

SEMI-ANNUAL REPORT 2018

BNP PARIBAS ASSET MANAGEMENT

NEDERLAND N.V.



Semi-annual Report 2018 – 30 June 2018



BNP PARIBAS
ASSET MANAGEMENT

The asset manager
for a changing
world

Contents

Management Board Report	2
Financial Statements	7
Statement of financial position	8
Statement of profit or loss and other comprehensive income	9
Statement of changes in equity	10
Statement of cash flows	11
Notes to the Financial Statements	12
1. Corporate information	12
2. Summary of significant accounting policies	13
3. Share capital and share premium	14
4. Income tax expenses	14
5. Dividends per share	14
6. Commitments	14
7. Related-party transactions	15
8. Compliance	16
Other Information	17
Organisation	18
For more information	19

Management Board Report

General

We herewith present the interim financial statements for the first half of the year 2018 of BNP PARIBAS ASSET MANAGEMENT Nederland N.V. (the **Company**) together with the report of the Management Board.

BNP Paribas Asset Management is the autonomous global asset management division of the BNP Paribas Group. The Company, acts, amongst others, as director and/or management company (*beheerder*) for Dutch Undertakings for Collective Investment in Transferable Securities (UCITS) and Alternative Investment Funds (AIF's) (together: investment funds). Further, the Company is entrusted with asset management activities for both institutional mandates and foreign investment funds of BNP Paribas Asset Management. Total assets that are under the direct management of the Company are around EUR 27 billion as of June 30th, 2018.

Corporate Structure

BNP PARIBAS ASSET MANAGEMENT Holding in France indirectly holds 100% of the shares of BNP PARIBAS ASSET MANAGEMENT NL Holding N.V. which is the 100% owner of the shares of the Company. The Company is established in the Netherlands. BNP PARIBAS ASSET MANAGEMENT NL Holding N.V. also holds 100% of the shares of BNP PARIBAS ASSET MANAGEMENT Netherlands N.V., which is the formal employer of all BNP Paribas Asset Management employees, as well as the contracting party for external contractors and other external temporarily staff that is based in the Netherlands.

Half year results 2018

The Company's net result decreased with EUR 0.3 million over the first 6 months of 2018 resulting in a loss of EUR 3.0 million compared to the same period in 2017.

The net fee margin decreased with EUR 2.2 million, which can be mainly explained by the transfer of part of the investment management activities of the Company to three other BNP Paribas Asset Management entities as per the end of 2017. As described in the annual report over 2017 the acquiring parties paid the Company a consideration of EUR 14.4 million to compensate for future revenue losses.

On the cost side, the administrative expenses decreased with EUR 1.8 million. This can be split in a decrease of EUR 1.0 million with regard to costs charged by the providers servicing our investment funds, plus another EUR 0.8 million decrease of the net re-invoicing cost (the cost related to activities outsourced by BNP PARIBAS ASSET MANAGEMENT Netherlands N.V.).

Market Environment and Corporate Strategy

The asset management landscape is changing fast from different perspectives.

Firstly – from a regulatory perspective – increased client interest protection challenges the industry to further enhance service levels whereas pressure on margins continues. In parallel, an increase of transparency encourages more severe requirements on reporting and monitoring.

Secondly – from a client demand perspective – clients have new expectations especially in terms of value for money while at the same time the current low yield environment and deflationary pressures accentuate sensitivity to pricing. As a consequence, there is a polarisation of clients' demands towards low-margin and highly scalable passive products on the one hand, and high added value, higher fee solutions on the other hand. This evolution in the product mix results in a price erosion for traditional active products and in a strong development of passives and specific asset classes solutions.

Thirdly, – from the perspective of digitalisation of the industry – there is a change in the way business is done, as new entrants across the value chain challenge existing market participants. The market faces the arrival of a new kind of non-financial competitors in the field of big data.

The challenges as outlined above hold across borders and require a global approach with a global vision and mission. BNP Paribas Asset Management's mission is to be a leading provider of quality investment solutions for individuals, companies and institutions. BNP Paribas Asset Management aims to be a quality driven investment house, which delivers more than products, through a scalable and efficient platform, on a global scale and with a culture of performance.

