

Semi-annual Report 2014
AEGON Investment Management B.V.
Period to 30 June 2014

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Company information

Members of the Management Board

Ms. Sarah A.C. Russell

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

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

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

Netherlands

Auditors

PricewaterhouseCoopers Accountants N.V.

Thomas R. Malthusstraat 5

1066 JR, Amsterdam

The Netherlands

Semi-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 and Autoriteit Financiële Markten.

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

General market developments

In the first half year of 2014 the economy in Europe continued to recover. Labour markets improved, specifically in the periphery, and credit ratings improved as well. Inflation dropped to a level of approximately 0,5% as a result of which the ECB has lowered interest rates further to prevent deflation.

Under these circumstances fixed income portfolios achieved a positive absolute return during the first half of 2014 of approximately EUR 2,7 billion enhanced by net inflows amounting to approximately EUR 3,6 billion (mainly driven by our General Account client). Over the first half year 2014, fixed income assets under management increased from EUR 37,8 billion to EUR 44,1 billion.

Equity assets under management decreased from EUR 11,5 billion as per the beginning of the year to EUR 10,5 billion as per half year end. An amount of approximately EUR 0,7 billion is due to positive market movements and this effect was offset by a EUR 1,7 billion net outflow of equity assets.

Alternative investments under management (consisting of for instance the derivatives and hedging book and private equity investments) increased from EUR 3,1 billion to EUR 3,8 billion. This increase was predominantly driven by market movements.

On an aggregate level, the Company's total assets under management increased from EUR 52,4 billion as per the beginning of the year to EUR 58,4 billion.

Performance of the Company and developments during the half year

Performance of the Company

The Company delivered a profit after tax of EUR 3,004k (2013: EUR 1,587k). The result during the first half year of 2014 was above Directors' expectations for 2014 mainly driven by higher inflows and positive market movements. Total income increased and total cost decreased compared to the first half year of 2013.

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. The increase in fee income compared to 2013 is due to higher assets under management. In general the management fee as part of the fee income increased for affiliated Aegon entities and external clients.

The main expenses of the Company are personnel expenses, investment management services fees, IT expenses and intercompany recharges. The lower costs are mainly due to lower intercompany recharges received from affiliated Aegon entities which more than compensate our higher IT project costs.

The aforementioned developments led to a profit after tax of EUR 3,004k which is higher compared to prior half year's profit.

Developments during the period

During the first half of 2014 and up to the 22nd of July, the Company implemented all requirements with respect to the Alternative Investment Fund Manager Directive (AIFMD), a directive which was embedded in local laws in the previous year. With implementing these requirements, the license of the Company was automatically converted into an AIFM license.

Corporate governance, capital management and financial instruments

The Company has established a governance framework for monitoring and overseeing strategy, conduct of business standards and operations of the business across the group that includes a clearly stated corporate organisational structure, appropriate delegated authorities and independent internal audit and risk management functions. Risk management for the Company operates within this governance framework.

The Company operates a formal risk management framework to assess operational and business risks and mitigating controls. In addition the Company reviews risks as part of its Internal Capital Adequacy Assessment Process. The Directors consider that the Company is subject largely to business market risk, business reputational risk and operational risk. They operate a policy which is designed to ensure that after taking account of mitigating actions and future profits, the Company maintains a level of capital that is appropriate for the risks it faces.

- Business risk (market) considers the impact of significant falls in both equity and bond markets on assets under management and fee income.
- Business risk (reputational) considers the impact of events such as potential poor investment performance or poor service delivery on sales and withdrawals.
- Operational risk considers the impact of inadequate or failed operational processes which may impact in terms of higher costs and also cause reputational damage.

The Company's objective in managing its capital is to ensure that there are adequate resources to meet the Company's liabilities as they fall due, and to allocate capital efficiently to support growth and repatriate excess capital where appropriate. The Company manages its capital by measuring its resources and cash available on a regular basis.

The Company is regulated by De Nederlandsche Bank and Autoriteit Financiële Markten. The Company maintains capital in line with the requirements from De Nederlandsche Bank. The Company reports its capital position to De Nederlandsche Bank on a quarterly basis. The Directors operate a policy which is designed to ensure that the Company maintains a level of capital that is appropriate for the risks it faces.

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

Financial risks

General

The company is exposed to financial risks. The main financial risks are credit risk, liquidity risk and market risk, with the principal elements of market risk being interest rate risk and equity price risk. The company is not exposed to significant currency risk other than through exposure to the funds it manages. 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 and cash and cash equivalents. The Company does not hold financial instruments which give rise to concentrations of risk. Details of these balances are listed under notes 4, 5 and 7 of the notes to the financial statements.

