

**Annual Report 2014**  
**AEGON Investment Management B.V.**  
**Year to 31 December 2014**

## Contents of the annual report

<b>Company information</b> .....	3
<b>Annual report 2014</b> .....	4
<b>Report of Directors</b> .....	<b>5</b>
<b>Financial statements</b> .....	<b>10</b>
Balance sheet as at 31 December .....	11
Profit and Loss account for the year ended 31 December .....	12
Cash flow statement for the year ended 31 December .....	13
Notes to the financial statements .....	14
<b>Other information</b> .....	<b>29</b>
Statutory provision regarding appropriation of the result .....	29
Appropriation of the result 2014 .....	29
Independent auditor's report .....	30

## **Company information**

### **Members of the Management Board**

Ms. Sarah A.C. Russell

Mr. Philip J.G. Smith (resigned as per 22 July 2014)

Mr. Alexander H. Maatman (appointed as per 22 July 2014)

Mr. Eric van der Maarel (appointed as per 9 March 2015)

Mr. Rishi R.S. Santokhi

Mr. Henk Eggens

Mr. Wouter J.J. Peters

### **Secretary**

Ms. Welmoed Jansen

### **Registered Office**

AEGONplein 50

2591 TV, The Hague

The Netherlands

### **Independent Auditors**

PricewaterhouseCoopers Accountants N.V.

Thomas R. Malthusstraat 5

1066 JR, Amsterdam

The Netherlands

## **Annual report 2014**

- 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 2014 showed a divergence in the policy of central banks across the world. Whereas the Federal Reserve gradually built down their QE program, the Japanese central expanded their QE program and the European Central Bank started a QE program. This divergence of policy was driven by a divergence of these economies. The economy in the US grew compared to a much slower economic growth in Europe and Japan. During the last months of 2014, commodity prices declined rapidly leading to lower inflation in the US, Europe and Japan.

On an aggregate level, the Company's total assets under management moved up significantly from EUR 52.4 billion as per the beginning of the year to EUR 61.8 billion as per the end of the year.

Under the circumstances mentioned above our fixed income portfolios achieved a positive absolute return for 2014 of approximately EUR 6.0 billion. In addition to the market movements, there was a net inflow of approximately EUR 4.1 billion, predominantly in the General Account and the Third Party client segments. Over the full year, fixed income assets under management increased from EUR 37.8 billion to EUR 47.9 billion.

Equity assets under management decreased from EUR 11.5 billion as per the beginning of the year to EUR 10.9 billion as per year end. Although there was a positive market movement amounting to EUR 1.5 billion, this effect was offset by a EUR 2.1 billion net outflow of equity assets.

Alternative investments under management (consisting of for instance the derivatives and hedging book and private equity investments) decreased slightly from EUR 3.1 billion to EUR 2.9 billion.

### Performance of the Company and developments during the year

#### *Performance of the Company*

The Company delivered a profit after tax of EUR 7,770k (2013: loss of EUR 3,995k). The result over 2014 is a significant improvement compared to the previous year which result was 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 in 2013. During 2014 our asset base has grown significantly, both for our General Account client as well as our third party clients resulting in a strong increase of our net revenues.

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 significantly higher compared to the previous year due to the aforementioned asset growth.

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

The aforementioned developments led to a profit after tax of EUR 7,770k compared to prior year's loss.

During the year, the Company received a capital contribution from the parent company AEGON Asset Management Holding B.V. amounting to EUR 4.3 million and has been initiated to enhance the capital position of the Company. As at 31 December 2014 the Company's equity amounted to EUR 39.4 million compared to the minimum capital required of EUR 25.0 million as per that date.

#### *Developments during the year*

The Company continued to produce strong investment performance and almost all flagship funds outperformed their benchmarks. From a commercial perspective, the Company grew its asset base significantly driven by large inflows of EUR 1.6 billion in the Mortgage fund for third party clients and steady growth of the general account client. The Company will continue to work on further developing the product range as part of its strategy to grow third party assets.

