Annual Report 2015

Aegon Investment Management B.V.

Year to 31 December 2015

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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. W. Jansen

Registered Office

Aegonplein 50

2591 TV, The Hague

The Netherlands

Independent Auditor

PricewaterhouseCoopers Accountants N.V.

Thomas R. Malthusstraat 5

1066 JR, Amsterdam

The Netherlands

Annual report 2015

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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. 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

In the first half year of 2015 the economy in Europe continued to recover. Labour markets improved, specifically in the periphery, and credit ratings improved as well. Inflation has remained stubbornly low, despite reductions in base rate to 0.05%. This low inflation was caused by the declining oil prices and the lack of inflation of wages. The clash between Europe and the new Greek government resulted in a tense market situation, but eventually Greece committed itself to the European solution.

The ECB announced a quantitative easing programme in late 2014 to tackle these issues, and began asset purchases in March 2015. This programme has been extended to end 2015. This policy drove declines in sovereign yields for core economies, with yields turning negative for shorter durations. Recently, however, longer duration yields have recovered somewhat.

Under these circumstances fixed income portfolios achieved a negative absolute return for 2015 of approximately EUR 1.1 billion. In addition to the market movements, there was a net inflow of approximately EUR 2.9 billion, predominantly in the General Account and the Third Party client segments. Over the full year, fixed income assets under management increased from EUR 47.9 billion to EUR 49.7 billion.

Equity assets under management remained stable with EUR 10.9 billion at year end. Although there was a positive market movement amounting to EUR 0.7 billion, this effect was partly offset by a net outflow of equity assets.

Alternative investments under management (consisting of for instance the derivatives and hedging book and private equity investments) decreased significantly from EUR 2.9 billion to EUR 0.9 billion.

On an aggregate level, the Company's total assets under management has decreased slightly from EUR 61.8 billion as per the beginning of the year to EUR 61.5 billion as per the end of the year.

Performance of the Company and developments during the year

Performance of the Company

The Company delivered a profit after tax of EUR 2,969k (2014: profit of EUR 7,770k). The result over 2015 was below the Directors' expectations for 2015. Total income increased compared to 2014, however total cost increased as well during 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. These fees were significantly higher compared to the previous year due to the aforementioned asset growth.

The main expenses of the Company are personnel expenses, investment management services fees, IT expenses and intercompany recharges. The higher costs compared to the previous year are mainly driven by project costs for a number of large IT related projects (e.g. new back office system).

The aforementioned developments led to a profit after tax of EUR 2,969k.

During the year, the Company received a capital contribution from the parent company AEGON Asset Management Holding B.V. amounting to EUR 5.7 million aimed to enhance the capital position of the Company. As at 31 December 2015 the Company's equity amounted to EUR 33.1 million. Eligible capital amounted to EUR 28.9 million compared to the minimum capital required of EUR 21.3 million.

Developments during the year

The Company continued to produce strong investment performance and almost all flagship funds outperformed their benchmarks. From a commercial perspective, the Company grew its asset base significantly driven by large inflows of EUR 3.0 billion in the Mortgage fund for third party clients and steady growth of the general account client. The Company will continue to work on further developing its product range as part of its strategy to grow third party assets.

From an operational perspective, the Company completed a number of actions aimed at upgrading its infrastructure, client service, reducing complexity and enhancing the quality of data. Further enhancements, primarily in the area of IT and data are planned for 2016 and these will entail some capital investment.

In parallel to the abovementioned local initiatives, the Company has been working together in our global AAM organisation in establishing a strategy for the next couple of years in our mission to use our investment management expertise to help people achieve a lifetime of financial security.

Responsible investment

During 2015 we continued to work on the various Responsible Investment (RI) activities and focused on formalisation and embedding or RI processes in the organisation. We established new internal RI committees, embedded ESG training and finished the project where we incorporated ESG ratings and analysis in the credit research process. We implemented our new proxy-voting processes and policies and continued to discuss and evaluate impact investments. We will continue to work on the theme of climate change: we joined the Institutional Investor Group on Climate Change and made a large investment in an off-shore windpark.

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.

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 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.

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 2016 our aim is to make further progress with our infrastructure upgrade while increasing the amount of assets the Company manages for third party customers and further focusing on developing our product range. The focus of the Company in 2016 with respect to upgrading our infrastructure will be on further improving the quality of the data, working towards 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. Furthermore the Company has introduced a growth strategy called “Strategy 2020”. This strategy is broken down in four main strategic objectives:

Loyal customers

Use our investment management expertise and best-of breed asset management products and services to serve our customers' need for financial security.

