Semi-annual Report 2020
Aegon Investment Management B.V.
Period to 30 June 2020

Contents of the semi-annual report

Company information

Members of the Management Board

R.R.S. Santokhi

B. Bakker

E. van der Maarel (resigned as per 1 July 2020)

C. Luning (resigned as per 1 February 2020)

O. van den Heuvel (resigned as per 1 February 2020)

P.J.G. Smith (resigned as per 1 February 2020)

W.J.J. Peters (resigned as per 1 February 2020)

F.F.F. de Beaufort (resigned as per 1 February 2020)

Secretary

Ms. T.E.J.F. Stassen

Registered Office

Aegonplein 50

2591 TV, The Hague

The Netherlands

Independent Auditor

PricewaterhouseCoopers Accountants N.V.

Fascinatio Boulevard 350

3065 WB, Rotterdam

The Netherlands

Semi-annual report 2020

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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.

The Company's mission is to use its investment management expertise to help people achieve a lifetime of financial security. The Company's investment management expertise is aimed at a wide variety of client groups such as institutional clients as well as retail customers in both the Netherlands as well as more broadly in Pan Europe.

Performance of the Company and developments during the half year

Performance of the Company

The Company delivered a profit after tax of EUR 9.2 million (2019: profit of EUR 7.6 million). The result over 2020 was above Directors' expectations for 2020, and an increase compared to the previous half year. Total income and cost increased compared to 2019.

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. Fees from management assets for affiliated insurance companies are higher compared to previous year. Fees from Third party clients are also higher compared to previous year due to the growth of the assets managed by the Company.

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 higher personnel expenses and discretionary costs. The aforementioned developments led to a profit after tax of EUR 9.2 million.

As at 30 June 2020, the Company's equity amounted to EUR 69.8 million. Eligible capital amounted to EUR 54.3 million compared to the minimum capital required of EUR 38.7 million. The Company's solvency and liquidity position can be characterized as robust. The capital position throughout the year complies with the capital requirements and the majority of the assets are liquid. As a result, there is no funding need.

Developments of the Company during the half year

The Asset under Management (AuM) increased with EUR 5.4 billion from EUR 111.7 billion to EUR 117.1 billion. The fixed income assets increased with EUR 5.0 billion from EUR 80.8 billion to EUR 85.8 billion. The equity assets under management including real estate assets under management decreased with EUR 1.5 billion from EUR 24.6 billion to EUR 23.1 billion. The alternative investments increased with EUR 2.0 billion from EUR 6.3 billion to EUR 8.3 billion.

Furthermore, the Company has expanded its third party client base further by combining growth in The Netherlands with attracting new clients from outside of The Netherlands, for example, Germany and Southern Europe.

Investment performance over the half year was reasonable. A number of capabilities performed well during the half year (for example the multi management funds and a number of multi asset products) and some others (for example a number of fixed income funds) did not perform as well as expected. From an operational perspective, the Company continued with migration activities aimed at standardizing its processes and systems.

Developments of the Company in the wider global Aegon Asset Management organisation

At the end of 2019, it has been decided to replace the regional executive committees (e.g. the European Executive Committee that existed during the period 1/1/2018 to 31/1/2020 and that had been delegated by the AIM board to run its day to day business) with a single global management board. It has also been decided to move to a global functional structure, establish four investment platforms (being fixed income, real assets, equity and multi assets & solutions), a single global profit and loss account, compensation pool and one global brand, which will be Aegon Asset Management (AAM). To ensure that the legal entity strategy execution is aligned with AAM's overall strategy, CEO's of AAM's key legal entities such as AIM are members of the AAM Global Management Board. Within the AAM organization, the AIM Board is responsible to conduct business in the manner agreed and determined by the Global Management Board of AAM and in line with the AAM Global Strategy. The AIM Board may decide to delegate specific responsibilities relating to the execution of AIM Board decisions and strategy to AAM Global committees.

General market developments

Eurozone GDP fell sharply due to the impact of the Covid-19 virus. The lockdowns within the Eurozone and the impact of the virus on other countries, resulted in the sharpest fall in economic activity in peacetime. The pandemic has also exacerbated the divergence within Europe. Southern countries have experienced worse outbreaks and more stringent lockdowns. Tourism is also a larger share of their economies, while fiscal postions are worse. As a result the European Commission is considering to setup a Recovery fund backed by all EU members, which would especially support those countries hit hardest.

