Semi-annual report 2018
Aegon Investment Management B.V.
Period to 30 June 2018

Contents of the semi-annual report

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Members of the Management Board

P. Smith

G. Black

E. van der Maarel

R.R.S. Santokhi

W.J.J. Peters

B. Bakker

O. van den Heuvel

Secretary

Ms. W. Jansen

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Aegonplein 50

2591 TV, The Hague

The Netherlands

Independent Auditor

PricewaterhouseCoopers Accountants N.V.

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The Netherlands

Semi-annual report 2018

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Report of Directors

General information

AEGON Investment Management B.V. (further: 'the Company' or AIM) is a private limited liability company organised under Dutch law and recorded in the Commercial Register of The Hague under its registered address at Aegonplein 50, 2591 TV The Hague. AIM is registered under number 27075825 in the Commercial Register of the Chamber of Commerce and Industries for Haaglanden, The Hague, the Netherlands. The principal activities of the Company are that of management of investment funds and individual portfolio management and investment advice. The Company is incorporated and domiciled in the Netherlands and is regulated by De Nederlandsche Bank (DNB) and Autoriteit Financiële Markten (AFM).

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

General market developments

Global economic growth was strong in the first half of 2018. Especially the US saw a strong acceleration in growth in the second quarter. Lower corporate and income tax rates resulted higher consumption and investments. European growth decelerated, but was still above trend levels. Uncertainty surrounding US trade policy, Italian policy regarding the EU and a hard Brexit had a negative effect on confidence.

The US FED tightened policy by hiking its policy rate twice in the first half and by reducing its balance sheet. The ECB decided to end its purchase programme in December, but also indicated that it would leave its policy rates at their current level until the summer of 2019.

Financial markets started the year on a positive note. World equity rose sharply in January and treasuries declined. This was followed by a sharp correction in February, which was attributed to investors which had too much exposure in volatility products.

Overall, treasuries had a slightly negative return during the first half. Corporate credit spread widened slightly. US equities were the best performing asset class, which was primarily caused by the stellar performance of large cap IT companies. Emerging Markets had a very negative return. These were impacted by the threat and imposition of tariffs on their exports to the US. Turkey experienced a confidence crisis as its external financing position is perceived to be unsustainable. Argentina had severe fiscal problems and requested IMF assistance.

Under these circumstances fixed income portfolios achieved a positive absolute return in the first half year of 2018 of approximately EUR 0.2 billion. In addition to the market movements, there was a net inflow of approximately EUR 2.8 billion, predominantly due to net inflows in the Third Party and General Account client segment off-set by net outflows in the Affiliated sales segment. Over the full year, fixed income assets under management increased from EUR 54.6 billion to EUR 57.6 billion.

Equity assets under management decreased from EUR 11.1 billion as per the beginning of the year to EUR 10.7 billion at per half year end. There was a positive market movement amounting to EUR 38mio and a net outflow of equity assets of EUR 0.4 billion.

Alternative investments under management (consisting of for instance the derivatives and hedging book and private equity investments) increased from EUR 0.6 billion to EUR 1.5 billion.

On an aggregate level, the Company's total assets under management has increased from EUR 66.4 billion as per the beginning of the year to EUR 69.8 billion as per half year end.

Performance of the Company and developments during the year

Performance of the Company

The Company delivered a profit after tax of EUR 4,626k (2017: profit of EUR 4,687k). The result over 2018 was in line with the Directors' expectations for 2018. Total income increased compared to 2017 and total cost increased compared to 2018.

Revenues predominantly consist of management fees earned from the management of assets for affiliated insurance companies as well as external clients and service fees charged to the investment funds to cover for certain expenses. These fees were higher compared to the previous year mainly due to net inflows in the Third Party client segment.

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

The aforementioned developments led to a profit after tax of EUR 4,626k which is in line compared to the first half year of 2017.

As at 30 June 2018 the Company's eligible capital amounted to EUR 36.7 million compared to the minimum capital required of EUR 19.5 million as per that date.

Developments during the year

The Company has achieved substantial inflows in third party during the first six months of 2018. Both the institutional as well as the wholesale segments contributed to this. The focus of the Company continues to be to expand its third party client base by combining growth in The Netherlands with attracting new clients from outside of The Netherlands. In addition, the Company has been working on diversifying our third party book of business as the growth of the third party book in the last couple of years was mainly due to the growth in the Dutch Mortgage fund.

In the first half year, the Company further enhanced its control framework. It also continues to invest in its infrastructure, including improvements on the quality of data, implementing a new system for performance measurement and preparing for implementing a client reporting tool.

