reservations	5,423	4,678
Payables due to management fee expenses to sub advisors	481	498
Payables due to fund administration expenses	1,982	2,185
Other payables and accrued expenses	<u>10,250</u>	<u>6,479</u>
Total trade payables and other creditors	<u>18,136</u>	<u>13,840</u>

The fair value of the trade and other payables approximate their carrying value since the trade and other payables are non-interest bearing.

9. Corporation tax payable

The Company is part of the fiscal unity headed by Aegon N.V. As a consequence the corporation tax payable is a payable to Aegon N.V.

10. Provisions

	<u>2017</u>	<u>2016</u>
As at January 1	-	455
Additions	51	-
Amounts used during the year	-	(370)
Unused amounts reversed during the period	-	(85)
Other movements	<u>-</u>	<u>-</u>
Total provisions	<u>51</u>	<u>-</u>

The provision concerns a restructuring provision resulting from some organisational changes that have been implemented in 2017.

Notes to the balance sheet as at 31 December
11. Shareholder's equity

Issued share capital and reserves attributable to the shareholder of Aegon Investment Management B.V.

Share capital – par value	<u>2017</u>	<u>2016</u>
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 shareholder's equity is as follows:

	Share capital	Share premium	Other reserves	Net result for the year	Total share- holder's equity
As at 1 January 2016	1,134	38,686	(9,716)	2,969	33,073
Capital contribution	-	-	-	-	-
Dividends paid	-	-	(2,969)	-	(2,969)
Add profit PY to other reserves	-	-	2,969	(2,969)	-
Profit for the financial year	-	-	-	6,804	6,804
As at 1 January 2017	1,134	38,686	(9,716)	6,804	36,908
Capital contribution	-	-	-	-	-
Dividends paid	-	-	(9,300)	-	(9,300)
Add profit PY to other reserves	-	-	6,804	(6,804)	-
Profit for the financial year	-	-	-	8,090	8,090
As at 31 December 2017	1,134	38,686	(12,212)	8,090	35,698

In April 2017, the Company paid a dividend to the parent company, amounting to EUR 9,300.

In the coming Annual General Meeting of Shareholders it will be proposed to distribute a dividend of EUR 8,000.

Notes to the profit and loss account for the year ended 31 December
12. Net management fee

	<u>2017</u>	<u>2016</u>
Intercompany management fee income from Aegon Nederland N.V.	49,270	52,565
Intercompany management fee income from Blue Square Reinsurance	89	123
Management fee income from third parties	<u>20,337</u>	<u>15,114</u>
Total management fee income	69,696	67,802
Intercompany management fee expense to Saemor Capital B.V. and Pelargos Capital B.V.	(6,096)	(6,074)
Intercompany management fee expense to Aegon USA Investment Management LLC	(1,131)	(1,224)
Intercompany management fee expense to TKP Investments	(750)	(855)
Management fee expense to third parties	<u>(1,891)</u>	<u>(1,924)</u>
Total management fee expense	<u>(9,868)</u>	<u>(10,077)</u>
Net management fee	59,828	57,725

13. Net service fee

	<u>2017</u>	<u>2016</u>
Service fee income	10,226	10,385
Service fee expense	<u>(10,358)</u>	<u>(9,594)</u>
Net service fee	<u>(132)</u>	<u>791</u>

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

Notes to the profit and loss account for the year ended 31 December

14. Other income

	<u>2017</u>	<u>2016</u>
Security lending fee from Aegon Nederland N.V.	498	500
Security lending fee from third parties	54	71
Other services to Aegon Nederland N.V.	6,710	4,659
Other income	<u>4</u>	<u>11</u>
Total other income	<u>7,266</u>	<u>5,241</u>

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 597 (2016: EUR 687).

15. Staff expenses

Staff expenses are EUR 35,735 (2016: EUR 35,325) 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, we refer to note 19.

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

Share based payments:

	<u>2017</u>	<u>2016</u>
Share based payments recognised in the profit and loss account	380	464
Share based payments bonuses granted	291	283

Share based bonuses are long-term share and cash incentive plans awarded to eligible employees and are accounted for over the period between the date of award and the date of vesting. Due to the implementation of Alternative Investment Fund Managers Directive (AIFMD) in 2014, as of 2015 share based bonus plans are no longer based on the Capital Requirements Directive (CRD) IV. Up to the implementation of AIFMD, eligible employees receive shares of Aegon N.V. As of 2015, share based bonuses are granted in phantom shares which is a fictional instrument. At the date of vesting the fictional phantom shares will be paid out in cash.