As a reaction on the crisi, the ECB has setup a new Pandemic Emergency Purchase Programme of 1,350bln Euro and has provided favourable lending programms to the banking sector ease financial conditions.

Governments have announced large employment retention schemes, VAT cutes and other spending measures to soften the fall in economic output. Budget deficit will soar and government debt levels will rise sharply as a result.

Under these circumstances fixed income assets under management increased from EUR 80.8 billion to EUR 85.8 billion. There was a positive market movement of EUR 0.5 billion and a net inflow of EUR 4.5 billion.

Equity assets under management including real estate asset under management decreased from EUR 24.6 billion to EUR 23.1 billion at half-year end. There was a negative market movement amounting to EUR 1.3 billion and a net outflow of assets of EUR 0.3 billion.

Alternative investments asset under management (consisting of for instance the derivatives and hedging book and private equity investments) increased from EUR 6.3 billion to EUR 8.3 billion. There was a positive market movement of EUR 3.2 billion and a net outflow of EUR 1.2 billion.

On an aggregate level, the Company's total assets under management has increased from EUR 111.7 billion as per the beginning of the year to EUR 117.1 billion as per the end of the half-year.

Responsible investment

Aegon Asset Management believes in active and responsible managed investments. For Aegon Asset Management, Responsible Investment is about making sure that Environmental, Social and Governance (ESG) factors are taken into account in investment decisions. By taking an active approach when considering ESG issues in its investment decisions, engaging with investee companies based on global and responsible investment policy-related standards and by exercising its shareholder rights, Aegon Asset Management reduces risks and explores new opportunities to serve its clients' interests and those of society at large. Aegon Asset Management publishes an annual Responsible Investment Report which outlines how its take on responsible investment was put into practice in the reported period and how the company dealt with key sustainability issues in relation to its managed investments. The report demonstrates Aegon Asset Management's commitment to integrate non-financial factors into its investment decision-making processes and its support for sustainable finance. For more detailed information, we refer to the Aegon Asset Management 2020 Responsible Investment Report.

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 market risk, reputational risk and operational risk. The ICAAP process ensures that after taking account of mitigating actions, the Company maintains a level of capital that is appropriate for the risks it faces.

- Market risk considers the impact of significant falls in both equity and bond markets on assets under management and fee income.
- Reputational risk 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 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 within the requirements of the Operational Risk Management Policy of AEGON Group. This policy sets out the principles and methodologies 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 applies other policies setting out the standards that hold specifically for AAM and/or that apply to specific subjects (e.g. Conflicts of interest, Personal account dealing, Gifts & Hospitality).

The Risk Tolerance of the Company is defined in line with the methodology of the Operational Risk Management Policy of AEGON and is updated on an annual basis. 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 EUR 10.0 million more frequently than once every 10 years and has no tolerance for single event related losses exceeding EUR 0.5 million more frequently than once every 12 months. The Company has an Enterprise Risk Management department which facilitates identification of operational risk by line management, manages risk events and monitors follow up of issues and actions. The Key control framework is maintained by line management. Effectiveness of key controls is tested by the Controls & MI team that operates independently within the COO domain. The operational risk profile of the Company is discussed quarterly in the Global Risk and Control Committee by the Chief Risk and Compliance Officer and members of the Management Board.

Legal & compliance risk

Legal & Compliance risk is defined as the risk that losses occur resulting from non-voluntary legal liabilities, inadequate legal documentation; or products, services, people and actions failing to deliver the reasonable expectations of its customers and other stakeholders; or failure to comply with laws, regulations and internal company rules and policies, as well as late identification of significant and potential legal and regulatory developments. 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 identifies and addresses developments in the regulatory environment and translates this into a regulatory calendar. The Company’s Compliance department also has a monitoring program in place to monitor compliance with laws, regulation and internal 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 and 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, hence the main credit risk is concentrated around the bank accounts we use. There is a very small risk within the Company of not being able to collect management fees from the funds the Company manages. The Company considers that the exposure to credit risk is limited given the prior experience where the Company has 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 deposits with individual banks. During normal market conditions a bank balance above the Company's internal set minimum of EUR 15 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 and 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 5, 6 and 7 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. The Company 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 10, 11 and 12 of the notes to the financial statements.