Operational excellence

Deliver superior service to customers at competitive cost levels by improving quality, efficiency and accuracy of our processes with technology and increasing scale.

Empowered employees

Valuing and supporting our people as our most important asset by engaging and enabling them with the tools, training and culture needed to exceed expectations and become a thought leader in our core asset management capabilities.

Organised portfolio

Increasing share of Aegon Group's underlying earnings to a meaningful contribution while generating predictable cash flows.

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 Board with at least 30% of the seats occupied by women and at least 30% by men. Looking at the year-end 2015 situation, Aegon Investment Management B.V. did not comply with this requirement (approximately 16% of the Board was occupied by women). In 2016, the aim of a balanced composition of the Board will be further taken into account.

Directors and their interests

Directors at the date of signing who served throughout the year

S.A.C. Russell

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 financial year ended 31 December 2015.

This report was approved by the Board of Directors and authorised for issue on 28 April 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

Financial statements

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

(all amounts are in thousands of euro)

	Notes	2015	2014
Assets			
Non-current assets			
Intangible assets	3	4,272	2,043
Total non-current assets		4,272	2,043
Current assets			
Intercompany receivables	4	5,505	1,624
Trade receivables, prepayments and other receivables	5	4,758	4,611
Corporate income tax receivable		-	-
Cash and cash equivalents	6	34,861	45,596
Total current assets		45,124	51,831
Total assets		49,396	53,874
Non-current liabilities			
Non-current provisions	7	-	(440)
Total non-current liabilities		-	(440)
Current liabilities			
Intercompany payables	8	(2,143)	(2,692)
Trade payables and other creditors	9	(12,735)	(8,748)
Corporate income tax payable	10	(990)	(2,590)
Provisions	11	(455)	-
Total current liabilities		(16,323)	(14,030)
Total assets less current liabilities		33,073	39,404
Net assets		33,073	39,404
Shareholders' equity	12		
Share capital		1,134	1,134
Share premium		38,686	32,986
Others reserves		(9,716)	(2,486)
Net result for the year		2,969	7,770
Total shareholders’ equity		33,073	39,404

Profit and loss account for the year ended 31 December

(all amounts are in thousands of euro)

	Notes	2015	2014
Net management fee	13	55,544	48,766
Net service fee	14	(35)	(352)
Net performance fee	15	-	938
Other income	16	4,104	5,400
Total income		59,613	54,752
Staff expenses	17	(37,068)	(29,488)
Other operating expenses	18	(18,336)	(14,223)
Other expenses		(148)	(340)
Amortisation intangible assets	3	(20)	-
Total expenses		(55,572)	(44,051)
Operating profit for the year		4,041	10,701
Addition to provisions	7, 11	(15)	(415)
Interest income	19	-	105
Interest expense	20	(67)	(31)
Profit on ordinary activities before taxation		3,959	10,360
Tax (charge)	21	(990)	(2,590)
Profit for the financial year		2,969	7,770

Cash flow statement for the year ended 31 December

(all amounts are in thousands of euro)	**2015**	**2014**
Operating activities:		
Profit on ordinary activities before taxation	3,959	10,360
Adjustments to reconcile Operating profit/(loss) before tax to net cash flow from operating activities:		
Increase in non-current assets	(2,230)	(1,637)
(Increase)/decrease in current assets	(4,028)	12,242
Increase/(decrease) in non-current liabilities	(440)	415
Increase/(decrease) in current liabilities	1,304	(7,849)
Net cash flow from operating activities	(1,435)	13,531
Financing activities:		
Capital contribution	5,700	4,310
Dividend paid	(15,000)	(2,000)
Net cash flow from financing activities	(9,300)	2,310
Net (decrease)/increase in cash and cash equivalents	(10,735)	15,841
Cash and cash equivalents as at 1 January	45,596	29,755
Cash and cash equivalents as at 31 December	34,861	45,596
	(10,735)	15,841

The cash flow statement is prepared according to the indirect method. During 2015 no cash flows from investing activities were applicable.

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 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 which sub funds are registered with the Authority for the Financial Markets (AFM). The Company is also manager of institutional investment funds (AIF's) which are also regulated and registered with the AFM and manager of non-registered funds. These non-registered (and non-regulated funds) are only offered to Aegon entities.

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

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

2. Summary of significant accounting policies

General concepts of accounting principles

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

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

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

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

Comparison with previous year

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

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

Provisions

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

Revenue

Revenue is 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

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 50% upfront payment in cash and shares and a 50% deferred payment in cash and shares. Shares granted concern shares of the ultimate parent entity, Aegon N.V. Condition for payment of deferred rights in the future is that employees remain employed within the Aegon N.V. organisation.