From an operational perspective, the Company completed a number of initiatives aimed at upgrading its infrastructure, client service, reducing complexity and enhancing the quality of data. Further enhancements, primarily in the area of IT are planned for 2015 and these could entail some capital investment.

The focus of the Company during 2014 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). AIFM has been implemented during 2014 and EMIR and FATCA are expected to be fully implemented during 2015.

In parallel to the abovementioned local initiatives, we have been working together in our global AAM organisation to move forward with the following three global initiatives that we have started:

1. Global Asset Allocation
2. Global Distribution
3. Global COO

The Global Asset Allocation initiative is about defining and implementing our house view, product development and thought leadership.

The Global distribution initiative is about uplifting our corporate narrative, strengthening our sales teams in all locations and ensuring that we build relationships to expand our distribution network.

The Global COO initiative is about optimising our IT, implementing global vendor management and to achieve shared service centers for market data management, performance measurement and OTC derivatives.

## **Responsible investment**

During 2014 we continued to work on the various Responsible Investment (RI) activities and focused on ESG training, expanding our ESG Research platform and capabilities, proxy-voting processes and policies, impact investment and internal governance. We have reviewed the functioning of the global AEGON RI Committee and will continue to work on formalization and embedding of RI processes in the organization. We will also focus on the theme of climate change for which we have taken first steps, such as measuring the carbon footprint of our investments.

## **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 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 6 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 6.

### ***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 2015 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.

### **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 much as possible a balanced distribution on their Executive Committee with at least 30% of the seats occupied by women and at least 30% by men. Looking at the year-end 2014 situation, Aegon Investment Management B.V. did not comply with this requirement (20% of the Executive Committee was occupied by women). In 2015, the aim of a balanced composition of the Executive Committee 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

Mr. Philip J.G. Smith (resigned as per 22 July 2014)

A.H. Maatman (appointed as per 22 July 2014)

H. Eggens

R.R.S. Santokhi

W.J.J. Peters

The Directors have declared that they had no interest in the share capital of the Company in the financial year ended 31 December 2014.

This report was approved by the Board of Directors and authorised for issue on 21 April 2015.

The Hague, The Netherlands

S.A.C. Russell

A.H. Maatman

E. van der Maarel

H. Eggens

R.R.S. Santokhi

W.J.J. Peters

## **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 as at 31 December**

(all amounts are in thousands of Euro)

	Notes	<u>2014</u>	<u>2013</u>
<b>Assets</b>			
<b>Non-current assets</b>			
Intangible assets	3	2,043	406
<b>Current assets</b>			
Intercompany receivables	4	1,624	5,858
Trade receivables, prepayments and other receivables	5	4,611	11,287
Corporate income tax receivable		-	1,332
Cash and cash equivalents	6	<u>45,596</u>	<u>29,755</u>
		53,874	48,638
<b>Non-current liabilities</b>			
Provisions	7	<u>(440)</u>	-
		(440)	-
<b>Current liabilities</b>			
Intercompany payables	8	(2,692)	(10,330)
Trade payables and other creditors	9	(8,748)	(7,935)
Corporate income tax payable	10	(2,590)	-
Provisions	11	<u>-</u>	<u>(1,049)</u>
		(14,030)	(19,314)
<b>Total assets less current liabilities</b>		<u><u>39,404</u></u>	<u><u>29,324</u></u>
<b>Net assets</b>		39,404	29,324
<b>Shareholders' equity</b>			
Share capital	12	1,134	1,134
Share premium		32,986	28,676
Others reserves		(2,486)	3,509
Net result for the year		<u>7,770</u>	<u>(3,995)</u>
		<u><u>39,404</u></u>	<u><u>29,324</u></u>

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

(all amounts are in thousands of Euro)