Notes to the profit and loss account for the year ended 31 December
16. Other operating expenses

	<u>2017</u>	<u>2016</u>
Intercompany charges Kames Capital plc	1,199	1,135
Intercompany charges Aegon USA Investment Management LLC	1,460	2,280
Intercompany charges Aegon Nederland N.V.	2,688	2,372
Intercompany charges Aegon Asset Management Holding B.V.	1,488	1,245
Intercompany charges TKP Investments	(301)	(329)
Intercompany charges Aegon Global Technology Europe	2,573	2,699
Intercompany charges Aegon Magyarország Befektetési Alapkezelő Zrt.	(10)	(37)
Intercompany charges Aegon Asset Management (Asia) Limited	-	(4)
Intercompany charges AEGON – Unión Aseguradora S.A.	(20)	(20)
Intercompany charges Aegon Asset Management Plan Europe	760	-
Software maintenance expenses	1,213	1,475
Data/Research services expenses	3,779	3,480
Other administrative expenses	<u>3,775</u>	<u>3,366</u>
Total operating expenses	<u>18,604</u>	<u>17,662</u>

The intercompany recharges consists of staff expenses and other operating expenses that are recharged between Aegon entities. Recharged staff expenses include staff expenses recharged to the Company for services provided to the Company by staff employed by other Aegon entities and staff expenses recharged to other Aegon entities for services provided to them by staff employed by the Company.

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

Notes to the profit and loss account for the year ended 31 December

The independent auditor's expenses for 2017 consist of:

	<u>2017</u>	<u>2016</u>
Audit of the financial statements	70	36
Other audit procedures	979	818
Tax services	-	-
Other non-audit services	-	-
Total independent auditor expenses	<u>1,049</u>	<u>854</u>

The other audit procedure expenses comprises audited expenses for investment funds and client mandates of EUR 797 (2016: EUR 622) and audit expenses for ISAE 3402 of EUR 182 (2016: EUR 195).

17. Interest expense

	<u>2017</u>	<u>2016</u>
Bank charges and overdraft interest expense	47	74
Short-term deposits interest expense	112	70
Intercompany interest expense	-	10
Total interest expenses	<u>159</u>	<u>154</u>

18. Corporation tax charge

Reconciliation of corporation tax charge	<u>2017</u>	<u>2016</u>
Accounting profit before tax	10,789	9,606
Accounting profit multiplied by the NL standard rate of Corporation tax of 25%	(2,697)	(2,402)
Non-deductible expenses	(2)	(400)
Total tax (credit) in the profit and loss account statement	<u>(2,699)</u>	<u>(2,802)</u>

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 tax charge will be settled with Aegon N.V. via intercompany with Aegon Asset Management Holding B.V.

The non-deductible expenses consists of EUR 2 tax impact for current year for non-deductible bonuses.

Notes to the profit and loss account for the year ended 31 December

19. 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, 2591 TV The Hague.

(c) Other related Parties

Other related parties are Aegon Nederland N.V., Saemor Capital B.V., Pelargos Capital B.V., Blue Square Reinsurance and TKP Investments B.V., all incorporated in the Netherlands, Aegon Asset Management (Asia) Ltd incorporated in Hong Kong, AEGON – Unión Aseguradora S.A. incorporated in Spain, 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 and 14 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 15 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., Blue Square Re N.V., TKP Investments, Kames Capital Plc, Aegon Asset Management Asia Limited, AEGON Global Technology Europe, Aegon USA Investment Management LLC, Saemor Capital B.V. and Pelargos Capital B.V., Aegon Hungary Investment Fund Management Company and AEGON – Unión Aseguradora S.A. Year end balances for related party transactions are detailed in notes 4 and 7.