Liquidity risk

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

Market risk

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

Interest rate risk

Interest rate risk is significant only in the impact of interest rate movements upon our assets under management. This refers to business risk caused by fluctuations in the interest rates that will affect the valuation of the fixed income securities that we manage. The company is not exposed to significant interest rate risk since it does not hold interest bearing financial instruments such as bonds. The Company is 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 during the remainder of 2014 our aim is to make further progress with our infrastructure upgrade while increasing the amount of assets we manage for third party customers.

Directors and their interests

Directors at the date of signing who served throughout the period.

S.A.C. Russell

P.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 period ended 30 June 2014.

This report was approved by the Board of Directors and authorised for issue on 28 August 2014.

The Hague, The Netherlands

S.A.C. Russell

A.H. Maatman

H. Eggens

R.R.S. Santokhi

W.J.J. Peters

Semi-annual Financial statements

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

Balance sheet as at 30 June 2014 and 31 December 2013

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

	Notes	30-06 -2014	31-12-2013
Assets			
Non-current assets			
Intangible assets	3	535	406
Current assets			
Intercompany receivables	4	3,074	5,858
Trade receivables, prepayments and other receivables	5	6,114	11,287
Corporate income tax receivable	6	-	1,332
Cash and cash equivalents	7	34,954	29,755
		<u>44,677</u>	<u>48,638</u>
Current liabilities			
Intercompany payables	8	(1,150)	(10,330)
Trade payables and other creditors	9	(7,419)	(7,935)
Corporate income tax payable	10	(1,001)	-
Provisions	11	(468)	(1,049)
		<u>(10,038)</u>	<u>(19,314)</u>
Total assets less current liabilities		<u><u>34,639</u></u>	<u><u>29,324</u></u>
Net assets		34,639	29,324
Shareholders' equity			
Share capital	12	1,134	1,134
Share premium		32,987	28,676
Others reserves		(2,486)	3,509
Net result for the period		3,004	(3,995)
		<u>34,639</u>	<u>29,324</u>

Profit and Loss account for the half year ended 30 June 2014 and 2013

	Notes	<u>2014</u>	<u>2013</u>
Net management fee	13	22,880	22,516
Net service fee	14	2,440	1,610
Net performance fee	15	-	7
Other income	16	2,855	2,819
Total income		<u>28,175</u>	<u>26,952</u>
Staff expenses	17	(14,271)	(14,985)
Other operating expenses	18	(9,704)	(9,793)
Other expenses		<u>(271)</u>	<u>(54)</u>
Total expenses		<u>(24,246)</u>	<u>(24,832)</u>
Operating profit for the half year		3,929	2,120
Interest income	19	86	3
Interest expense	20	<u>(10)</u>	<u>(7)</u>
Profit on ordinary activities before taxation		4,005	2,116
Tax (charge)	21	<u>(1,001)</u>	<u>(529)</u>
Profit for the financial half year		<u>3,004</u>	<u>1,587</u>

Cash flow statement for the half year ended 30 June 2014 and 2013

	<u>2014</u>	<u>2013</u>
<i>Operating activities:</i>		
Operating profit	3,929	2,120
<i>Adjustments to reconcile Operating profit before tax to net cash flow from operating activities:</i>		
Decrease/(increase) in current assets	9,289	9,026
(Decrease)/increase in current liabilities	<u>(10,277)</u>	<u>(5,439)</u>
Net cash flow from operating activities	<u>2,941</u>	<u>5,707</u>
<i>Investing activities:</i>		
Decrease/(increase) in non-current assets	<u>(129)</u>	<u>(195)</u>
Net cash flow from investing activities	<u>(129)</u>	<u>(195)</u>
<i>Financing activities:</i>		
Capital contribution	4,311	-
Dividends paid	(2,000)	-
Interest received	86	3
Interest paid	<u>(10)</u>	<u>(7)</u>
Net cash flow from financing activities	<u>2,387</u>	<u>(4)</u>
Net increase in cash and cash equivalents	<u>5,199</u>	<u>5,508</u>
Cash and cash equivalents as at 1 January	29,755	19,659
Cash and cash equivalents as at 30 June	<u>34,954</u>	<u>25,167</u>
	<u>5,199</u>	<u>5,508</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 asset manager of AEGON Paraplufonds I which is an AFM registered investment fund. The Company is also asset manager of multiple non-registered funds and pools for the institutional clients of our insurance affiliate.

