

**Semi-annual report 2016**  
**AEGON Investment Management B.V.**  
**Period to 30 June 2016**

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## **Company information**

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

S.A.C. Russell

A.H. Maatman

E. van der Maarel

H. Eggens

R.R.S. Santokhi

W.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

## **Semi-annual report 2016**

- 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

Financial and credit market conditions were mixed during the first six months of 2016. Developed-world growth remains positive, but generally below potential, frustrating policy-makers' efforts to generate a strong recovery. Emerging Market growth, including China, was fairly low, though equity markets in EM have rebounded somewhat from very weak levels at the start of 2016. In June 2016, European markets were volatile in anticipation of the UK referendum result and declined sharply after the "Brexit" result was known. Due to central bank action and supported by very low rates, equity markets recovered again. US equity markets had mixed and modest returns, while global developed markets were generally weaker. European equities were negatively impacted by concerns about bank profitability and the impact of "Brexit". The US dollar, after strengthening in 2015, weakened against most currencies. The US Federal Reserve maintained the 25 to 50 basis point Fed Funds target range that it established in December 2015. Longer US Treasury rates, along with most global interest rates, fell significantly during the first half of 2016, especially the "Brexit" referendum caused a sharp rally in bonds, as markets expect the US Federal Reserve to stay on hold. The purchase programme of the European Central Bank (ECB) and "Brexit" drove European yields lower. ECB started its corporate bond buying programme in June 2016. Corporate default rates, with the exception of energy-related credits, have remained relatively low largely due to readily available access to funding and strong corporate balance sheet fundamentals. Credit spreads were sharply wider during the early months of 2016, but rallied to end the first half slightly tighter. Under the circumstances mentioned above our fixed income portfolios achieved a positive absolute return in the first half year of 2016 of approximately EUR 4,3 billion. In addition to the market movements, there was a net inflow of approximately EUR 1,4 billion, predominantly in the Third Party client segments. Over the first half year 2015, fixed income assets under management increased from EUR 49,7 billion to EUR 55,4 billion.

Equity assets under management decreased from EUR 10,9 billion as per the beginning of the year to EUR 10,8 billion as per half year end. The decrease in assets under management was due to EUR 0.1 billion net outflow while market movements were flat.

Alternative investments under management (consisting of for instance the derivatives and hedging book and private equity investments) increased from EUR 0,8 billion to EUR 2,7 billion. This decrease was predominantly driven by market movements.

On an aggregate level, the Company's total assets under management increased from EUR 61,5 billion as per the beginning of the year to EUR 68,9 billion.

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

### *Performance of the Company*

The Company delivered a profit after tax of EUR 2,029k (2015: EUR 2,403k). The result during the first half year of 2016 was below the Directors' expectations for 2016. Total income increased compared to the first half year of 2015, however total cost increased as well compared to the first half year of 2015.

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 2015 is due to higher assets under management. These fees were higher compared to the previous year 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 are mainly driven by higher personnel expenses which are partly offset by lower IT project expenses compared to the first half year of 2015.

The aforementioned developments led to a profit after tax of EUR 2,029k which is lower compared to the first half year of 2015.

During the half year, the Company paid dividend to the parent company AEGON Asset Management Holding B.V. amounting to EUR 2,9 million. As at 30 June 2016 the Company's eligible capital amounted to EUR 25,8 million compared to the minimum capital required of EUR 19,8 million as per that date.

### *Developments during the half year*

The Company continued to produce 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 1,8 billion in the Mortgage fund for third party clients. 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 and data management are planned for the second half year 2016.

In parallel to the abovementioned local initiatives, we have been working together in our global AAM organisation to move forward with the Aegon Asset Management 2020 strategy.

### **Corporate governance, capital management and financial instruments**

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

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

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

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

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

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

## **Financial risks**

### ***General***

The Company is exposed to financial risks. The main financial risks are credit risk, liquidity risk and market risk, with the principal elements of market risk being interest rate risk and equity price risk. The Company is not exposed to significant currency risk other than through exposure to the funds it manages. The Corporate governance, capital management and financial instruments section of the Report of the Directors describes the Company's general approach to risk management and the management of financial risks.

### ***Credit risk***

The Company is exposed to credit risk as the vast majority of the assets consists of intercompany receivables with other members of the AEGON group, fee receivables in respect of investment funds and cash and cash equivalents. The Company does not hold financial instruments which give rise to concentrations of risk. Details of these balances are listed under notes 4, 5 and 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 2016 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 half year-end 2016 situation, Aegon Investment Management B.V. did not comply with this requirement (17% of the Executive Committee was occupied by women). In the rest of 2016, 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

A.H. Maatman

E. van der Maarel

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 2016.

This report was approved by the Board of Directors and authorised for issue on 23 August 2016.