Corporate governance, capital management and financial instruments

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

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

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

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

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

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

Risk management

General

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

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

Operational Risk

Operational risk is the risk of losses resulting from inadequate or failed internal or external processes, people and systems, or from external events. The Company seeks to minimize operational risk events and has no tolerance for single event related losses exceeding € 4 million more frequently than once every 10 years and have no tolerance for single event related losses exceeding € 0.2 million more frequently than once every 12 months. During the year, the Company has made steps to reduce the operational risk profile by completing a number of projects aimed at a higher degree of automation and improved data quality, by a more robust mandate compliance procedure and by improving the governance around a number of models. The Company has also renewed its errors and omissions insurance policy with a lower own risk as a result of which the impact of operational losses is further reduced.

Legal & compliance risk

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

Financial Risk

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

Credit Risk

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

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

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

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

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

Liquidity Risk

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

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

Details of these balances are listed under notes 4, 5 and 6.

Market Risk

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

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

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

Group Risk

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

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

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

Creditor payment policy

The objective is to treat suppliers fairly and in accordance with good commercial practice. Suppliers' invoices are settled in accordance with agreed contractual terms or, if no terms are scheduled, generally within 30 days of the appropriate invoice date.

Outlook

The Directors believe the Company is well positioned for the future and in 2018 our aim continues to be to diversify our asset and client base while continuing to achieve operational excellence. The focus of the Company in 2018 and onwards with respect to upgrading our infrastructure will be on implementing a new system for performance measurement and preparing for implementing a client reporting tool. Regarding developing the product range, the focus of the Company will be on launching a number of new funds to support third party growth.

The Company is also aiming to legally merge with another AIFM licensed company called TKP Investments B.V. This merger is expected to take place with effect of 1 January 2019.

Management and Supervision Act

As of 1 January 2013, a new Management and Supervision Act came into effect. The new act requires large sized B.V.’s such as Aegon Investment Management B.V. to have as far as possible a balanced distribution on their Board with at least 30% of the seats occupied by women and at least 30% by men. Looking at the half year-end 2018 situation, Aegon Investment Management B.V. did not comply with this requirement (14% of the Board was occupied by women). In the rest of 2018, the aim of a balanced composition of the Board will be further taken into account.

Directors and their interest

Directors at the date of signing who served throughout the year

P. Smith

G. Black

E. van der Maarel

R.R.S. Santokhi

W.J.J. Peters

B. Bakker

O. van den Heuvel

The Directors have declared that they had no interest in the share capital of the Company in the period ended 30 June 2018.

This report was approved by the Board of Directors and authorised for issue on 31 August 2018.

The Hague, The Netherlands

P. Smith

G. Black

E. van der Maarel

R.R.S. Santokhi

W.J.J. Peters

B. Bakker

O. van den Heuvel

Semi-annual financial statements

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

Balance sheet at as 30 June 2018

(all amounts are in thousands of euro)

	Notes	30-06-2018	31-12-2017
Assets			
Non-current assets			
Intangible assets	3	3,636	3,867
Total non-current assets		3,636	3,867
Current assets			
Intercompany receivables	4	17,899	15,612
Trade receivables, prepayments and other receivables	5	6,732	5,546
Corporate income tax receivable		-	-
Cash and cash equivalents	6	32,654	42,862
Total current assets		57,285	64,020
Total assets		60,921	67,887
Current liabilities			
Intercompany payables	7	(2,110)	(11,303)
Trade payables and other creditors	8	(16,945)	(18,136)
Corporation tax payable	9	(1,542)	(2,699)
Provisions	10	-	(51)
Total current liabilities		(20,597)	(32,189)
Total assets less current liabilities		40,324	35,698
Net assets		40,324	35,698
Shareholder's equity	11		
Share capital		1,134	1,134
Share premium		38,686	38,686
Others reserves		(4,122)	(12,212)
Net result for the year		4,626	8,090
Total shareholder's equity		40,324	35,698

Profit and loss account for the half year ended 30 June 2018

(all amounts are in thousands of euro)

	Notes	30-06-2018	30-06-2017
Net management fee	12	31,009	29,883
Net service fee	13	(159)	259
Other income	14	3,718	3,421
Total income		34,568	33,563
Staff expenses	15	(18,149)	(17,661)
Other operating expenses	16	(9,506)	(9,094)
Other expenses		(101)	(63)
Amortisation intangible assets	3	(561)	(387)
Total expenses		(28,317)	(27,205)
Operating profit for the year		6,251	6,358
Addition to/ (unused amounts from) provisions	10	(1)	-
Interest expense	17	(82)	(77)
Profit on ordinary activities before taxation		6,168	6,281
Corporation tax (charge)	18	(1,542)	(1,594)
Profit for the financial year		4,626	4,687