Market Risk

Market risk is the risk resulting from exposure to changes in market prices of tradable financial instruments within a portfolio. The Company does not have a complex balance sheet. The balance sheet consists largely of cash and short-term assets and liabilities and 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 manages. 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.

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 Company's 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 2020 our aim is to continue to diversify our asset and client base while continuing to achieve operational excellence. Regarding developing the product range, the focus of the Company will be on launching a number of new capabilities to support third party growth and on more actively working on identifying cross sell opportunities with affiliated companies. The Company believes that no funding or investments are required to execute on these plans.

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 the Company 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 2020 situation, the Company did comply with this requirement (33% of the Board was occupied by women). In the second half of 2020 it is expected that the Board will consist of 3 members of which 1 is female. As a result, 33% of board seats will be occupied by women after the approval of these financial statements.

Directors and their interests

Directors at the date of signing who served throughout the half year

R.R.S. Santokhi

B. Bakker

The Directors have declared that they had no interest in the share capital of the Company in the financial half year ended 30 June 2020.

This report was approved by the Board of Directors and authorised for issue on 28 August 2020.

The Hague, The Netherlands

R.R.S. Santokhi

B. Bakker

Semi-annual financial statements

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Balance sheet before profit appropriation as at 30 June 2020

(all amounts are in thousands of euros)	Notes	30 June 2020	31 December 2019
Assets			
Non-current assets			
Intangible assets	3	6,202	6,094
Tangible assets	4	261	360
Total non-current assets		6,463	6,454
Current assets			
Intercompany receivables	5	16,026	5,960
Trade receivables, prepayments and other receivables	6	15,712	18,585
Cash and cash equivalents	7	72,867	90,720
Total current assets		104,605	115,265
Total assets		111,068	121,719
Shareholder's equity	8		
Share capital		1,134	1,134
Share premium		38,686	38,686
Other reserves		14,480	(2,345)
Legal reserve		6,202	6,094
Net result for the year		9,252	16,933
Total shareholder's equity		69,754	60,502
Provisions			
Provisions	9	863	931
		863	931
Non-current liabilities			
Non-current liability due to bonus reservation		-	1,612
		-	1,612
Current liabilities			
Intercompany payables	10	3,534	20,296
Trade payables and other creditors	11	23,329	27,875
Corporation tax payable	12	13,588	10,503
Total current liabilities		40,451	58,674
Total shareholder's equity, provisions and liabilities		111,068	121,719

Profit and loss account for the half year ended 30 June 2020

(all amounts are in thousands of euros)	Notes	30 June 2020	30 June 2019
Management fee	13	53,593	50,008
Service fee	14	6,654	5,625
Other income	15	5,977	7,362
Management fee expense	16	(4,655)	(4,373)
Service fee expense	14	(5,322)	(5,626)
Gross income		56,247	52,996
Staff expenses	17	(26,274)	(26,016)
Other operating expenses	18	(15,897)	(15,271)
Other expenses		(367)	(86)
Amortisation of intangible assets	3	(925)	(807)
Depreciation of tangible assets	4	(99)	(165)
Total expenses		(43,562)	(42,345)
Operating profit for the half year		12,685	10,651
Addition to provisions	9	-	(281)
Other gains/(losses)	19	(152)	-
Interest expense	20	(198)	(142)
Profit on ordinary activities before taxation		12,335	10,228
Corporation tax	21	(3,084)	(2,557)
Profit for the half year		9,251	7,671

Cash flow statement for the half year ended 30 June 2020

(all amounts are in thousands of euros)	Notes	30 June 2020	30 June 2019
Operating activities:			
Profit on ordinary activities before taxation		12,335	10,228
Adjustments to reconcile Operating profit/(loss) before tax to net cash flow from operating activities:			
Depreciation, amortisation and other impairments		1,024	972
(Increase)/decrease in non-current assets		-	(422)
(Increase)/decrease in current assets		(7,193)	34,367
Increase/(decrease) in non-current liabilities		(1,680)	334
Increase/(decrease) in current liabilities		(18,223)	9,711
Corporate income tax paid		(3,084)	(2,557)
Net cash flow generated from operating activities		(16,821)	52,633
Investment activities:			
Investment in intangible fixed assets		(1,032)	(1,215)
Investment in tangible fixed assets		-	(163)
Net cash flow used in investment activities		**(1,032)**	**(1,378)**
Financing activities:			
Dividend paid		-	(13,000)
Net cash flow used in financing activities		**-**	**(13,000)**
Net increase in cash and cash equivalents		(17,853)	38,255
Cash and cash equivalents as at 1 January	7	90,720	45,064
Cash and cash equivalents as at 30 June	7	72,867	83,319
		(17,853)	**38,255**

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

Notes to the semi-annual financial statements

1. General information

Aegon Investment Management B.V. (the Company) 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, Chamber of Commerce number 27075825, under its registered address at Aegonplein 50, 2591 TV The Hague. The Company 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 also the manager of alternative investment funds (AIFs) (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, 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 are 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.