	Notes	<u>2014</u>	<u>2013</u>
Net management fee	13	48,516	41,049
Net service fee	14	(352)	(104)
Net performance fee	15	938	(4,533)
Other income	16	5,400	5,377
<b>Total income</b>		<u>54,502</u>	<u>41,789</u>
Staff expenses	17	(29,488)	(29,529)
Other operating expenses	18	(13,973)	(16,296)
Other expenses		(340)	(229)
<b>Total expenses</b>		<u>(43,801)</u>	<u>(46,054)</u>
<b>Operating profit/(loss) for the year</b>		10,701	(4,266)
Addition to provisions	7, 11	(415)	(1,049)
Interest income	19	105	16
Interest expense	20	(31)	(28)
<b>Profit/(loss) on ordinary activities before taxation</b>		10,360	(5,327)
Tax (charge)	21	(2,590)	1,332
<b>Profit/(loss) for the financial year</b>		<u>7,770</u>	<u>(3,995)</u>

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

(all amounts are in thousands of Euro)

	<u>2014</u>	<u>2013</u>
<i>Operating activities:</i>		
Operating profit/(loss)	10,701	(4,266)
<i>Adjustments to reconcile Operating profit/(loss) before tax to net cash flow from operating activities:</i>		
Decrease/(Increase) in non-current assets	(1,637)	(406)
Decrease/(increase) in current assets	12,242	9,037
Increase/(Decrease) in current liabilities	<u>(7,849)</u>	<u>3,061</u>
<b>Net cash flow from operating activities</b>	<u>13,457</u>	<u>7,427</u>
<i>Financing activities:</i>		
Capital contribution	4,310	2,682
Dividend paid	(2,000)	-
Interest received	105	16
Interest paid	<u>(31)</u>	<u>(28)</u>
<b>Net cash flow from financing activities</b>	<u>2,384</u>	<u>2,670</u>
<b>Net increase in cash and cash equivalents</b>	<u>15,841</u>	<u>10,096</u>
Cash and cash equivalents as at 1 January	29,755	19,659
Cash and cash equivalents as at 31 December	<u>45,596</u>	<u>29,755</u>
	<u>15,841</u>	<u>10,096</u>

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

## Notes to the financial statements

### 1. General information

AEGON Investment Management B.V. is an Investment Management Company, 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 manager of AEGON Paraplufonds I which sub funds are registered with the AFM. The Company is also manager of institutional investment funds (AIF's) which are also regulated and registered with the AFM and manager of non-registered funds. 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, unless stated otherwise..

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, with the exception of the changes in accounting policies as set out in the relevant sections.

## **Accounting principles**

### ***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 on assets that are in use and on assets that have not been fully implemented or are not fully in operation.

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.

### ***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 and cash equivalents are recognised initially at fair value and subsequently measured at amortised cost, unless stated otherwise.

### ***Provisions***

The provision concerns a restructuring provision resulting from some organisational changes that have been implemented in 2014. The amount accounted for reflects payables for contract terminations.

### ***Revenue***

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.

### ***Other income and expenses***

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

***Incentive plans***

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. For employees marked as Identified Staff (IS), the variable remuneration consists of a 60% upfront payment in cash and shares and a 40% deferred payment in cash and shares. Shares granted concern shares of the ultimate parent entity, Aegon N.V. Condition for payment of deferred rights in the future is that employees remain employed within the Aegon N.V. organisation.

***Income tax***

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.

**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 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.

## Notes to the balance sheet as at 31 December

### 3. Intangible assets

	<u>2014</u>	<u>2013</u>
Software	2,043	406
	<b><u>2,043</u></b>	<b><u>406</u></b>

The movement in intangible assets is as follows:

	<u>2014</u>	<u>2013</u>
As at January 1	406	-
Additions	1,637	406
Disposals	-	-
Impairment losses	-	-
Amortization through income statement	-	-
Other movements	-	-
	<b><u>2,043</u></b>	<b><u>406</u></b>

Intangible assets in the balance sheet comprise purchased capitalized software. As at year end 2014 systems have not been fully implemented and are not fully in operation. Amortization will take place once a system has been fully implemented and is in operation.