Cash flow statement for the half year ended 30 June 2018

(all amounts are in thousands of euro)	Notes	2018	2017
Operating activities:			
Profit on ordinary activities before taxation		6,168	6,281
Adjustments to reconcile Operating profit/(loss) before tax to net cash flow from operating activities:			
(Increase)/decrease in non-current assets		231	(75)
(Increase)/decrease in current assets		(3,473)	4,260
Increase/(decrease) in non-current liabilities		-	-
Increase/(decrease) in current liabilities		(13,136)	(802)
Net cash flow from operating activities		(10,208)	9,664
Financing activities:			
Capital contribution		-	-
Dividend paid		-	(9,300)
Net cash flow from financing activities		-	(9,300)
Net (decrease)/increase in cash and cash equivalents		(10,208)	364
Cash and cash equivalents as at 1 January	6	42,862	34,161
Cash and cash equivalents as at 30 June	6	32,654	34,525
		(10,208)	364

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

Notes to the semi-annual 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 organised 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 whose sub funds are registered with the Authority for the Financial Markets (AFM). The Company is furthermore also the manager of alternative investment funds (AIF's) (which are also regulated and registered with the AFM) and of non-registered funds and pools. These non-registered (and non-regulated) funds are only offered to Aegon entities.

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

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

2. Summary of significant accounting policies

General concepts of accounting principles

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

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

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

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

Comparison with previous year

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

Accounting principles

Intangible assets

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

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

Intercompany receivables, trade receivables, prepayments and other receivables

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

Cash and cash equivalents

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

Trade and other payables

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

Provisions

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

Revenue

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

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

Exchange gains and losses are recognised in the profit and loss account.

Other income and expenses

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

Incentive plans

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

Corporation tax

Corporation taxes are computed by applying the current tax rate to the result for the financial 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 recognised 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

	2018	2017
Software	3,636	3,867
Total intangible assets	**3,636**	**3,867**

The movement in intangible assets are as follows:

	2018	2017
As at January 1	3,867	4,045
Additions	330	650
Disposals	-	-
Impairment losses	-	-
Amortisation through income statement	(561)	(828)
Other movements	-	-
Total intangible assets	**3,636**	**3,867**

Intangible assets in the balance sheet comprise of three purchased and capitalised software packages and capitalized project spend for software. As at the half year ended 30 June 2018, three systems have been fully implemented and operational. Amortisation has been initiated for these software packages using the straight-line method over the expected useful economic life of five years. Capitalized project spend for software (as part of a Global Target Operating Model project) is not fully in operation yet. Amortisation will take place once these software systems have been fully implemented and are in operation.

Notes to the balance sheet

4. Intercompany receivables

	2018	2017
Intercompany receivables with Saemor Capital B.V. and Pelargos Capital B.V.	101	-
Intercompany receivables with AEGON Asset Management Holding B.V.	11,726	15,299
Intercompany receivables with AEGON Nederland N.V.	5,385	-
Intercompany receivables with TKP Investments	316	209
Intercompany receivables with AEGON USA Investment Management LLC	317	-
Intercompany receivables with Aegon Hungary Investment Fund Management Company	-	-
Intercompany receivables with Blue Square Re N.V.	17	33
Intercompany receivables with AEGON – Unión Aseguradora S.A.	8	-
Intercompany receivables with AEGON N.V.	30	72
Intercompany receivables to Aegon Asset Management Pan-Europe B.V.	-	-
Total intercompany receivables	**17,900**	**15,612**

5. Trade receivables, prepayments and other receivables

	2018	2017
Trade receivables, prepayments and other receivables	4,269	2,892
Management fee receivable from the Aegon funds	2,267	2,526
Service fee receivable from the Aegon funds	196	128
Total	**6,732**	**5,546**

Outstanding balances are unsecured and cash settlement is generally expected within 45 days of invoice. During the half year ended 30 June 2018 the Company has not made any provision for doubtful debtors.

Notes to the balance sheet

6. Cash and cash equivalents

	2018	2017
Cash at banks	6,644	8,858
Short-term deposits	26,010	34,004
Total cash and cash equivalents	**32,654**	**42,862**

Cash and cash equivalents in the balance sheet comprise cash at banks and short-term deposits with an original maturity of three months or less. For the purpose of the cash flow statement, cash and cash equivalents consist of cash and short-term deposits as defined above. Of the cash and cash equivalents EUR 6,644 is free at disposal. EUR 26,010 is divided over five counterparties with a minimum rating A from Standard and Poor's, Fitch and Moody's and in accordance with Aegon Group counterparty policies.