The financial statements are denominated in euros, unless otherwise stated. This is both the functional currency and presentation currency of the Company. 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. Exchange differences that arise from settlement or translations of monetary items are recorded in the profit and loss account.

Unless otherwise stated, all other assets and liabilities are recognised initially at fair value and subsequently measured at amortised cost. In the balance sheet, profit and loss account and the cash flow statement, references are made to the notes.

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

Comparison with previous half year

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

The comparative amounts of these semi-annual financial statements have been restated for the revenues in line with the use of the principle agent method.

Accounting principles

Intangible assets

Intangible assets consist of purchased capitalised software costs. Intangible assets are stated at cost less any accumulated amortisation and any accumulated impairment losses determined individually for each asset. A periodic impairment test is 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.

Tangible assets

Tangible assets are valued at historical cost less straight-line accumulated depreciation. Depreciation of tangible assets is calculated using fixed percentages of the historic purchase cost and based upon the economic life of the asset.

Impairment of assets

On each balance sheet date, the Company assesses whether there are any indications that a fixed asset may be subject to impairment. If there are such indications, the recoverable amount of the asset is determined. If it is not possible to determine the recoverable amount of the individual asset, the recoverable amount of the cash-generating unit to which the asset belongs is determined. An impairment occurs when the carrying amount of an asset is higher than the recoverable amount; the recoverable amount is the higher of the realisable value and the value in use.

An impairment loss is directly recognised in the profit and loss account while the carrying amount of the asset concerned is concurrently reduced.

The realisable value is initially based on a binding sale agreement; if there is no such agreement, the realisable value is determined based on the active market, whereby usually the prevailing bid price is taken as market price. The costs deducted in determining net realizable value are based on the estimated costs that are directly attributable to the sale and are necessary to realize the sale. For the determination of the value in use, an estimate is made of the future net cash flows in the event of continued use of the asset or cash-generating unit.

If an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but not in excess of the amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised immediately in the profit and loss account.

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 three 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 for legally enforceable or constructive obligations that exist at the balance sheet date, and for which it is probable that an outflow of resources will be required and a reliable estimate can be made. Provisions are measured at the best estimate of the amount that is necessary to settle the obligation as per the balance sheet date. The provision concerns a restructuring provision resulting from some organisational changes that were implemented in 2020. The amount accounted for reflects payables for contract terminations.

Principles for the determination of the result

The result is the difference between the realisable value of the services provided and the costs and other charges during the half year. The result on transactions are recognised in the year in which they are realised.

Operational lease

Leases that do not transfer substantially all the risks and rewards of ownership are classified as operating leases. Payments made under operating leases, where the Company is the lessee, are charged to the profit and loss account on a straight-line basis over the period of the lease.

Revenue recognition

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.

Principal – agent method

The Company recognises management fees as revenues in line with principal-agent method. Based on management assessment, the Company operates as principal in relation to the sub advised services provided to the AIM asset management clients. As a principal AIM recognises and presents the total gross contractual fees for the provided services as revenue.

Management fees, service fees and performance fees

Management fees and service fees comprises the fair value of the service rendered in the ordinary course of the Company's activities. The company recognises management and service fees in the accounting period in which the service is provided. Management fees for the funds are calculated on the fund’s net asset value using pre-determined percentages disclosed in the fund’s prospectus. The same principle applies for the service fees that are charged to the funds to cover for administrative, custody and other operational expenses. For institutional clients with an individual investment mandate the management fees are calculated over the quarterly average net asset value.

Performance fees are calculated as a percentage of the performance of the relevant assets under management and recorded when earned.