Notes to the profit and loss account for the year ended 31 December

20. Risk Management

General

The Company operates a formal risk management framework to identify, assess and manage risk. The Company complements this with a robust control framework, overseen via a monthly control meeting cycle, which culminates in the monthly Risk and Control Committee meeting. The Company also has a series of policies setting out the standards the Management Board expects and the restrictions on the employees' authority. Taken together, these elements help to articulate the risk tolerance. Any changes to these policies as a consequence of strategic initiatives will be reviewed to ensure that they are aligned with the risk tolerance of the Management Board.

The Company is primarily exposed to operational risks and to a lesser extent to financial risks.

Operational Risk

Operational risk is the risk of losses resulting from inadequate or failed internal or external processes, people and systems, or from external events. The Company seeks to minimize operational risk events and has no tolerance for single event related losses exceeding € 6 million more frequently than once every 10 years and have no tolerance for single event related losses exceeding € 0.5 million more frequently than once every 12 months. During the year, the Company has made steps to reduce the operational risk profile by completing a number of projects aimed at a higher degree of automation and improved data quality, by a more robust mandate compliance procedure and by improving the governance around a number of models. The Company has also renewed its errors and omissions insurance policy with a lower own risk as a result of which the impact of operational losses is further reduced.

Legal & compliance risk

Legal & compliance risk is defined as the risk that losses occur due to non-voluntary legal liabilities, inadequate legal documentation, inadequate patenting of brands and intellectual property, and the risk of impairment to the organization's business model, reputation, integrity and financial condition, resulting from failure to comply with laws, regulations and internal company rules and policies, as well as late identification of significant legal and regulatory development. This includes the risk of failure to comply with established good business practices and expectations of key stakeholders such as customers, employees and society as a whole. The Company has a dedicated legal department that actively identify and address developments in the regulatory environment and translates this into a regulatory calendar. From a second line perspective, the Company's compliance department has a monitoring program in place to monitor compliance with regulation and policies.

Financial Risk

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. In addition to the financial risks the Company has identified group 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.

Notes to the profit and loss account for the year ended 31 December

Credit Risk

Credit risk is the risk that a counterparty defaults on contractual or other agreed obligations (including supplied credits, loans, claims, received warranties) whether or not as a result of being subject to limitations of foreign payments. The policy of the Company is not to carry out credit activities. There is a very small risk within the Company of not being able to collect management fees from the funds the Company manage. The Company considers that the exposure to credit risk is limited given the prior experience where the Company have not had to write off any significant bad debts over the past 10 years.

A counterparty management policy is in place which limits the maximum amount of our own funds which the Company deposit with individual banks. During normal market conditions a bank balance above the Companies internal set minimum of EUR 10 million will be deposited at a minimum of two counterparties with a high credit rating. This ensures that the Company engages with a minimum of three counterparties at all times thereby limiting the risk in this area.

The Company offers standard industry credit terms to clients. The credit risk to clients is very limited as the fee income is related to funds and Aegon Nederland N.V. The credit risk relates to the clients of the Company (not related to Aegon Nederland N.V.) with a discretionary portfolio. On average the fee income from the clients of the Company with a discretionary portfolio represent a marginal amount of the total fee income. As the risk is insignificant the Company accepts this risk. The third party growth strategy could lead to an increasing number of discretionary portfolios and consequently a higher amount of receivables on which credit risk applies.

Aged items are monitored by the Finance team of the Company and action is taken to recover such debts (through deduction from client assets if appropriate). The Company does not impose restrictions on the size of such debts, but aims to collect them in a timely way, thus reducing the amount of capital required to cover them. The Company has no appetite for on balance sheet trading activity that might create counterparty risk.

Details of these balances are listed under notes 4, 5 and 6 of the notes to the financial statements.

Liquidity Risk

Liquidity risk considers the probability that insufficient cash is available to fulfil obligations. Liabilities that require liquid capital from the Company are in relation to operating expenses and the Company has a liquidity policy requiring a minimum level of working capital that enables it to manage liquidity risk. The key feature of this policy is that the Company is required to hold liquid capital to cover at least 3 months expenditure on a continuous basis. In practice liquid assets are considerably higher than this.

The Company monitors the composition of the balance sheet as well as the size of the balance sheet. This therefore reviews the cash balances available to make payments as they fall due. The review of the future forecasts shows that the Company is able to maintain sufficient liquid assets to meet its liabilities.

Details of these balances are listed under notes 4, 5 and 6 of the notes to the financial statements.