Income tax

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

Cash flow statement

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

Significant accounting judgments, estimates and assumptions

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

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

Notes to the balance sheet as at 31 December

3. Intangible assets

	2015	2014
Software	4,272	2,043
Total intangible assets	**4,272**	**2,043**

The movement in intangible assets is as follows:

	2015	2014
As at January 1	2,043	406
Additions	2,249	1,637
Disposals	-	-
Impairment losses	-	-
Amortisation through income statement	(20)	-
Other movements	-	-
Total intangible assets	**4,272**	**2,043**

Intangible assets in the balance sheet comprise of three purchased and capitalised software packages. As at year end 2015 two systems have not been fully implemented and are not fully in operation. Amortisation will take place once these systems has been fully implemented and are in operation. One capitalised software package is fully implemented and operational. Amortisation has been initiated in 2015 for this software using the straight line method over the expected useful economic life of five years.

4. Intercompany receivables

	2015	2014
Intercompany receivables with Saemor Capital B.V. and Pelargos Capital B.V.	495	615
Intercompany receivables with AEGON Asset Management Holding B.V.	4,732	789
Intercompany receivables with TKP Investments	177	220
Intercompany receivables with AEGON N.V.	1	-
Intercompany receivables with AEGON – Unión Aseguradora S.A.	20	-
Intercompany receivables with Blue Square Re N.V.	43	-
Intercompany receivables with Aegon Hungary Investment Fund Management Company	37	-
Total intercompany receivables	**5,505**	**1,624**

Notes to the balance sheet as at 31 December

5. Trade receivables, prepayments and other receivables

	2015	2014
Trade receivables, prepayments and other receivables	2,126	1,788
Management fee receivable from the Aegon funds	2,398	2,629
Service fee receivable from the Aegon funds	234	194
Total	**4,758**	**4,611**

Outstanding balances are unsecured and cash settlement is generally expected within 45 days of invoice. At balance sheet date the prepayments amounted to EUR 819 (2014: EUR 1,008). During the year ended 31 December 2015 the Company has not made any provision for doubtful debtors.

6. Cash and cash equivalents

	2015	2014
Cash at banks	845	1,170
Short-term deposits	34,016	44,426
Total cash and cash equivalents	**34,861**	**45,596**

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 4.845 is free at disposal. EUR 30.016 is equally divided over three counterparties with a minimum rating A from Standard and Poor's, Fitch and Moody's and in accordance with Aegon Group counterparty policies.

Notes to the balance sheet as at 31 December

7. Provisions non-current

	2015	2014
As at January 1	440	-
Additions	-	440
Amounts used during the year	-	-
Unused amounts reversed during the period	-	-
Other movements	(440)	-
Total non-current provisions	**-**	**440**

The provision concerns a restructuring provision resulting from some organisational changes that have been implemented in 2014. The amount accounted for reflects payables for contract terminations. At balance sheet date, the provision has been reclassified from non-current to current.

8. Intercompany payables

	2015	2014
Intercompany payables with Aegon Nederland N.V.	631	1,830
Intercompany payables with Aegon USA Investment Management LLC	565	460
Intercompany payables with Kames Capital plc	631	119
Intercompany payables with Aegon Global Technology Europe	315	226
Intercompany payables with Saemor Capital B.V. and Pelargos Capital B.V.	1	-
Intercompany payables with Aegon N.V.	-	57
Total intercompany payables	**2,143**	**2,692**

Notes to the balance sheet as at 31 December

9. Trade payables and other creditors

	2015	2014
Payables due to bonus reservations	4,135	3,317
Payables due to management fee expenses to sub advisors	498	511
Payables due to fund administration expenses	2,025	1,912
Service fee payable to the Aegon funds	-	84
Other payables and accrued expenses	6,077	2,924
Total trade payables and other creditors	**12,735**	**8,748**

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

	2015	2014
As at January 1	-	1,049
Additions	455	-
Amounts used during the year	-	(1,024)
Unused amounts reversed during the period	-	(25)
Other movements	-	-
Total current provisions	**455**	**-**

The provision concerns a restructuring provision resulting from some organisational changes that have been implemented in 2014. At balance sheet date, the provision has been reclassified from non-current to current. The amount accounted for reflects payables for contract terminations. Corresponding payments are expected to be made within one year from the balance sheet date.