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

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

Citibank International Plc (Dutch Branch) is the depository of the funds and pools under management of the Company. AEGON Custody B.V. is the legal owner of the assets of the funds.

2. Summary of significant accounting policies

Accounting principles

The financial statements have been prepared under the historical cost convention and in accordance with accounting principles generally accepted in the Netherlands and with the financial reporting requirements included in Title 9 of Book 2 of the Dutch Civil Code.

Unless otherwise stated, all other assets and liabilities are stated at face value.

Assets and liabilities denominated in foreign currencies are translated into Euros at rates prevailing at the balance sheet date. Transactions in foreign currencies are translated into Euros at the rates prevailing at the date of the related transaction.

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

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

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

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

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

Tax on income is computed by applying the current tax rate to the result for the financial year, adjusted for exempted sources of income and tax allowances.

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

Significant accounting judgments, estimates and assumptions

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

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

Intangible assets

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

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

Provisions

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

Notes to the balance sheet

3. Intangible assets

	<u>2014</u>	<u>2013</u>
Software	535	406
	<u>535</u>	<u>406</u>

The movement in intangible assets is as follows:

	<u>2014</u>	<u>2013</u>
As at January 1	406	-
Additions	129	406
Disposals	-	-
Impairment losses	-	-
Amortization through income statement	-	-
Other movements	-	-
	<u>535</u>	<u>406</u>

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

4. Intercompany receivables

	<u>2014</u>	<u>2013</u>
Intercompany receivable with AEGON Asset Management Holding B.V	3,019	5,794
Intercompany receivable with AEGON Nederland N.V.	-	4
Intercompany receivable with TKP Investments B.V.	7	25
Intercompany receivable with AEGON N.V.	48	23
Intercompany receivable with AEGON Magyarország Befektetési Alapkezelő Zrt.	-	12
	<u>3,074</u>	<u>5,858</u>

Notes to the balance sheet

5. Trade receivables, prepayments and other receivables

	<u>2014</u>	<u>2013</u>
Trade receivables, prepayments and other receivables	4,414	2,414
Management fee receivable from the AEGON funds	1,560	8,181
Service fee receivable from the AEGON funds	<u>140</u>	<u>692</u>
	<u>6,114</u>	<u>11,287</u>

Outstanding balances are unsecured and cash settlement is generally expected within 45 days of invoice. During the half year ended 30 June 2014 the Company has not made any provision for doubtful debtors.

6. Corporate income tax receivable

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

7. Cash and cash equivalents

	<u>2014</u>	<u>2013</u>
Cash at banks	13,932	10,748
Short term deposits	<u>21,022</u>	<u>19,007</u>
	<u>34,954</u>	<u>29,755</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.

Notes to the balance sheet

8. Intercompany payables

	<u>2014</u>	<u>2013</u>
Intercompany payable to AEGON USA Investment Management LLC	360	388
Intercompany payable to Kames Capital plc	188	488
Intercompany payable to AEGON Global Technology Europe	247	400
Intercompany payable to Saemor Capital B.V. and Pelargos Capital B.V.	109	9,054
Intercompany payable to AEGON Nederland N.V.	<u>246</u>	<u>-</u>
	<u>1,150</u>	<u>10,330</u>

9. Trade payables and other creditor

	<u>2014</u>	<u>2013</u>
Payables due to bonus reservations	2,374	3,139
Payables due to management fee expenses to sub advisors	608	579
Payables due to fund administration expenses	818	805
Payables due to crisis levy	705	705
Other payables and accrued expenses	<u>2,914</u>	<u>2,707</u>
	<u>7,419</u>	<u>7,935</u>

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

	<u>2014</u>	<u>2013</u>
As at January 1	1,049	-
Additions	-	1,049
Amounts used during the year	(581)	-
Unused amounts reversed during the period	-	-
Other movements	<u>-</u>	<u>-</u>
	<u>468</u>	<u>1,049</u>

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

Notes to the balance sheet

12. Shareholders' equity

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

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

The movement in shareholders' equity is as follows:

	Issued Capital	Share Premium	Other Reserves	Net Result	Total
As at 1 January 2013	1,134	25,994	2,452	1,057	30,637
Capital contribution		2,682			2,682
Add profit PY to other reserves			1,057	(1,057)	-
Profit for the financial year				(3,995)	(3,995)
As at 1 January 2014	1,134	28,676	3,509	(3,995)	29,324
Capital contribution		4,311			4,311
Dividends paid			(2,000)		(2,000)
Add profit PY to other reserves			(3,995)	3,995	-
Loss for the financial year				3,004	3,004
As at 30 June 2014	1,134	32,987	(2,486)	3,004	34,639