There are a couple of practical guidelines along which this corporate mission of BNP Paribas Asset Management is being translated into practical strategy and implementation. This applies for aiming towards simplicity in the overall set-up. This would also apply for the creation of unified investment platforms for equity and for fixed income, but also for the combination of all multi-asset teams whereby fundamental and quant research is being bundled into a "quanta mental" approach. Furthermore, it would apply for the overall scope of the product range and for the simplification of the overall set-up. Practical examples would include leveraging ESG capabilities to ensure a leading offering of solutions and products. In addition, it stimulates a focus on the creation of a new product mix, being positioned both on the low fee and tracking error bucket and on higher pricing and tracking error, thereby creating an optimal balance between the traditional asset class and alternative asset classes.

The Company's strategy, products and services

The Company forms an integral part of BNP Paribas Asset Management. Strategy of the Company is typically being derived from a global perspective, thereby taking local positioning and market circumstances sharply into account.

Organizational changes that have taken place within the Company in the course of 2018 – in the context of the mentioned trends and developments – specifically relate to:

- Further strengthening of the (global) investment solution activities from the Netherlands;
- Harmonisation of sales efforts by integrating institutional and wholesale sales teams.

The above changes are being taken further in the second half of 2018.

In its position as Management Company for UCITS and AIFs, a couple of changes has been implemented in the first half of 2018.

The Company fully revamped BNP Paribas Netherlands Fund as per 11 April 2018 and transformed it into an index fund with a sustainable character. In this way the Company responds to the increasing demand for passive cost- and tax-efficient funds which invest in equities of companies with high standards on environment, societal importance and good governance. This transformation entailed a complete revision of, among other things, the investment policy, the index and the cost structure of the sub-fund. The name of the fund also changed per 11 April 2018 into BNP Paribas ESG Netherlands Index Fund. More information on this fund can be found in the prospectus of BNP Paribas Fund III N.V. dated 11 April 2018.

Also with effect from 11 April 2018, the positions of BNP Paribas Asia Pacific High Income Equity Fund in currencies other than the euro are no longer fully hedged to the euro. The investment policy, the risk profile and the index have been updated to reflect this. On 20 April 2018, this investment fund (BNP Paribas Asia Pacific High Income Equity Fund) was the receiving fund in a share class merger with the Luxembourg based Parvest Equity High Dividend Pacific, Privilege EUR-DIS share class, whereby shareholders of the Luxembourg share class received Classic shares in BNP Paribas Asia Pacific High Income Equity Fund. At the request of the Company, the authorization to offer the Classic Class shares of the sub-fund in Luxembourg - obtained on 20 April 2018 in anticipation of the merger - was withdrawn on 24 May 2018.

Compliance and Corporate Governance

As always, the Board of Directors paid significant attention to applicable laws and regulations, including the Act on Financial Supervision (*Wet op het financieel toezicht* or *Wft*). The Company's Board of Directors has sought to ensure that required amendments, where necessary, were made in a timely manner, in amongst others prospectuses, its Principles of Fund Governance (as available on the Company's website www.bnpparibas-am.nl) and based on the requirements concerning sound business operations (as set out in the *Wft*) and other public information, internal procedures, organisation and guidelines.

Notable regulatory changes for the Company over the first half of 2018 include the entry into force of the Markets in Financial Instruments Directive (Regulation (EU) 2014/65) (MiFID II) on 3 January 2018 and the entry into force of the General Data Protection Regulation (Regulation (EU) 2016/679) (GDPR) on 25 May 2018. Further regulatory changes in the first half of 2018 with an impact for the Company were the entry into force of the Packaged Retail and Insurance-based Investment Products Regulation (PRIIPs Regulation), the Regulation on indices used as benchmarks in financial instruments and financial contracts (Benchmarks Regulation) and the Dutch implementation of the Fourth Anti-Money Laundering Directive.

Internal control framework and risk assessment policies

Although the Company is not significantly exposed to risks from financial instruments, market movements may impact financial results as net income from fees is closely related to the underlying net asset value of the investment funds while administrative expenses are only up to a certain extent related to movements in net asset value. Furthermore, the performance of the Company might be affected by redemptions by investors of our investment funds, changes in strategy by our distribution partners and negative sentiment in the market in general.