7. Intercompany payables

	2018	2017
Intercompany payables with Aegon USA Investment Management LLC	-	594
Intercompany payables with Aegon Nederland N.V.	-	8,882
Intercompany payables to Saemor Capital B.V. and Pelargos Capital B.V.	484	417
Intercompany payables with Kames Capital plc	1,242	426
Intercompany payables with Aegon Global Technology Europe	240	182
Intercompany payables to Aegon Asset Management Pan-Europe B.V.	2	780
Intercompany payables to AM AEGON Hong Kong	-	2
Intercompany payables to Aegon Hungary Investment Fund Management Company	21	20
Intercompany payables to Aegon US AGT TransAmerica	122	-
Total intercompany payables	**2,111**	**11,303**

Notes to the balance sheet as at 30 June

8. Trade payables and other creditors

	2018	2017
Payables due to bonus reservations	3,900	5,423
Payables due to management fee expenses to sub advisors	457	481
Payables due to fund administration expenses	1,290	1,982
Other payables and accrued expenses	11,298	10,250
Total trade payables and other creditors	**16,945**	**18,136**

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

9. Corporation tax payable

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

10. Provisions current

	2018	2017
As at January 1	51	-
Additions	-	51
Amounts used during the year	(50)	-
Unused amounts reversed during the period	(1)	-
Other movements	-	-
Total current provisions	**-**	**51**

The provision concerns a restructuring provision resulting from some organisational changes that have been implemented in 2017. Corresponding payments have been made in 2018 and the unused amounts are released through profit and loss.

Notes to the balance sheet as at 30 June

11. Shareholder's equity

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

Share capital – par value	**2018**	**2017**
Authorised share capital		
2,500 Ordinary shares of EUR 454 each	1,134	1,134
Allotted, called up and fully paid		
2,500 Ordinary shares of EUR 454 each	1,134	1,134

The movement in shareholder's equity is as follows:

	Share capital	**Share premium**	**Other reserves**	**Net result for the year**	**Total share-holder's equity**
As at 1 January 2017	**1,134**	**38,686**	**(9,716)**	**6,804**	**36,908**
Capital contribution	-	-	-	-	-
Dividends paid	-	-	(9,300)	-	(9,300)
Add profit PY to other reserves	-	-	6,804	(6,804)	-
Profit for the financial year	-	-	-	8,090	8,090
As at 1 January 2018	**1,134**	**38,686**	**(12,212)**	**8,090**	**35,698**
Capital contribution	-	-	-	-	-
Dividends paid	-	-	-	-	-
Add profit PY to other reserves	-	-	8,090	(8,090)	-
Profit for the financial year	-	-	-	4,626	**4,626**
As at 30 June 2018	**1,134**	**38,686**	**(4,122)**	**4,626**	**40,324**

Notes to the Profit and Loss account

12. Net management fee

	2018	2017
Intercompany management fee income from Aegon Nederland N.V.	23,642	25,648
Intercompany management fee income from Blue Square Reinsurance	48	44
Management fee income from third parties	12,169	9,112
Total management fee income	35,859	34,804
Intercompany management fee expense to Saemor Capital B.V. and Pelargos Capital B.V.	(3,014)	(3,013)
Intercompany management fee expense to Aegon USA Investment Management LLC	(590)	(578)
Intercompany management fee expense to TKP Investments	(332)	(405)
Management fee expense to third parties	(914)	(925)
Total management fee expense	(4,850)	(4,921)
Net management fee	**31,009**	**29,883**

13. Net service fee

	2018	2017
Service fee income	5,289	5,048
Service fee expense	(5,448)	(4,789)
Net service fee	**(159)**	**259**

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

14. Other income

	2018	2017
Security lending fee from Aegon Nederland N.V.	250	250
Security lending fee from third parties	17	35
Other services to Aegon Nederland N.V.	3,050	3,135
Other income	401	1
Total other income	**3,718**	**3,421**

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 200 (2017: EUR 363).

15. Staff expenses

Staff expenses are EUR 18,149 (2017: EUR 17,661) and are related to recharges to the Company by Aegon Nederland N.V. for salaries, pension, social charges, etc. For terms and conditions relating to related party transactions, we refer to note 19.