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

## **Semi-annual financial statements**

- Balance sheet
- Profit and Loss account
- Cash flow statement
- Notes to the financial statements

**Balance sheet as at 30 June 2016**

(all amounts are in thousands of Euro)

	<b>Notes</b>	<b>30-06-2016</b>	<b>31-12-2015</b>
<b>Assets</b>			
<b>Non-current assets</b>			
Intangible assets	3	4,274	4,272
<b>Current assets</b>			
Intercompany receivables	4	10,168	5,505
Trade receivables, prepayments and other receivables	5	6,924	4,758
Corporate income tax receivable		-	-
Cash and cash equivalents	6	29,362	34,861
		<u>50,728</u>	<u>49,396</u>
<b>Non-current liabilities</b>			
Provisions	7	-	-
		<u>-</u>	<u>-</u>
<b>Current liabilities</b>			
Intercompany payables	8	(7,016)	(2,143)
Trade payables and other creditors	9	(10,726)	(12,735)
Corporate income tax payable	10	(676)	(990)
Provisions	11	(177)	(455)
		<u>(18,595)</u>	<u>(16,323)</u>
<b>Total assets less current liabilities</b>		<u><u>32,133</u></u>	<u><u>33,073</u></u>
<b>Net assets</b>		32,133	33,073
<b>Shareholders' equity</b>			
	12		
Share capital		1,134	1,134
Share premium		38,686	38,686
Others reserves		(9,716)	(9,716)
Net result for the half year		2,029	2,969
		<u>32,133</u>	<u>33,073</u>

**Profit and Loss account for the half year ended 30 June 2016**

(all amounts are in thousands of Euro)

	<b>Notes</b>	<b>2016</b>	<b>2015</b>
Net management fee	13	27,677	27,799
Net service fee	14	664	104
Other income	15	1,977	1,929
<b>Total income</b>		<u>30,317</u>	<u>29,832</u>
Staff expenses	16	(17,740)	(17,776)
Other operating expenses	17	(9,560)	(8,804)
Other expenses		(314)	(18)
<b>Total expenses</b>		<u>(27,614)</u>	<u>(26,598)</u>
<b>Operating profit/(loss) for the half year</b>		2,703	3,234
Unused provision amounts reversed	7, 11	84	(1)
Interest income	18	-	-
Interest expense	19	(82)	(29)
<b>Profit/(loss) on ordinary activities before taxation</b>		2,705	3,204
Tax (charge)	20	(676)	(801)
<b>Profit/(loss) for the financial half year</b>		<u><u>2,029</u></u>	<u><u>2,403</u></u>

**Cash flow statement for the half year ended 30 June 2016**

(all amounts are in thousands of Euro)

	<u>2016</u>	<u>2015</u>
<i>Operating activities:</i>		
Operating profit/(loss)	2,703	3,234
<i>Adjustments to reconcile Operating profit/(loss) before tax to net cash flow from operating activities:</i>		
Decrease/(increase) in non-current assets	(2)	(1,200)
Decrease/(increase) in current assets	(6,829)	588
Increase/(decrease) in non-current liabilities	-	(440)
Increase/(decrease) in current liabilities	1,596	12,097
<b>Net cash flow from operating activities</b>	<u>(2,532)</u>	<u>14,279</u>
<i>Financing activities:</i>		
Capital contribution	-	-
Dividend paid	(2,969)	(15,000)
Unused provision amounts reversed	84	-
Interest received	-	-
Interest paid	(82)	(29)
<b>Net cash flow from financing activities</b>	<u>(2,967)</u>	<u>(15,029)</u>
<b>Net increase in cash and cash equivalents</b>	<u>(5,499)</u>	<u>(750)</u>
Cash and cash equivalents as at 1 January	34,861	45,596
Cash and cash equivalents as at 30 June	<u>29,362</u>	<u>44,846</u>
	<u>(5,499)</u>	<u>(750)</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 half year

The valuation principles and method of determining the result are the same as those used in the previous half 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 will be implemented in 2016 and 2017. 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 half 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 semi-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 semi-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 semi-annual financial statements include intangible assets and provisions.

## Notes to the balance sheet

### 3. Intangible assets

	<u>2016</u>	<u>2015</u>
Software	4,274	4,272
	<b><u>4,274</u></b>	<b><u>4,272</u></b>

The movement in intangible assets is as follows:

	<u>2016</u>	<u>2015</u>
As at January 1	4,272	2,043
Additions	388	2,249
Disposals	-	-
Impairment losses	-	-
Amortization through income statement	(386)	(20)
Other movements	-	-
	<b><u>4,274</u></b>	<b><u>4,272</u></b>