Management fee expenses and service fee expenses

Management fee expenses comprise of sub advisory costs which are payable to third parties and related parties. These costs are recorded when the service has been provided and is based on predetermined percentages of average net asset under management. The service fee expenses comprise of administration, custody, depository, supervision, external reporting, registration, independent auditor and bank expenses which are charged to the Company by external parties.

Other operating expenses

Costs are determined on a historical basis and are attributed to the reporting year to which they relate.

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 a 50% deferred payment in cash (based on cliff vesting) with the NAV of a reference portfolio determining the ultimate pay out. 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. A 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 year, taking account of the losses available for set-off from previous financial years (to the extent that they have not already been included in the deferred tax assets) and adjusted for exempted sources of income and tax allowances. Due account is also taken of changes which occur in the deferred tax assets and deferred tax liabilities in respect of changes in the applicable tax rate.

Cash flow statement

The cash flow statement was 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. Cash flows denominated in foreign currencies have been translated at average estimated exchange rates. Interest paid and received, dividends received and income taxes are included in cash from operating activities. Investment in intangible fixed assets and tangible fixed assets are recognised as cash used in investment activities. Dividends paid are recognised as cash used in financing activities. Transactions not resulting in inflow or outflow of cash are not recognised in the cash flow statement.

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.

Key sources of estimation uncertainty

Restructuring provision

The reorganization plans are communicated with the employees in several ways, making a justified expectation by the employee that the reorganization will take place. Different parts of the reorganisation are already set in motion as at balance sheet date. The restructuring provision concerns commitments related to job placement services and the discharge of employees. A change in assumption and estimates may affect the actual costs of the restructuring, including choice of outflow and time

Management fees

The Company recognises management fees as revenues in line with principal-agent method. Based on management assessment, the Company operates as principal in relation to the sub advised services provided to the AIM asset management clients. As a principal AIM recognises and presents the total gross contractual fees for the provided services as revenue.

Useful lives of tangible and intangible assets

The Company reviews the estimated useful lives of tangible and intangible assets at the end of each reporting period. Currently the useful lives are determined as follows:

- Computer & equipment: 3 years
- Furniture & equipment: 4 years
- Leasehold improvements: 5 years
- Intangibles: 2-5 years

Notes to the balance sheet as at 30 June

3. Intangible assets

	Software costs	Total
Balance as at 1 January 2020		
Historical costs	14,382	14,382
Cumulative impairment losses and amortisation	(8,288)	(8,288)
Book value	6,094	6,094
Movements		
Investments	1,032	1,032
Amortisation of intangible fixed assets	(924)	(924)
Balance	108	108
Balance as at 30 June 2020		
Historical costs	15,414	15,414
Cumulative impairment losses and amortisation	(9,212)	(9,212)
Book value	6,202	6,202
Balance as at 1 January 2019		
Historical costs	12,183	12,183
Cumulative impairment losses and amortisation	(6,583)	(6,583)
Book value	5,600	5,600
Movements		
Investments	2,199	2,199
Amortisation of intangible fixed assets	(1,705)	(1,705)
Balance	494	494
Balance as at 31 December 2019		
Historical costs	14,382	14,382
Cumulative impairment losses and amortisation	(8,288)	(8,288)
Book value	6,094	6,094

Intangible assets in the balance sheet are comprised of purchased and capitalised software packages. As at half year ended 30 June 2020, a number of systems were implemented and operational. Amortisation was initiated for these software packages using the straight-line method over the expected useful economic life of two to five years.

4. Tangible assets

	Computer and equipment	Furniture and equipment	Leasehold improvement	Total
Balance as at 1 January 2020				
Acquisition costs	612	274	111	997
Cumulative impairments and depreciation	(326)	(234)	(77)	(637)
Book values	286	40	34	360
Movements				
Investments	-	-	-	-
Depreciation of tangible fixed assets	(69)	(19)	(11)	(99)
Balance	(69)	(19)	(11)	(99)
Balance as at 30 June 2020				
Acquisition costs	612	274	111	997
Cumulative impairments and depreciation	(395)	(253)	(88)	(736)
Book values	217	21	23	261
Balance as at 1 January 2019				
Acquisition costs	330	274	111	715
Cumulative impairments and depreciation	(204)	(178)	(55)	(437)
Book values	126	96	56	278
Movements				
Investments	282	-	-	282
Depreciation of tangible fixed assets	(122)	(56)	(22)	(200)
Balance	160	(56)	(22)	82
Balance as at 31 December 2019				
Acquisition costs	612	274	111	997
Cumulative impairments and depreciation	(326)	(234)	(77)	(637)
Book values	286	40	34	360

The economic lives of tangible fixed assets is 3 years.