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

Notes to the Profit and Loss account

16. Other operating expenses

	2018	2017
Intercompany charges Kames Capital plc	947	556
Intercompany charges Aegon USA Investment Management LLC	335	993
Intercompany charges Aegon Nederland N.V.	1,331	1,251
Intercompany charges Aegon Asset Management Holding B.V.	827	698
Intercompany charges TKP Investments	(103)	(107)
Intercompany charges to Aegon US AGT Transamerica	122	-
Intercompany charges Aegon Global Technology Europe	1,193	1,520
Intercompany charges Aegon Magyarország Befektetési Alapkezelő Zrt.	-	(78)
Intercompany charges Aegon Asset Management (Asia) Limited	-	-
Intercompany charges AEGON – Unión Aseguradora S.A.	(8)	(10)
Intercompany charges Aegon Asset Management Pan-Europe B.V.	646	-
Software maintenance expenses	563	633
Data/Research services expenses	1,983	1,895
Other administrative expenses	1,670	1,743
Total operating expenses	**9,506**	**9,094**

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

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

Notes to the Profit and Loss account

17. Interest expense

	2018	2017
Bank charges and overdraft interest expense	21	23
Short-term deposits interest expense	61	54
Total interest expenses	**82**	**77**

18. Corporation tax charge

Reconciliation of corporation tax charge	**2018**	**2017**
Accounting profit before tax	6,168	6,281
Accounting profit multiplied by the NL standard rate of Corporation tax of 25%	(1,542)	(1,570)
Non-deductible expenses	-	(24)
Total tax (credit) in the profit and loss account statement	(1,542)	(1,594)

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.

19. Related party transactions

(a) Immediate parent undertaking

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

(b) Ultimate parent undertaking

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

(c) Other related Parties

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

(d) Year end balances and transactions with related parties

The Company provides investment management services to other members of the Aegon Group at prices that are agreed from time to time between the Company and the recipients of the service, taking into account the size and nature of the service (see notes 12 and 14 for total amount of such transactions). All transactions with related parties are done at arm's length. Staff and other operating expenses are recharged to the Company at cost by Aegon Nederland N.V., a subsidiary of Aegon N.V. (see note 15 for total amount of such transactions). The intercompany balance with Aegon Nederland N.V. is interest bearing in accordance with market rates. The intercompany balances with other related parties are non-interest bearing and mainly relate to recharges across the asset management units. These recharges have been made for cross border personnel and other expenses. This includes balances with Aegon Asset Management Holding B.V., Blue Square Re N.V., TKP Investments, Kames Capital Plc, Aegon Asset Management Asia Limited, AEGON Global Technology Europe, Aegon USA Investment Management LLC, Saemor Capital B.V. and Pelargos Capital B.V., Aegon Hungary Investment Fund Management Company and AEGON – Unión Aseguradora S.A. Year end balances for related party transactions are detailed in notes 4 and 7.

Notes to the Profit and Loss account

20. Risk Management

General

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

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

Operational Risk

Operational risk is the risk of losses resulting from inadequate or failed internal or external processes, people and systems, or from external events. The Company seeks to minimize operational risk events and has no tolerance for single event related losses exceeding € 4 million more frequently than once every 10 years and have no tolerance for single event related losses exceeding € 0.2 million more frequently than once every 12 months During the year, the Company has made steps to reduce the operational risk profile by completing a number of projects aimed at a higher degree of automation and improved data quality, by a more robust mandate compliance procedure and by improving the governance around a number of models. The Company has also renewed its errors and omissions insurance policy with a lower own risk as a result of which the impact of operational losses is further reduced.

Legal & compliance risk

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

Financial Risk

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

Notes to the Profit and Loss account

Credit Risk

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

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

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

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

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

Liquidity Risk

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

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

Details of these balances are listed under notes 4, 5 and 6.

Notes to the Profit and Loss account

Market Risk

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

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

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

Group Risk

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

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

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

21. Number of employees

During the half year 2018 and 2017, the Company had no employees. Aegon Nederland N.V. employs all staff that work for Aegon Investment Management B.V. The number of average FTE that work for Aegon Investment Management B.V. is 220.4 (2017: 220.4).

Notes to the Profit and Loss account

22. Contingent liabilities

As at 30 June 2018 the Company had no contingent liabilities.

23. Subsequent events

Between 30 June 2018 and the date of this report there were no subsequent events.

Signing of the semi-annual financial statements

The Hague, The Netherlands

31 August 2018

P. Smith

G. Black

E. van der Maarel

R.R.S. Santokhi

W.J.J. Peters

B. Bakker

O. van den Heuvel