### 4. Intercompany receivables

	<u>2014</u>	<u>2013</u>
Intercompany receivables with Saemor Capital B.V. and Pelargos Capital B.V.	615	-
Intercompany receivables with AEGON Asset Management Holding B.V	789	5,794
Intercompany receivables with AEGON Nederland N.V.	-	4
Intercompany receivables with TKP Investments B.V.	220	25
Intercompany receivables with AEGON N.V.	-	23
Intercompany receivables with AEGON Magyarország Befektetési Alapkezelő Zrt.	-	12
	<b><u>1,624</u></b>	<b><u>5,858</u></b>

## Notes to the balance sheet as at 31 December

### 5. Trade receivables, prepayments and other receivables

	<u>2014</u>	<u>2013</u>
Trade receivables, prepayments and other receivables	1,788	2,414
Management fee receivable from the AEGON funds	2,629	8,181
Service fee receivable from the AEGON funds	<u>194</u>	<u>692</u>
	<b><u>4,611</u></b>	<b><u>11,287</u></b>

Outstanding balances are unsecured and cash settlement is generally expected within 45 days of invoice. During the year ended 31 December 2014 the Company has not made any provision for doubtful debtors.

### 6. Cash and cash equivalents

	<u>2014</u>	<u>2013</u>
Cash at banks	1,170	10,748
Short term deposits	<u>44,426</u>	<u>19,007</u>
	<b><u>45,596</u></b>	<b><u>29,755</u></b>

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 as at 31 December**
**7. Provisions non-current**

	<u>2014</u>	<u>2013</u>
As at January 1	-	-
Additions	440	-
Amounts used during the year	-	-
Unused amounts reversed during the period	-	-
Other movements	-	-
	<u><b>440</b></u>	<u><b>-</b></u>

The provision concerns a restructuring provision resulting from some organisational changes that have been implemented in 2014. The amount accounted for reflects payables for contract terminations. Corresponding payments are expected to be made within two years from the balance sheet date.

**8. Intercompany payables**

	<u>2014</u>	<u>2013</u>
Intercompany payables with AEGON Nederland N.V.	1,830	-
Intercompany payables with AEGON USA Investment Management LLC	460	388
Intercompany payables with Kames Capital plc	119	488
Intercompany payables with AEGON Global Technology Europe	226	400
Intercompany payables with Saemor Capital B.V. and Pelargos Capital B.V.	-	9,054
Intercompany payables with AEGON N.V.	57	-
	<u><b>2,692</b></u>	<u><b>10,330</b></u>

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

	<u>2014</u>	<u>2013</u>
Payables due to bonus reservations	3,317	3,139
Payables due to management fee expenses to sub advisors	511	579
Payables due to fund administration expenses	1,912	805
Payables due to crisis levy	-	705
Service fee payable to the AEGON funds	84	-
Other payables and accrued expenses	<u>2,924</u>	<u>2,707</u>
	<b><u>8,748</u></b>	<b><u>7,935</u></b>

**10. Corporate income tax payable**

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

**11. Provisions current**

	<u>2014</u>	<u>2013</u>
As at January 1	1,049	-
Additions	-	1,049
Amounts used during the year	(1,024)	-
Unused amounts reversed during the period	(25)	-
Other movements	<u>-</u>	<u>-</u>
	<b><u>-</u></b>	<b><u>1,049</u></b>

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. Corresponding payments have been made in 2014.