Notes to the profit and loss account for the year ended 31 December

Market Risk

Market risk is the risk resulting from exposure to changes in market prices of tradable financial instruments within a portfolio. The Company has a very simple balance sheet consisting largely of cash and short-term assets and liabilities; all client assets are held separately off-balance sheet for the risk of clients. With the exception of the possibility of holding seed capital positions in certain circumstances, it is policy of the Company that investments are not carried out for its own account and therefore the direct exposure to market risk is limited. Currently, the Company does not hold any seed capital positions.

The Company is exposed to indirect market risk caused by fluctuations in the wider financial markets that will affect the valuation of the assets that the Company manage. The Company is therefore subject to indirect market risk through market impacts on fee income. Although the Company retains the ability to hedge this risk in certain situations the Company generally considers it uncontrollable, as it is inherent in the business of asset management. In practice, the exposure to this risk is diversified, to a degree, by having significant exposure to both bonds and equities.

The Company has a not complex balance sheet consisting largely of cash and short-term assets and liabilities; all client assets are held separately off-balance sheet for the risk of clients.

Group Risk

The Company is part of the Aegon N.V. Group and within this is a member of the Aegon Asset Management Group and is thus subject to group risk. This is inherent to our organisational structure. Group risk may impact us in a number of ways:

- potential financial or reputational difficulties at Group level
- the Group's control over our actions or spending power
- Group actions such as takeover activity or strategic announcements (considered to be an inherent risk but mitigated through close communication).

The Company considers the benefits of membership of Aegon outweigh these potential risks. A key benefit of group membership is that capital and liquidity support over and above the Companies own capital requirement could be available as an additional buffer, depending on circumstances. An extra buffer is being held by Aegon Asset Management Holding B.V. already. Moreover it can reasonably be expected that in view of the strategic relevance of the Company to Aegon Group, as expressed in its strategy documentation, Group would be open to provide additional buffers in times of capital pressure for the Company.

21. Number of employees

During the years 2017 and 2016, the Company had no employees. Aegon Nederland N.V. employs all staff that work for Aegon Investment Management B.V. The number of average FTE that work for Aegon Investment Management B.V. is 222.6 (2016: 208.8).

Notes to the Profit and Loss account for the year ended 31 December

22. Director's remuneration

During the financial year 7 Director's held office (2016: 6). The total remuneration of the Directors in respect of their service to the Company was as follows:

	<u>2017</u>	<u>2016</u>
Salaries, pension, bonuses and other benefits	2,021	1,795

23. Contingent liabilities

As at 31 December 2017 the Company had no contingent liabilities.

24. Subsequent events

Between 31 December 2017 and the date of this report there were no subsequent events.

Signing of the financial statements

The Hague, The Netherlands

24 April 2018

P. Smith

G. Black

E. van der Maarel

R.R.S. Santokhi

W.J.J. Peters

B. Bakker

O. van den Heuvel

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 2017

In the coming Annual General Meeting of Shareholders it will be proposed to distribute a dividend of EUR 8,000.

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



Independent auditor's report

To: the general meeting of AEGON Investment Management B.V.

Report on the financial statements 2017

Our opinion

In our opinion AEGON Investment Management B.V.'s financial statements give a true and fair view of the financial position of AEGON Investment Management B.V. as at 31 December 2017, and of its result for the year then ended in accordance with Part 9 of Book 2 of the Dutch Civil Code.

What we have audited

We have audited the accompanying financial statements 2017 of AEGON Investment Management B.V., The Hague ('the Company').

The financial statements comprise:

- the balance sheet as at 31 December 2017;
- the profit and loss account for the year then ended; and
- the notes, comprising a summary of the accounting policies and other explanatory information.

The financial reporting framework that has been applied in the preparation of the financial statements is Part 9 of Book 2 of the Dutch Civil Code.

The basis for our opinion

We conducted our audit in accordance with Dutch law, including the Dutch Standards on Auditing. Our responsibilities under those standards are further described in the section 'Our responsibilities for the audit of the financial statements' of our report.