Notes to the balance sheet as at 31 December

12. Shareholders' equity

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

Share capital – par value	**2015**	**2014**
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:

	Share capital	**Share premium**	**Other reserves**	**Net result for the year**	**Total share-holders' equity**
As at 1 January 2014	**1,134**	**28,676**	**3,509**	**(3,995)**	**29,324**
Capital contribution	-	4,310	-	-	4,310
Dividends paid	-	-	(2,000)	-	(2,000)
Add profit PY to other reserves	-	-	(3,995)	3,995	-
Profit for the financial year	-	-	-	7,770	7,770
As at 1 January 2015	**1,134**	**32,986**	**(2,486)**	**7,770**	**39,404**
Capital contribution	-	5,700	-	-	5,700
Dividends paid	-	-	(15,000)	-	(15,000)
Add profit PY to other reserves	-	-	7,770	(7,770)	-
Profit for the financial year	-	-	-	2,969	2,969
As at 31 December 2015	**1,134**	**38,686**	**(9,716)**	**2,969**	**33,073**

In May 2015, the Company paid dividend to the parent company, amounted to EUR 15 million. The Company received a capital contribution from the parent company AEGON Asset Management Holding B.V. The Company received the capital contribution of EUR 5.7 million in December 2015. The capital contribution has been initiated to enhance the capital position of the Company.

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

13. Net management fee

	2015	2014
Intercompany management fee income from Aegon Nederland N.V.	53,329	50,715
Intercompany management fee income to Blue Square Reinsurance	130	-
Management fee income third parties	12,898	9,192
Total management fee income	66,358	59,907
Intercompany management fee expense to Saemor Capital B.V. and Pelargos Capital B.V.	(6,527)	(6,502)
Intercompany management fee expense to Aegon USA Investment Management LLC	(1,377)	(1,078)
Intercompany management fee expense to TKP Investments	(961)	(1,305)
Management fee expense to third parties	(1,949)	(2,256)
Total management fee expense	(10,814)	(11,141)
Net management fee	**55,544**	**48,766**

14. Net service fee

	2015	2014
Service fee income	9,978	8,670
Service fee expense	(10,013)	(9,022)
Net service fee	**(35)**	**(352)**

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.

15. Net performance fee

	2015	2014
Intercompany performance fee income from Aegon Nederland N.V.	-	938
Intercompany performance fee expense with respect to Saemor Capital B.V. and Pelargos Capital B.V.	-	-
Total net performance fee	**-**	**938**

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

16. Other income

	2015	2014
Security lending fee from Aegon Nederland N.V.	500	500
Security lending fee from third parties	100	101
Other services to Aegon Nederland N.V.	3,417	4,450
Other income	87	349
Total other income	**4,104**	**5,400**

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 900 (2014: EUR 973).

17. Staff expenses

Staff expenses are EUR 37,068 (2014: EUR 29,488) and are related to recharges to the Company by Aegon Nederland N.V. for salaries, pension, social charges, etc. For terms and conditions relating to related party transactions refer to note 22.

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

Share based payments:

	2015	2014
Share based recognised in the profit and loss account	351	479
Share based bonuses granted	314	501

Share based bonuses are long-term share and cash incentive plans awarded to eligible employees and are accounted for over the period between the date of award and the date of vesting. Due to the implementation of Alternative Investment Fund Managers Directive (AIFM) 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 AIFM, eligible employees receive shares of Aegon N.V. As of 2015, share based bonuses are granted in phantom shares which is a fictional instrument. At the date of vesting the fictional phantom shares will be paid out in cash.

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

18. Other operating expenses

	2015	2014
Intercompany charges Kames Capital plc	1,717	1,203
Intercompany charges Aegon USA Investment Management LLC	3,502	2,649
Intercompany charges Aegon Nederland N.V.	2,097	2,097
Intercompany charges Aegon Asset Management Holding B.V.	1,353	1,551
Intercompany charges TKP Investments	(111)	(54)
Intercompany charges Aegon US AGT TransAmerica	-	-
Intercompany charges Aegon Global Technology Europe	2,099	1,667
Intercompany charges Aegon Magyarország Befektetési Alapkezelő Zrt.	(37)	(92)
Intercompany charges Aegon Asset Management (Asia) Limited	(4)	(5)
Intercompany charges AEGON – Unión Aseguradora S.A.	(39)	-
Software maintenance expenses	1,316	958
Data/Research services expenses	3,296	2,334
Other administrative expenses	3,147	1,915
Total operating expenses	**18,336**	**14,223**

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

The independent auditor's expenses for 2015 consist of:

	2015	2014
Audit of the financial statements	24	24
Other audit procedures	664	586
Tax services	-	-
Other non-audit services	-	-
Total independent auditor expenses	**688**	**610**

The other audit expenses comprises audited expenses for investment funds and client mandates amounted to EUR 545 (2014: EUR 537).