**Notes to the balance sheet as at 31 December**
**12. Shareholders' equity**

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

<b>Share capital – par value</b>	<u><b>2014</b></u>	<u><b>2013</b></u>
<b>Authorised Share Capital</b>		
2,500 Ordinary Shares of EUR 454 each	1,134	1,134
<b>Allotted, called up and fully paid</b>		
2,500 Ordinary Shares of EUR 454 each	1,134	1,134

The movement in shareholders' equity is as follows:

	<u><b>Share Capital</b></u>	<u><b>Share Premium</b></u>	<u><b>Other Reserves</b></u>	<u><b>Net result for the year</b></u>	<u><b>Total</b></u>
<b>As at 1 January 2013</b>	<b>1,134</b>	<b>25,994</b>	<b>2,452</b>	<b>1,057</b>	<b>30,637</b>
Capital contribution	-	2,682	-	-	2,682
Add profit PY to other reserves	-	-	1,057	(1,057)	-
Profit for the financial year	-	-	-	(3,995)	(3,995)
<b>As at 1 January 2014</b>	<b>1,134</b>	<b>28,676</b>	<b>3,509</b>	<b>(3,995)</b>	<b>29,324</b>
Capital contribution	-	4,310	-	-	4,310
Dividends paid	-	-	(2,000)	-	(2,000)
Add profit PY to other reserves	-	-	(3,995)	3,995	-
Profit for the financial year	-	-	-	7,770	7,770
<b>As at 31 December 2014</b>	<b>1,134</b>	<b>32,986</b>	<b>(2,486)</b>	<b>7,770</b>	<b>39,404</b>

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.

**Notes to the Profit and Loss account for the year ended 31 December**
**13. Net management fee**

	<u>2014</u>	<u>2013</u>
Intercompany management fee income from AEGON Nederland N.V.	50,715	47,000
Management fee income third parties	<u>8,942</u>	<u>5,798</u>
<b>Total management fee income</b>	59,657	52,798
Intercompany management fee expense to Saemor Capital B.V. and Pelargos Capital B.V.	(6,502)	(7,072)
Intercompany management fee expense to AEGON USA Investment Management LLC	(1,078)	(881)
Intercompany management fee expense to TKP Investments	(1,305)	(1,444)
Management fee expense to third parties	<u>(2,256)</u>	<u>(2,352)</u>
<b>Total management fee expense</b>	<u>(11,141)</u>	<u>(11,749)</u>
<b>Net management fee</b>	<b>48,516</b>	<b>41,049</b>

**14. Net service fee**

	<u>2014</u>	<u>2013</u>
Service fee income	8,670	8,144
Service fee expense	<u>(9,022)</u>	<u>(8,248)</u>
	<b><u>(352)</u></b>	<b><u>(104)</u></b>

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.

The comparative figures of 2013 for services fee expenses and other administrative expenses has been restated due to a reclassification for fund administration expenses and bank costs.

**15. Net performance fee**

	<u>2014</u>	<u>2013</u>
Intercompany performance fee income from AEGON Nederland N.V.	938	785
Intercompany performance fee expense with respect to Saemor Capital B.V. and Pelargos Capital B.V.	<u>-</u>	<u>(5,318)</u>
	<b><u>938</u></b>	<b><u>(4,533)</u></b>

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

### 16. Other income

	<u>2014</u>	<u>2013</u>
Security lending fee from AEGON Nederland N.V.	500	500
Security lending fee from third parties	101	92
Other services to AEGON Nederland N.V.	4,450	4,450
Other income	<u>349</u>	<u>335</u>
	<u><b>5,400</b></u>	<u><b>5,377</b></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 973 (2013: EUR 1,777).

### 17. Staff expenses

Staff expenses are EUR 29,488 (2013: EUR 29,529) 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 22.

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

Share based payments:

	<u>2014</u>	<u>2013</u>
Share based recognised in the profit and loss account	479,215	472,035
Share based bonuses granted	501,176	537,072