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

Independence

We are independent of AEGON Investment Management B.V. in accordance with the 'Wet toezicht accountantsorganisaties' (Wta, Audit firms supervision act), the 'Verordening inzake de onafhankelijkheid van accountants bij assurance-opdrachten' (ViO – Code of Ethics for Professional Accountants, a regulation with respect to independence) and other relevant independence requirements in the Netherlands. Furthermore, we have complied with the 'Verordening gedrags- en beroepsregels accountants' (VGBA – Code of Ethics for Professional Accountants, a regulation with respect to rules of professional conduct).

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PricewaterhouseCoopers Accountants N.V., Fascinatio Boulevard 350, 3065 WB Rotterdam, P.O. Box 8800, 3009 AV Rotterdam, the Netherlands

T: +31 (0) 88 792 00 10, F: +31 (0) 88 792 95 33, www.pwc.nl

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Report on the other information included in the annual report

In addition to the financial statements and our auditor's report thereon, the annual report contains other information that consists of:

- the directors' report;
- the other information pursuant to Part 9 of Book 2 of the Dutch Civil Code.

Based on the procedures performed as set out below, we conclude that the other information:

- is consistent with the financial statements and does not contain material misstatements;
- contains the information that is required by Part 9 of Book 2 of the Dutch Civil Code.

We have read the other information. Based on our knowledge and understanding obtained in our audit of the financial statements or otherwise, we have considered whether the other information contains material misstatements.

By performing our procedures, we comply with the requirements of Part 9 of Book 2 of the Dutch Civil Code and the Dutch Standard 720. The scope of such procedures was substantially less than the scope of those performed in our audit of the financial statements.

The directors are responsible for the preparation of the other information, including the directors' report and the other information in accordance with Part 9 of Book 2 of the Dutch Civil Code.

Responsibilities for the financial statements and the audit

Responsibilities of the directors

The directors are responsible for:

- the preparation and fair presentation of the financial statements in accordance with Part 9 of Book 2 of the Dutch Civil Code; and for
- such internal control as the directors determine is necessary to enable the preparation of the financial statements that are free from material misstatement, whether due to fraud or error.

As part of the preparation of the financial statements, the directors responsible for assessing the company's ability to continue as a going concern. Based on the financial reporting framework mentioned, the directors should prepare the financial statements using the going-concern basis of accounting unless the directors either intends to liquidate the company or to cease operations, or have no realistic alternative but to do so. The directors should disclose events and circumstances that may cast significant doubt on the company's ability to continue as a going concern in the financial statements.

Our responsibilities for the audit of the financial statements

Our responsibility is to plan and perform an audit engagement in a manner that allows us to obtain sufficient and appropriate audit evidence to provide a basis for our opinion. Our audit opinion aims to provide reasonable assurance about whether the financial statements are free from material misstatement. Reasonable assurance is a high but not absolute level of assurance that makes it possible that we may not detect all misstatements. Misstatements may arise due to fraud or error. They are considered to be material if, individually or taken together, they could reasonably be expected to influence the economic decisions of users taken based on the financial statements.



Materiality affects the nature, timing and extent of our audit procedures and the evaluation of the effect of identified misstatements on our opinion.

A more detailed description of our responsibilities is set out in the appendix to our report.

Rotterdam, 25 April 2018
PricewaterhouseCoopers Accountants N.V.

Original has been signed by M.D. Jansen RA



Appendix to our auditor's report on the financial statements 2017 of AEGON Investment Management B.V.

In addition to what is included in our auditor's report we have further set out in this appendix our responsibilities for the audit of the financial statements and explained what an audit involves.

The auditor's responsibilities for the audit of the financial statements

We have exercised professional judgement and have maintained professional scepticism throughout the audit in accordance with Dutch Standards on Auditing, ethical requirements and independence requirements. Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error. Our audit consisted, among other things of the following:

- Identifying and assessing the risks of material misstatement of the financial statements, whether due to fraud or error, designing and performing audit procedures responsive to those risks, and obtaining audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the intentional override of internal control.
- Obtaining an understanding of internal control relevant to the audit 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 company's internal control.
- Evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Concluding on the appropriateness of the directors' use of the going concern basis of accounting, and based on the audit evidence obtained, concluding whether a material uncertainty exists related to events and/or conditions that may cast significant doubt on the company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report and are made in the context of our opinion on the financial statements as a whole. However, future events or conditions may cause the company to cease to continue as a going concern.
- Evaluating the overall presentation, structure and content of the financial statements, including the disclosures, and evaluating whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.