Intangible assets in the balance sheet comprise purchased capitalized software. As at the half year ended 30 June 2016 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>2016</u>	<u>2015</u>
Intercompany receivables with Saemor Capital B.V. and Pelargos Capital B.V.	29	495
Intercompany receivables with AEGON Asset Management Holding B.V.	8,311	4,732
Intercompany receivables with AEGON Nederland N.V.	1,720	-
Intercompany receivables with TKP Investments B.V.	-	177
Intercompany receivables with AEGON N.V.	-	1
Intercompany receivables with AEGON US AGT TransAmerica	-	-
Intercompany receivables with AEGON Hong Kong	4	-
Intercompany receivables with AEGON – Unión Aseguradora S.A.	10	20
Intercompany receivables with Blue Square Re N.V.	22	43
Intercompany receivables with AEGON Magyarország Befektetési Alapkezelő Zrt.	73	37
	<u><b>10,168</b></u>	<u><b>5,505</b></u>

## Notes to the balance sheet

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

	<u>2016</u>	<u>2015</u>
Trade receivables, prepayments and other receivables	4,524	2,126
Management fee receivable from the AEGON funds	2,209	2,398
Service fee receivable from the AEGON funds	<u>191</u>	<u>234</u>
	<u><b>6,924</b></u>	<u><b>4,758</b></u>

Outstanding balances are unsecured and cash settlement is generally expected within 45 days of invoice. During the half year ended 30 June 2016 the Company has not made any provision for doubtful debtors.

### 6. Cash and cash equivalents

	<u>2016</u>	<u>2015</u>
Cash at banks	3,362	845
Short term deposits	<u>26,000</u>	<u>34,016</u>
	<u><b>29,362</b></u>	<u><b>34,861</b></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

### 7. Provisions non-current

	<u>2016</u>	<u>2015</u>
As at January 1	-	440
Additions	-	-
Amounts used during the half year	-	-
Unused amounts reversed during the period	-	-
Other movements	-	(440)
	<u>-</u>	<u>-</u>

Other movements concerns a reclassification for a restructuring provision resulting from organisational changes. The provision is moved from non-current provision to current provisions. The amount accounted for reflects payables for contract terminations.

### 8. Intercompany payables

	<u>2016</u>	<u>2015</u>
Intercompany payables with AEGON Nederland N.V.	11	631
Intercompany payables with AEGON Asset Management Holding B.V.	2,056	-
Intercompany payables with AEGON USA Investment Management LLC	3,427	565
Intercompany payables with Kames Capital plc	578	631
Intercompany payables with AEGON Global Technology Europe	429	315
Intercompany payables with Saemor Capital B.V. and Pelargos Capital B.V.	493	1
Intercompany payables with TKP Investments BV	22	-
Intercompany payables with AEGON N.V.	-	-
	<u>7,016</u>	<u>2,143</u>

## Notes to the balance sheet

### 9. Trade payables and other creditors

	<u>2016</u>	<u>2015</u>
Payables due to bonus reservations	3,133	4,135
Payables due to management fee expenses to sub advisors	479	498
Payables due to fund administration expenses	1,833	2,025
Payables due to crisis levy	-	-
Service fee payable to the AEGON funds	-	-
Other payables and accrued expenses	<u>5,281</u>	<u>6,077</u>
	<b><u>10,726</u></b>	<b><u>12,735</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>2016</u>	<u>2015</u>
As at January 1	455	-
Additions	-	455
Amounts used during the half year	(194)	-
Unused amounts reversed during the period	(84)	-
Other movements	<u>-</u>	<u>-</u>
	<b><u>177</u></b>	<b><u>455</u></b>

Other movements concerns a reclassification for a restructuring provision resulting from organisational changes. The organisation changes will be implemented in 2016 and 2017. 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.

<b>Share capital – par value</b>	<u>2016</u>	<u>2015</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:

	<b>Share Capital</b>	<b>Share Premium</b>	<b>Other Reserves</b>	<b>Net result for the half year</b>	<b>Total</b>
<b>As at 1 January 2016</b>	<b>1,134</b>	<b>38,686</b>	<b>(9,716)</b>	<b>2,969</b>	<b>33,073</b>
Capital contribution	-	-	-	-	-
Dividends paid	-	-	(2,969)	-	(2,969)
Add profit PY to other reserves	-	-	2,969	(2,969)	-
Profit for the financial half year	-	-	-	2,029	2,029
<b>As at 30 June 2016</b>	<b>1,134</b>	<b>38,686</b>	<b>(9,716)</b>	<b>2,029</b>	<b>32,133</b>

In June 2016, the Company paid dividend to the parent company, amounted to EUR 2.969 million.