The Board of Directors of the Company is responsible for the day-to-day management, but part of the daily operations are outsourced to other BNP Paribas Asset Management entities and external parties. The Board of Directors has designed policies, procedures and structures as well as reporting lines to monitor outsourced activities, to control operational activities and to identify risks. The internal control framework has been designed to achieve the Company's goals by effectively mitigating, evaluating and monitoring risks. Within this framework, the Company's Compliance department ensures overall compliance with applicable laws and regulations. The Company's department of Risk Operational Risk and Control assures the accuracy of the internal control measures and administration descriptions. During the first half of 2018 and as far as the Board of Directors is aware, the Company has effectively operated under its system of internal control.

Outlook second half of 2018

Throughout 2018 projects will be commenced within BNP Paribas Group and BNP Paribas Asset Management to further anticipate on the organizational, operational and commercial impact of Brexit.

Commercially, the enhancement of the Solution investment activities are expected to further strengthen the foothold in this institutional segment. In parallel, investment solutions in the area of private debt and real assets are expected to be in greater demand. Throughout the different client segments, ESG will remain a key focus area.

For the fund related activities, the Company has published the proposal to merge BNP Paribas AEX Index Fund with and into BNP Paribas ESG Netherlands Index Fund, effective on 14 September 2018. This merger is subject to approval of the Extraordinary General Meeting of Shareholders of BNP Paribas Fund III N.V. to be held on 7 September 2018. The merger of BNP Paribas AEX Index Fund with and into BNP Paribas ESG Netherlands Index Fund means that more scale is being realized, so that asset

management can be organized more efficiently and an attractive - above all sustainable - investment can be offered to the shareholders of both sub-funds. Shareholders have been informed via an advertisement in 'Het Financieele Dagblad' on 27 July 2018. More details can be found in the Information Memorandum which is available on the website of the Company (www.bnpparibas-am.nl). No other changes in the Dutch fund range offered by the Company are currently foreseen for 2018.

Amsterdam, 31 August 2018

The Board of Directors:

J.L. Roebroek (Chairman)

M.P. Maagdenberg

E.C. Stienstra

C.J.M. Janssen

Financial Statements

Statement of financial position**(after appropriation of result)***(x € 1,000)*

	Notes	As at 30 June	
		2018	2017
ASSETS			
Non current assets			
Deferred tax assets		39	61
Current assets			
Trade and other receivables		13,899	15,442
Cash and cash equivalents		18,027	12,909
Property, Plant & Equipment (Net)		188	238
Total assets		32,153	28,650
EQUITY AND LIABILITIES			
EQUITY			
Equity attributable to the owners of the Company			
Share capital	3	225	225
Share premium	3	42,720	42,720
Other reserve		2	2
Retained earnings		(22,276)	(27,687)
		20,671	15,260
LIABILITIES			
Trade and other payables		11,381	13,390
Provisions		101	-
		11,482	13,390
Total equity and liabilities		32,153	28,650

The notes on pages 12 to 16 are an integral part of these Financial Statements.

Statement of profit or loss and other comprehensive income*(x € 1,000)*

	Notes	Half year ended 30 June	
		2018	2017
Continuing operations			
Management and other fees		23,164	27,715
Distribution, sales and advisory costs		(6,204)	(8,498)
Income from fees - net		16,960	19,217
Administrative expenses		(20,926)	(22,718)
Operating result		(3,966)	(3,501)
Finance income and costs		(1)	(11)
Other gains and losses		-	-
Result before income tax		(3,967)	(3,512)
Current tax income / (expenses)	4	992	878
RESULT FOR THE YEAR		(2,975)	(2,634)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		(2,975)	(2,634)

The notes on pages 12 to 16 are an integral part of these Financial Statements.

Statement of changes in equity*(x € 1,000)*

	Notes	Attributable to owners of the Company				Total Equity
		Share Capital	Share Premium	Other Reserve	Retained Earnings	
At 1 January 2017	3	225	34,920	2	(25,053)	10,094
Capital Contribution			7,800			7,800
Result distribution					(2,634)	(2,634)
Total comprehensive income		-	-	-	(2,634)	(2,634)
At 30 June 2017		225	42,720	2	(27,687)	15,260
Result distribution					8,386	8,386
Total comprehensive income		-	-	-	8,386	8,386
At 31 December 2017	3	225	42,720	2	(19,301)	23,646
Result distribution					(2,975)	(2,975)
Total comprehensive income		-	-	-	(2,975)	(2,975)
At 30 June 2018	3	225	42,720	2	(22,276)	20,671

The notes on pages 12 to 16 are an integral part of these Financial Statements.