5. Intercompany receivables

	30 June 2020	31 December 2019
Intercompany receivables with AEGON Asset Management Holding B.V.	4,370	5,537
Intercompany receivables with AEGON Nederland N.V.	11,110	-
Intercompany receivables with Aegon Asset Management Value Hub B.V.	381	236
Intercompany receivables with Blue Square Re N.V.	21	68
Intercompany receivables with AEGON – Unión Aseguradora S.A.	10	-
Intercompany receivables with AEGON N.V.	109	119
Intercompany receivables with Aegon Hungary Investment Fund Management Company	25	-
Total intercompany receivables	**16,026**	**5,960**

Intercompany receivables are expected to be settled within one year from balance sheet date. Fair value of intercompany receivables approximates book value.

6. Trade receivables, prepayments and other receivables

	30 June 2020	31 December 2019
Trade receivables, prepayments and other receivables	12,595	14,320
Management fee receivable from the Aegon funds	2,857	3,916
Service fee receivable from the Aegon funds	260	349
Total	**15,712**	**18,585**

Outstanding balances are unsecured and cash settlement is generally expected to be settled within one year from invoice date. Fair value of receivables approximates book value.

At balance sheet date the prepayments amounted to EUR 1,981 (2019: EUR 1,188). During the half year ended 30 June 2020 the Company has not made any provision for doubtful debtors.

7. Cash and cash equivalents

	30 June 2020	31 December 2019
Cash at banks	1,844	10,660
Short-term deposits	71,023	80,060
Total cash and cash equivalents	**72,867**	**90,720**

Cash and cash equivalents in the balance sheet comprise of cash held at banks, bank guarantee 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 1,774 is free at disposal. EUR 42 thousand relates to a bank guarantee issued and is not free disposal. EUR 71,023 is divided over a number of counterparties with a minimum rating in accordance with Aegon Group Credit name limit policy (CNLP). In accordance with the CNLP policy, all counterparties should have a CNLP rating of A or above. The CNLP rating is a composite agency rating, which is determined by reviewing the available solo agency ratings of Standard & Poor's, Moody's and Fitch.

8. Shareholder's equity

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

Share capital – par value	30 June 2020	31 December 2019
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	Legal reserve	Net result for the year	Total share-holder's equity
As at 1 January 2019	**1,134**	**38,686**	**590**	**5,600**	**14,559**	**60,569**
Capital contribution	-	-	-	-	-	-
Dividends paid	-	-	(17,000)	-	-	(17,000)
Add profit prior year to other reserves	-	-	14,559	-	(14,559)	-
Additions to legal reserve from other reserves	-	-	(494)	494	-	-
Profit for the financial year	-	-	-	-	16,933	16,933
As at 1 January 2020	**1,134**	**38,686**	**(2,345)**	**6,094**	**16,933**	**60,502**
Capital contribution	-	-	-	-	-	-
Dividends paid	-	-	-	-	-	-
Add profit prior year to other reserves	-	-	16,933	-	(16,933)	-
Additions to legal reserve from other reserves	-	-	(108)	108	-	-
Profit for the half year	-	-	-	-	9,252	9,252
As at 30 June 2020	**1,134**	**38,686**	**14,480**	**6,202**	**9,251**	**69,754**

In 2019 the Company paid a dividend to the parent company amounting to EUR 17,000.

9. Provisions

	30 June 2020	31 December 2019
As at January 1	931	314
Additions	-	805
Release	30	(107)
Withdrawal	(98)	(81)
Total provisions as at 30 June	**863**	**931**

10. Intercompany payables

	30 June 2020	31 December 2019
Intercompany payables to Kames Capital plc	1,573	3,766
Intercompany payables to Aegon Global Technology Europe	359	422
Intercompany payables to Aegon Asset Management Pan-Europe B.V.	85	1,181
Intercompany payables to Aegon US AGT TransAmerica	48	130
Intercompany payables to Aegon Nederland N.V.	-	11,250
Intercompany payables to Saemor Capital B.V. and Pelargos B.V.	786	718
Intercompany payables to Aegon USA Investment Management LLC	683	2,829
Total intercompany payables	**3,534**	**20,296**

Intercompany payables are expected to be settled within one year from balance sheet date. Fair value of intercompany payables approximates book value.