## Notes to the Profit and Loss account

### 13. Net management fee

	<u>2016</u>	<u>2015</u>
Intercompany management fee income from AEGON Nederland N.V.	25,672	27,305
Management fee income third parties	<u>6,973</u>	<u>5,700</u>
<b>Total management fee income</b>	32,645	33,005
Intercompany management fee expense to Saemor Capital B.V. and Pelargos Capital B.V.	(3,007)	(3,025)
Intercompany management fee expense to AEGON USA Investment Management LLC	(605)	(733)
Intercompany management fee expense to TKP Investments	(420)	(487)
Management fee expense to third parties	<u>(936)</u>	<u>(961)</u>
<b>Total management fee expense</b>	<u>(4,968)</u>	<u>(5,206)</u>
<b>Net management fee</b>	<b>27, 677</b>	<b>27,799</b>

### 14. Net service fee

	<u>2016</u>	<u>2015</u>
Service fee income	5,124	4,949
Service fee expense	<u>(4,460)</u>	<u>(4,845)</u>
	<u><b>664</b></u>	<u><b>104</b></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

### 15. Other income

	<u>2016</u>	<u>2015</u>
Security lending fee from AEGON Nederland N.V.	250	250
Security lending fee from third parties	44	61
Other services to AEGON Nederland N.V.	1,675	1,575
Other income	<u>8</u>	<u>43</u>
	<u><b>1,977</b></u>	<u><b>1,929</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 438 (2015: EUR 577).

### 16. Staff expenses

Staff expenses are EUR 17,740 (2015: EUR 17,776) and are related to recharges to the Company by AEGON Nederland N.V. for salaries, pension, social charges, etc. For terms and conditions relating to related party transactions refer to note 21.

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

## Notes to the Profit and Loss account

### 17. Other operating expenses

	<u>2016</u>	<u>2015</u>
Intercompany charges Kames Capital plc	579	667
Intercompany charges AEGON USA Investment Management LLC	1,507	1,638
Intercompany charges AEGON Nederland N.V.	1,049	1,049
Intercompany charges AEGON Asset Management Holding B.V.	831	603
Intercompany charges TKP Investments	(106)	71
Intercompany charges AEGON US AGT TransAmerica	-	-
Intercompany charges AEGON Global Technology Europe	1,205	1,032
Intercompany charges AEGON Magyarország Befektetési Alapkezelő Zrt.	(18)	(26)
Intercompany charges AEGON Asset Management (Asia) Limited	(3)	(3)
Software maintenance expenses	761	673
Data/Research services expenses	1,817	1,540
Other administrative expenses	<u>1,938</u>	<u>1,560</u>
	<u><b>9,560</b></u>	<u><b>8,804</b></u>

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

### 18. Interest income

	<u>2016</u>	<u>2015</u>
Short term deposits interest income	-	-
Intercompany interest income	-	-
	<u>-</u>	<u>-</u>

### 19. Interest expense

	<u>2016</u>	<u>2015</u>
Bank charges and overdraft interest expense	82	29
Intercompany interest expense	-	-
	<u>82</u>	<u>29</u>

### 20. Tax charge

#### Reconciliation of tax charge

	<u>2016</u>	<u>2015</u>
Accounting profit/(loss) before tax	2,705	3,204
Accounting profit multiplied by the NL standard rate of Corporation tax of 25%	(676)	(801)
Non-deductable expenses	-	-
Total tax (credit) in the profit and loss account statement	<u>(676)</u>	<u>(801)</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

### 21. Related party transactions

#### (a) Immediate parent undertaking

The immediate parent company is AEGON Asset Management Holding B.V., which is incorporated in the Netherlands. The group accounts of AEGON Asset Management Holding B.V. are available from the Company Secretary, AEGON Asset Management Holding B.V. AEGONplein 50, 2591 TV The Hague.

#### (b) Ultimate parent undertaking

The ultimate parent company is AEGON N.V., which is incorporated in the Netherlands. The group accounts of AEGON N.V. are available from the Company Secretary, AEGON Asset Management Holding B.V. AEGONplein 50, 2501 CB The Hague.

#### (c) Other related Parties

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

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

## Notes to the Profit and Loss account

### 22. Risk Management

#### General

The Company is exposed to financial risks. The main financial risks are credit risk, liquidity risk and market risk, with the principal elements of market risk being interest rate risk, equity price risk and foreign exchange risk. The Company is not exposed to significant foreign exchange risk other than through exposure to the funds it manages, and this risk is managed as for market risks. The Corporate governance, capital management and financial instruments section of the Report of the Directors describes the Company's general approach to risk management and the management of financial risks.

#### Credit Risk

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

### 23. Number of employees

During the half year 2016 and 2015, 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 212.2 (2015: 173.2).

## **Notes to the Profit and Loss account**

### **24. Contingent liabilities**

As at 30 June 2016 the Company had no contingent liabilities.

### **25. Subsequent events**

Between 30 June 2016 and the date of this report there were no subsequent events.

## **Signing of the semi-annual financial statements**

The Hague, The Netherlands

23 August 2016

S.A.C. Russell

A.H. Maatman

E. van der Maarel

H. Eggens

R.R.S. Santokhi

W.J.J. Peters