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

19. Interest income

	2015	2014
Short-term deposits interest income	-	36
Intercompany interest income	-	69
Short-term deposits interest income	**-**	**105**

20. Interest expense

	2015	2014
Bank charges and overdraft interest expense	41	19
Short-term deposits interest expense	16	-
Intercompany interest expense	10	12
Total interest expenses	**67**	**31**

21. Tax charge

Reconciliation of tax charge	**2015**	**2014**
Accounting profit before tax	3,959	10,360
Accounting profit multiplied by the NL standard rate of Corporation tax of 25%	(990)	(2,590)
Non-deductable expenses	-	-
Total tax (credit) in the profit and loss account statement	(990)	(2,590)

The Company is part of the fiscal unity headed by Aegon N.V. and accordingly jointly and severally liable for tax liabilities of this fiscal unity. The tax charge will be settled with Aegon N.V. via intercompany with Aegon Asset Management Holding B.V.

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

22. Related party transactions

(a) Immediate parent undertaking

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

(b) Ultimate parent undertaking

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

(c) Other related Parties

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

(d) Year end balances and transactions with related parties

The Company provides investment management services to other members of the Aegon Group at prices that are agreed from time to time between the Company and the recipients of the service, taking into account the size and nature of the service (see notes 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., 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 8.

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

23. 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.

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 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.

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

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 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.

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

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.

24. Number of employees

During the years 2015 and 2014, 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 199.9 (2014: 172.9).

25. Director's remuneration

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

	2015	**2014**
Salaries, pension, bonuses and other benefits	1,465	974

26. Contingent liabilities

As at 31 December 2015 the Company had no contingent liabilities.

27. Subsequent events

Between 31 December 2015 and the date of this report there were no subsequent events.

Signing of the financial statements

The Hague, The Netherlands

28 April 2016

S.A.C. Russell

A.H. Maatman

E. van der Maarel

H. Eggens

R.R.S. Santokhi

W.J.J. Peters

Other information

Statutory provision regarding appropriation of the result

The articles of association provide that the net result for the year is subject to disposition to be decided upon by the Annual General Meeting of Shareholders.

Appropriation of the result 2015

In the coming Annual General Meeting of Shareholders it will be proposed to distribute a dividend of EUR (2,969).

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

Independent auditor's report

To: the Directors of Aegon Investment Management B.V.

Report on the financial statements 2015

Our opinion

In our opinion the accompanying financial statements give a true and fair view of the financial position of Aegon Investment Management B.V. as at 31 December 2015, and of its result for the year then ended in accordance with Part 9 of Book 2 of the Dutch Civil Code.

What we have audited

We have audited the accompanying financial statements 2015 of Aegon Investment Management B.V. ('the company'), The Hague.

The financial statements comprise the:

- Balance sheet as at 31 December 2015;
- Profit and loss account for the year ended 31 December 2015;
- Cash flow statement for the year ended 31 December 2015;
- Notes to the financial statements, comprising a summary of the accounting policies and other explanatory information.

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

The basis for our opinion

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

We are independent of Aegon Investment Management B.V. in accordance with the 'Verordening inzake de onafhankelijkheid van accountants bij assuranceopdrachten' (ViO) and other relevant independence requirements in the Netherlands. Furthermore, we have complied with the 'Verordening gedrags- en beroepsregels accountants' (VGBA).

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

Responsibilities of the directors

The directors are responsible for:

- the preparation and fair presentation of the financial statements and for the preparation of the directors' report, both in accordance with Part 9 of Book 2 of the Dutch Civil Code; and

- internal control as the directors determine is necessary to enable the preparation of the financial statements that are free from material misstatement, whether due to fraud or error.

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

Our responsibilities for the audit of the financial statements

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

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

Report on other legal and regulatory requirements

Our report on the directors' report and the other information

Pursuant to the legal requirements of Part 9 of Book 2 of the Dutch Civil Code (concerning our obligation to report about the directors' report and the other information):

- We have no deficiencies to report as a result of our examination whether the directors' report, to the extent we can assess, has been prepared in accordance with Part 9 of Book 2 of this code, and whether the information as required by Part 9 of Book 2 of the Dutch Civil Code has been annexed.
- We report that the directors' report, to the extent we can assess, is consistent with the financial statements.

Amsterdam, 28 April 2016
PricewaterhouseCoopers Accountants N.V.

Original is signed by M.D. Jansen RA

pwc

Appendix to our auditor's report on the financial statements 2015 of Aegon Investment Management B.V.

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

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

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

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

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