11. Trade payables and other creditors

	30 June 2020	31 December 2019
Payables due to bonus reservations	3,651	6,267
Payables due to management fee expenses to sub advisors	446	474
Payables due to fund administration expenses	1,520	2,184
Other payables and accrued expenses	17,712	18,950
Total trade payables and other creditors	**23,329**	**27,875**

Trade payable and other creditors are obligations expected to be settled within one year from balance sheet date. The fair value of the trade and other payables approximate their carrying value since the trade and other payables are non-interest bearing.

12. 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. and is expected to be settled within one year from balance sheet date.

Notes to the profit and loss account for the year ended 30 June 2020

13. Management fee

	2020	2019
Intercompany management fee income from Aegon Nederland N.V.	25,348	24,175
Intercompany management fee income from Blue Square Reinsurance	67	54
Management fee income from third parties	28,178	25,779
Total management fee income	**53,593**	**50,008**

14. Service fee

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 expense is incurred by the Company.

15. Other income

	2020	2019
Security lending fee from Aegon Nederland N.V.	75	100
Security lending fee from third parties	5	11
Other services to Aegon Nederland N.V.	3,265	3,619
Other income	2,632	3,632
Total other income	**5,977**	**7,362**

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 directly flows to Aegon Nederland N.V. The total security lending fee on account of the Company amounted to EUR 80 (2019: EUR 111).

16. Management fee expense

	2020	2019
Intercompany management fee expense to Saemor Capital B.V. and Pelargos Capital B.V.	(2,538)	(2,857)
Intercompany management fee expense to Aegon USA Investment Management LLC	(1,215)	(626)
Management fee expense to Blackrock Advisors (UK) Limited	(902)	(890)
Total management fee expense	**(4,655)**	**(4,373)**

17. Staff expenses

Staff expenses are EUR 26,274 (2019: EUR 26,016) 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 22.

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

18. Other operating expenses

	2020	**2019**
Intercompany charges Kames Capital plc	1,155	1,186
Intercompany charges Aegon USA Investment Management LLC	103	28
Intercompany charges Aegon Nederland N.V.	1,358	1,300
Intercompany charges Aegon Asset Management Holding B.V.	1,699	1,430
Intercompany charges TransAmerica	103	(22)
Intercompany charges Aegon Global Technology Europe	1,522	1,537
Intercompany charges Aegon Magyarország Befektetési Alapkezelő Zrt.	(25)	(25)
Intercompany charges Aegon Asset Management Value Hub B.V.	302	439
Intercompany charges AEGON – Unión Aseguradora S.A.	(10)	(10)
Intercompany charges Aegon Asset Management Pan Europe	1,399	1,337
Software maintenance expenses	2,707	2,425
Data/Research services expenses	2,091	1,779
Other administrative expenses	3,404	3,867
Operational lease expenses	89	-
Total operating expenses	**15,897**	**15,271**

The intercompany recharges consist of other operating expenses that are recharged between Aegon entities. These recharges relates to services provided between the Company and other Aegon entities. Other administrative expenses include expenses from various services providers (e.g. third party administrator, consultants, independent auditor, tax advisors, etc.), rent and travel expenses.

The independent auditor's expenses for 2020 consist of:

	2020	2019
Audit of the financial statements	48	38
Other audit procedures	585	554
Tax services	-	-
Other non-audit services	-	-
Total independent auditor expenses	**633**	**592**

The fees listed above relate to the audits of the 2019 and 2020 financial statements, regardless of whether the work was performed during the financial year.

The other audit procedure expenses are comprised of audit expenses for the investment funds, client mandates and audit expenses for ISAE 3402.

19. Other gains/(losses)

Other gains/(losses) relates to the foreign exchange difference between the moment of invoice registration and the actual payment of the invoice.

20. Interest expense

	2020	2019
Bank charges and overdraft interest expense	30	55
Short-term deposits interest expense	168	87
Total interest expenses	**198**	**142**

21. Corporation tax charge

Reconciliation of corporation tax	**2020**	**2019**
Accounting profit before tax	12,335	10,228
Accounting profit multiplied by the NL standard rate of Corporation tax of 25%	(3,084)	(2,557)
Non-deductible expenses	-	-
Total corporation tax in the profit and loss account statement	(3,084)	(2,557)

The Company is part of the fiscal unity headed by Aegon N.V. and accordingly is jointly and severally liable for tax liabilities of this fiscal unity. The tax charge will be settled with Aegon N.V. via an intercompany payable with Aegon Asset Management Holding B.V. The effective rate of tax is 25% for 2020 (2019: 25%).