Statement of cash flows*(x € 1,000)*

	Year ended 30 June	
	2018	2017
Notes		
Operating activities		
Result before income tax	(3,967)	(3,512)
<i>Adjustments to reconcile profit before income tax to net cash flows</i>		
<i>Cash / Non-cash:</i>		
Finance income	(1)	(11)
<i>Working capital adjustments:</i>		
Decrease / (Increase) in Trade and other receivables	619	666
Decrease / (Increase) in Property, Plant & Equipment (Net)	40	(10)
(Decrease) / Increase in Trade and other payables	(4,426)	(99)
Income tax payable within Trade Receivables/ (Trade Payables)	1,003	899
Net cash flows from/ (used in) operating activities	(6,732)	(2,067)
Investing activities		
Interest received	1	11
Net cash flows from/ (used in) investing activities	1	11
Financing activities		
Capital Contribution (BNPP AM NL Holding NV)	-	7,800
Net cash flows from financing activities	-	7,800
Net increase/ (decrease) in cash and cash equivalents	(6,731)	5,744
Cash and cash equivalents at 1 January	24,758	7,165
Cash and cash equivalents at 30 June	18,027	12,909

The notes on pages 12 to 16 are an integral part of these Financial Statements.

Notes to the Financial Statements

1. Corporate information

BNP PARIBAS ASSET MANAGEMENT Nederland N.V. (the **Company**) is a public limited liability company with its registered office in Amsterdam, the Netherlands, and is a wholly-owned subsidiary of BNP PARIBAS ASSET MANAGEMENT NL Holding N.V. The Company was incorporated in the Netherlands on 30 December 1966. The organisation chart of the Group to which the Company belongs is as follows:



A more detailed Group structure is included in the registration document (*registratiedocument*) as published by the Company on its website (www.bnpparibas-am.nl) under “Informatie Wet Financieel Toezicht”, “Beheerder”).

The Company acts, amongst others, as director and management company for Undertakings for Collective Investment in Transferable Securities (UCITS) and Alternative Investment Funds (AIFs). Investment funds are registered with the Dutch Authority for the Financial Markets (*Autoriteit*

Financiële Markten or *AFM*). The Company is subject to supervision of the Dutch Central Bank (*De Nederlandsche Bank* or *DNB*) and the AFM and holds licenses under the Act on Financial Supervision (*Wet op het financieel toezicht* or *Wft*). The company is registered at the Dutch Chamber of Commerce under Amsterdam Trade Register no. 33.179.578.

These Financial Statements of the Company were authorized for issue by the Board of Directors on 31 August 2018.

2. Summary of significant accounting policies

The principal accounting policies applied in the preparation of these Financial Statements are set out below. These policies have been applied consistently to all the years presented, unless otherwise stated. The Financial Statements are presented in Euro, which is also the functional currency of the Group to which the Company belongs, rounded to the nearest thousand, unless otherwise stated.

2.1 Basis of preparation

Statement of compliance

The Financial Statements of the Company have been prepared in accordance with the International Financial Reporting Standards (IFRS) as adopted by the European Union (EU), with Part 9 of Book 2 of the Dutch Civil Code (*Burgerlijk Wetboek*) and the Act on Financial Supervision (*Wet op het financieel toezicht* or *Wft*).

These interim Financial Statements should be read in conjunction with the Financial Statements for the year as at 31 December 2017¹.

¹ Please see www.bnpparibas-am.nl

2.2 Accounting policies

The same principles are used for the valuation of the assets and liabilities and determination of results as in the Financial Statements for the year ended 31 December 2017.

3. Share capital and share premium

	Number of shares	Ordinary shares x € 1,000	Share premium x € 1,000	Total x € 1,000
At 1 January 2017	501	225	34,920	35,145
At 31 December 2017	501	225	42,720	42,945
At 30 June 2018	501	225	42,720	42,945

Issued and paid-up capital

At 30 June 2018, 501 shares of EUR 450 per share have been issued and fully paid.

Distribution of profit

Dividends are recognised as a liability in the period in which they are declared.

4. Income tax expenses

The standard and effective tax rate for the period from 1 January to 30 June 2018 is 25% (same as the first half year of 2017).

5. Dividends per share

No dividends were paid in 2017 and in the first half of 2018. The objective of the Company's dividend policy is to upstream as much dividend as possible. The loss for 2017 and the first half-yearly loss of 2018 are all reported under retained earnings.