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

### 18. Other operating expenses

	<u>2014</u>	<u>2013</u>
Intercompany charges Kames Capital plc	1,203	1,384
Intercompany charges AEGON USA Investment Management LLC	2,649	1,982
Intercompany charges AEGON Nederland N.V.	2,097	2,377
Intercompany charges AEGON Asset Management Holding B.V.	1,551	2,427
Intercompany charges TKP Investments	(304)	(234)
Intercompany charges AEGON US AGT TransAmerica	-	179
Intercompany charges AEGON Global Technology Europe	1,667	1,317
Intercompany charges AEGON Magyarország Befektetési Alapkezelő Zrt.	(92)	(129)
Intercompany charges AEGON Asset Management (Asia) Limited	(5)	(32)
Software maintenance expenses	958	921
Data/Research services expenses	2,334	2,125
Other administrative expenses	<u>1,915</u>	<u>3,981</u>
	<b><u>13,973</u></b>	<b><u>16,296</u></b>

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

The comparative figures of 2013 for services fee expenses and other administrative expenses has been restated due to a reclassification for fund administration expenses and bank costs.

The independent auditor's expenses for 2014 consist of:

	<u>2014</u>	<u>2013</u>
Audit of the financial statements	24	21
Other audit procedures	586	630
Tax services	-	-
Other non-audit services	<u>-</u>	<u>-</u>
	<b><u>610</u></b>	<b><u>651</u></b>

The other audit expenses comprises audited expenses for investment funds and client mandates amounted to EUR 537 (2013: EUR 588).

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

### 19. Interest income

	<u>2014</u>	<u>2013</u>
Short term deposits interest income	36	10
Intercompany interest income	<u>69</u>	<u>6</u>
Short term deposits interest income	<u><b>105</b></u>	<u><b>16</b></u>

### 20. Interest expense

	<u>2014</u>	<u>2013</u>
Bank charges and overdraft interest expense	19	17
Intercompany interest expense	<u>12</u>	<u>11</u>
	<u><b>31</b></u>	<u><b>28</b></u>

### 21. Tax charge

#### Reconciliation of tax charge

	<u>2014</u>	<u>2013</u>
Accounting profit/(loss) before tax	<u>10,360</u>	<u>(5,327)</u>
Accounting profit multiplied by the NL standard rate of Corporation tax of 25%	(2,590)	1,332
Non-deductable expenses	<u>-</u>	<u>-</u>
Total tax (credit) in the profit and loss account statement	<u>(2,590)</u>	<u>1,332</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.

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

### 22. 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 13, 15 and 16 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 17 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 Limited, 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 for the year ended 31 December

### 23. 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 6 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 6.

#### 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.

### 24. Number of employees

During the years 2014 and 2013, 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 172.9 (2013: 176.6).

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

### 25. 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:

	<u>2014</u>	<u>2013</u>
Salaries, pension, bonuses and other benefits	973,609	1,415,364

### 26. Contingent liabilities

As at 31 December 2014 the Company had no contingent liabilities.

### 27. Subsequent events

Between 31 December 2014 and the date of this report there were no subsequent events.

### Signing of the financial statements

The Hague, The Netherlands

21 April 2015

S.A.C. Russell

A.H. Maatman

E. van der Maarel

H. Eggens

R.R.S. Santokhi

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 2014**

In the coming Annual General Meeting of Shareholders it will be proposed to distribute a dividend of EUR (15,000).

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**

We have audited the accompanying financial statements 2014 of AEGON Investment Management B.V., Den Haag, which comprise the balance sheet as at 31 December 2014, the profit and loss account for the year then ended and the notes, comprising a summary of accounting policies and other explanatory information.

*Directors' responsibility*

The directors are responsible for the preparation and fair presentation of these financial statements and for the preparation of the report of Directors, both in accordance with Part 9 of Book 2 of the Dutch Civil Code. Furthermore, the directors are responsible for such internal control as they determine 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 company'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 company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial statements.

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

*Opinion*

In our opinion, the financial statements give a true and fair view of the financial position of AEGON Investment Management B.V. as at 31 December 2014, and of its result for the year then ended in accordance with Part 9 of Book 2 of the Dutch Civil Code.

**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 report of Directors, 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 report of Directors, 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.

Amsterdam, 21 April 2015  
PricewaterhouseCoopers Accountants N.V.

M.D. Jansen RA