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 Aegon Asset Management Pan-Europe 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 United Kingdom, Aegon Magyarország Befektetési Alapkezelő Zrt, Aegon Hungary Investment Fund Management Company and Aegon Asset Management Value Hub B.V., both incorporated in Hungary and Aegon USA Investment Management LLC, Aegon US AGT TransAmerica, both incorporated in the United States of America.

(d) Half-Year end balances and transactions with related parties

The Company provides investment management services to other members of the Aegon Group at prices that are agreed from time to time between the Company and the recipients of the service, taking into account the size and nature of the service (see note 14 for total amount of such transactions).

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 were made for cross border personnel and other expenses. This includes balances with Aegon Asset Management Holding B.V., Blue Square Re N.V., 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, AEGON – Unión Aseguradora S.A., Aegon Asset Management Pan-Europe B.V., Aegon Magyarország Befektetési Alapkezelő Zrt and Aegon Asset Management Value Hub B.V. Year end balances for related party transactions are detailed in notes 6 and 11.

23. Risk Management

General

The Company operates within the requirements of the Operational Risk Management Policy of AEGON Group. This policy sets out the principles and methodologies 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 applies other policies setting out the standards that hold specifically for AAM and/or that apply to specific subjects (e.g. Conflicts of interest, Personal account dealing, Gifts & Hospitality).

The Risk Tolerance of the Company is defined in line with the methodology of the Operational Risk Management Policy of AEGON and is updated on an annual basis. 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 EUR 10.0 million more frequently than once every 10 years and has no tolerance for single event related losses exceeding EUR 0.5 million more frequently than once every 12 months. The Company has an Enterprise Risk Management department which facilitates identification of operational risk by line management, manages risk events and monitors follow up of issues and actions. The Key control framework is maintained by line management. Effectiveness of key controls is tested by the Controls & MI team that operates independently within the COO domain. The Operational Risk profile of the Company is discussed quarterly in the Global Risk and Control Committee by the Chief Risk and Compliance Officer and global Management Board.

Legal & compliance risk

Legal & Compliance risk is defined as the risk that losses occur resulting from non-voluntary legal liabilities, inadequate legal documentation; or products, services, people and actions failing to deliver the reasonable expectations of its customers and other stakeholders; or failure to comply with laws, regulations and internal company rules and policies, as well as late identification of significant and potential legal and regulatory developments. 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 identifies and addresses developments in the regulatory environment and translates this into a regulatory calendar. The Company’s Compliance department also has a monitoring program in place to monitor compliance with laws, regulation and internal 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 and 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 manages. The Company considers that the exposure to credit risk is limited given the prior experience where the Company has 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 deposits with individual banks. During normal market conditions a bank balance above the Company's internal set minimum of EUR 15 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 and 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 5, 6 and 7 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. The Company 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 10, 11 and 12 of the notes to the financial statements.

Market Risk

Market risk is the risk resulting from exposure to changes in market prices of tradable financial instruments within a portfolio. The Company does not have a complex balance sheet. The balance sheet consists largely of cash and short-term assets and liabilities and 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 manages. 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.

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 Company's own capital requirement could be available as an additional buffer, depending on circumstances.

24. Number of employees

Aegon Nederland N.V. employs all staff that work for the Company, and as such the Company had no direct employees during the half-years 2020 and 2019. The number of average FTE that work for the Company in 2020 is 331.5 (2019: 325.6). All employees that work for the Company are based in the Netherlands.

25. Contingent liabilities

Operational lease

The term of the lease for the property on Europaweg in Groningen is until May 16, 2021. The lease commitment amounts to EUR 247 thousand.

In connection with the advance payments, ING Bank has issued a bank guarantee up to an amount of EUR 42 thousand total (2019: EUR 42 thousand).

26. Subsequent events

As per 1 July 2020, there were no subsequent events.

Signing of the financial statements

The Hague, The Netherlands

28 August 2020

R.R.S. Santokhi

B. Bakker