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

13. Net management fee

	<u>2014</u>	<u>2013</u>
Intercompany management fee income from AEGON Nederland N.V.	24,367	25,581
Management fee income third parties	<u>4,012</u>	<u>2,763</u>
Total management fee income	28,379	28,344
Intercompany management fee expense to Saemor Capital B.V. and Pelargos Capital B.V.	(3,172)	(3,486)
Intercompany management fee expense to AEGON USA Investment Management LLC	(497)	(436)
Intercompany management fee expense to TKP Investments	(674)	(678)
Management fee expense to third parties	<u>(1,156)</u>	<u>(1,228)</u>
Total management fee expense	<u>(5,499)</u>	<u>(5,828)</u>
Net management fee	22,880	22,516

14. Net service fee

	<u>2014</u>	<u>2013</u>
Service fee income	4,213	4,010
Service fee expense	<u>(1,773)</u>	<u>(2,400)</u>
	<u>2,440</u>	<u>1,610</u>

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

15. Net performance fee

	<u>2014</u>	<u>2013</u>
Intercompany performance fee expense with respect to Saemor Capital B.V. and Pelargos Capital B.V.	-	7
	<u>-</u>	<u>7</u>

Notes to the Profit and Loss account

16. Other income

	<u>2014</u>	<u>2013</u>
Security lending fee from AEGON Nederland N.V.	250	500
Security lending fee from third parties	72	-
Other services to AEGON Nederland N.V.	2,411	2,129
Other income	<u>122</u>	<u>190</u>
	<u>2,855</u>	<u>2,819</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 719 (2013: EUR 1,215).

17. Staff expenses

Staff expenses are EUR 14,271 (2013: EUR 14,985) 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.

Notes to the Profit and Loss account

18. Other operating expenses

	<u>2014</u>	<u>2013</u>
Intercompany charges Kames Capital plc	635	634
Intercompany charges AEGON USA Investment Management LLC	1,159	922
Intercompany charges AEGON Nederland N.V.	1,049	1,254
Intercompany charges AEGON Asset Management Holding B.V.	314	597
Intercompany charges TKP Investments	(13)	(99)
Intercompany charges AEGON US AGT TransAmerica	-	179
Intercompany charges AEGON Global Technology Europe	808	376
Intercompany charges AEGON Magyarország Befektetési Alapkezelő Zrt.	(40)	(58)
Intercompany charges AEGON Asset Management (Asia) Limited	-	(13)
Other administrative expenses	<u>5,792</u>	<u>6,001</u>
	<u>9,704</u>	<u>9,793</u>

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

19. Interest income

	<u>2014</u>	<u>2013</u>
Bank interest income	66	3
Short term deposits interest income	<u>20</u>	<u>-</u>
	<u>86</u>	<u>3</u>

20. Interest expense

	<u>2014</u>	<u>2013</u>
Bank charges and overdraft interest expense	5	1
Intercompany interest expense	<u>5</u>	<u>6</u>
	<u>10</u>	<u>7</u>

Notes to the Profit and Loss account**21. Tax charge**

Reconciliation of tax charge	2014	2013
Accounting profit before tax	4,005	2,116
Accounting profit multiplied by the NL standard rate of Corporation tax of 25%	(1,001)	(529)
Non-deductable expenses	-	-
Total tax (credit) in the profit and loss account statement	(1,001)	(529)

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

Notes to the Profit and Loss account

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) Ltd, AEGON USA Investment Management LLC. Year end balances for related party transactions are detailed in notes 4 and 8.

Notes to the Profit and Loss account

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 7 of the notes to the financial statements.

Liquidity Risk

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

Market Risk

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

Interest Rate Risk

Interest rate risk is significant only in the impact of interest rate movements upon our assets under management. This refers to business risk caused by fluctuations in the interest rates that will affect the valuation of the fixed income securities that we manage. The Company is therefore only indirectly exposed to interest rate risk.

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 173.8 (2014: 181.6).

Notes to the Profit and Loss account

25. Contingent liabilities

As at 30 June 2014 the Company had no contingent liabilities.

26. Subsequent events

Between 30 June 2014 and the date of this report there were no subsequent events.

Signing of the financial statements

The Hague, The Netherlands

28 August 2014

S.A.C. Russell

A.H. Maatman

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 half year is subject to disposition to be decided upon by the Annual General Meeting of Shareholders.

Appropriation of the result 2014

In the Aegon Investment Management B.V. quarterly board meeting it has been proposed to transfer the net profit for the half year amounting to EUR 3,004 to the other reserves.

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