6. Commitments

Capital commitments

Capital expenditure contracted for at the statement of financial position date, but not yet incurred, does not exist.

Service level agreements

The Company is committed to payments under service level agreement with BNP PARIBAS ASSET MANAGEMENT Netherlands N.V. This agreement is based on financial services performed by employees employed by BNP PARIBAS ASSET MANAGEMENT Netherlands N.V. as well as

external contractors and other external temporarily staff contracted by BNP PARIBAS ASSET MANAGEMENT Netherlands N.V.

7. Related-party transactions

The Company has related-party transactions with its BNP Paribas AM entities (including EEIG), BNP Paribas Securities Services (BP2S) and BNP Paribas Dealing Services.

The following transactions were carried out with related parties:

Management fees, investment management fees and sales fees

	30-Jun-18	30-Jun-17
Other BNP Paribas AM entities	9,473	12,262
Other related parties	477	431
	<u>9,950</u>	<u>12,693</u>

Rebate, sales and advisory costs, custodian/ reporting and dealing costs

	30-Jun-18	30-Jun-17
Other BNP Paribas AM entities	4,121	6,234
BNP Paribas Securities Services	566	985
BNP Paribas Dealing Services	662	1,078
	<u>5,349</u>	<u>8,297</u>

Re-invoicing revenues and costs

	30-Jun-18	30-Jun-17
Re-invoicing revenues other BNP Paribas AM entities	2,834	2,438
Re-invoicing costs other BNP Paribas AM entities	(21,349)	(21,645)
Net Re-invoicing (cost)	<u>(18,515)</u>	<u>(19,207)</u>

Year-end balances arising from related-parties transactions:

Receivables from related parties:

	30-Jun-18	31-Dec-17
Other BNP Paribas AM entities	7,069	8,106
Other related parties	242	222
	<u>7,311</u>	<u>8,328</u>

Receivables from related parties relate to rebate, sales and advisory fees and the re-invoicing revenues following the TP. These receivables are not secured, non-interest bearing and settle normally within 30 - 90 days.

Payables to related parties:

	30-Jun-18	31-Dec-17
Other BNP Paribas AM entities	6,594	10,548
BNP Paribas Securities Services	365	328
BNP Paribas Dealing Services	307	373
	7,266	11,249

Payables to related parties include fees such as rebate, sales and advisory fees, internal settlement cost and the re-invoicing costs of the TP. The payables bear no interest. No guarantees are given. Depending on the underlying agreement payables settle normally within 30 - 90 days.

8. Compliance

Act on Financial Supervision (Wft)

The license under the Act on Financial Supervision requires the Company, amongst other requirements, to:

- Publish its Annual Financial Statements within 4 months after the end of its financial year;
- Comply with a minimum amount of shareholders' equity.

Shareholders' equity

The sufficiency of the Company's shareholders' equity is determined by the Fixed Overheads Requirement (FOR), calculated over the audited costs of prior year multiplied with 25%.

The Company's shareholders' equity at 30 June 2018 (and 31 December 2017) is sufficient.

Vaste Kosteneis (or Fixed Overhead)	30-Jun-18	31-Dec-17
Total audited annual costs * 25%	9,954	10,269
Total required regulatory capital	9,954	10,269
Regulatory capital available	20,632	23,646
Surplus regulatory capital	10,678	13,377

Other Information

Organisation

BNP PARIBAS ASSET MANAGEMENT Nederland N.V.

Registered office

Herengracht 595
P.O. Box 71770
1008 DG Amsterdam
The Netherlands

Directors

J.L. Roebroek (Chairman)
M.P. Maagdenberg
E.C. Stienstra
C.J.M. Janssen

Supervisory Board

S. Pierri (as of 1 April 2018)
T.A. Rostron
D. Thielemans
M. Diulus (until 1 April 2018)

Auditor

DELOITTE Accountants B.V.
P.O. Box 58110
1040 HC Amsterdam
The Netherlands

Banks

BNP Paribas S.A., Netherlands branch
Amsterdam
The Netherlands

Regulators

The Dutch Authority for the Financial Markets (AFM) (supervision of conduct of business)
The Dutch Central Bank (DNB) (prudential supervision)

For more information

Investor services

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Amsterdam Trade Register no. 33.179.578

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