ROBECO

Annual Report

Robeco Direct N.V.

10

2010

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The Shareholder's Meeting of 17 January 2005 decided to compile Robeco Direct's Annual Report in English.

GENERAL INFORMATION

Supervisory Board Robeco Direct N.V. *

Roderick M.S.M. Munsters, Chairman
Constant Th. L. Korthout (till 30 September 2010)
Hans A.A. Rademaker (as from 26 February 2010)
Sander van Eijkern (till 31 January 2010)

** Mr. Jurgen B.J. Stegmann, who has been appointed CFO of Robeco Groep N.V. subject to approval by the supervisory authorities, will become member of the Supervisory Board as from the date of the approval by De Nederlandsche Bank.*

Management Board Robeco Direct N.V.

Leni M.T. Boeren, Chairman
Hester W.D.G. Borrie (as from 1 April 2010)
Peter T.N. Bruin

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REPORT OF THE SUPERVISORY BOARD

Financial Statements 2010

We herewith present Robeco Direct N.V.'s financial statements for the financial year 2010 together with the Report of the Management Board.

We have taken notice of the contents of the Independent auditor's report presented by Ernst & Young Accountants LLP, which have given an unqualified opinion on the annual financial statements as presented, and recommend approval thereof. We concur with the Management Board's proposal to add the 2010 result to the retained earnings.

Composition of the Supervisory Board

Mr. Sander van Eijkern resigned as member of the Supervisory Board on 1 February 2010. He was succeeded by Mr. Hans Rademaker, who became a member of the Supervisory Board as from 26 February 2010. Mr. Constant Korthout resigned as member of the Supervisory Board following his resignation as a member of Robeco Groep N.V.'s Management Board. Mr. Jurgen Stegmann, who has been appointed CFO of Robeco Groep N.V. subject to approval of the supervisory authorities, will become member of the Supervisory Board as from the date of the approval by De Nederlandsche Bank.

Meetings of the Supervisory Board

In 2010, the Supervisory Board met four times. The Board discussed the investment policy and the developments of the investment portfolio, in particular the ABS part of the portfolio, valuation developments and impairments. Moreover, the development of the entrusted funds, the interest margin and the reinvestment yields were discussed. In the Board, report was made of the state of affairs of Robeco Direct's Internet strategy, one of the projects of the Robeco group Strategy plan 2010-2014.

The sale of Banque Robeco in France was a regular item on the agenda of the Board. In its meeting of 30 November 2010, approval was given to the sale of Banque Robeco to the French bank Oddo & Cie; the closing of this transaction has taken place on 31 March 2011.

The implementation of the "Code Banken" was on the agenda of the Board. Because of the decision to implement the "Code Banken" on the level of Robeco Groep N.V. too, there is considerable overlap between the implementation on both levels. The "Directiereglement" and the "Reglement Raad van Commissarissen" of Robeco Direct have been adjusted to comply with the Code. The remuneration policy, applicable to Robeco Direct too, has been adjusted to meet the requirements of the "Code Banken" and approved by the Supervisory Board of Robeco Groep N.V. in its meeting held on 2 December 2010. The first session of the Permanent Education program, held on 1 December 2010, was attended by the members of the Management Board and the Supervisory Board of both Robeco Direct N.V. and Robeco Groep N.V.

Meetings of the Audit Committee

In 2010, the Audit Committee met five times. The meetings of the Audit Committee were attended by Mrs. Boeren, while Messrs. Munsters and Korthout were present in their capacity of Supervisory Board members. The Head Internal Audit and representatives of Ernst & Young attended the meetings too. The Audit Committee discussed the Audit reports and the Semi-annual and Annual Reports.

The 2009 Annual Report of Robeco Direct N.V. was submitted to the Audit Committee and subsequently to the Supervisory Board on 9 April 2010. The 2010 Condensed Consolidated Interim Financial Statements were also discussed with the Audit Committee and subsequently approved by the Supervisory Board.

The Audit Committee also paid attention to matters as, for example, the development of the results and the financial position (including the level of capitalization), the progress of ICT projects, risk management, internal audit reports, operational incidents and other compliance matters, valuation developments and impairments. The implementation of the "Code Banken" was a regular item on the agenda in 2010.

Composition of the Management Board

Mrs. Hester Borrie was appointed as a member of the Management Board as from 1 April 2010. She is responsible for Marketing & Sales of Robeco Direct N.V. The Management Board consists of Mrs. Leni Boeren (Chairman), Mrs. Hester Borrie and Mr. Peter Bruin.

Rotterdam, 12 April 2011

On behalf of the Supervisory Board of Robeco Direct N.V.

Roderick M.S.M. Munsters, Chairman

REPORT OF THE MANAGEMENT BOARD

Corporate information

Robeco Direct N.V. is a bank established in the Netherlands. Robeco Direct N.V. offers saving products, investment funds, mortgages and several other services to retail clients enabling them to achieve their financial goals with regard to wealth management. In addition, the Company employs its banking infrastructure for structuring, co-investing and seeding activities and for supporting other Robeco Groep N.V. entities.

General

We hereby present the Robeco Direct N.V. annual report for the financial year 2010. The financial statements have been prepared in accordance with the International Financial Reporting Standards as adopted by the European Union.

Market environment

Having experienced economic contraction in 2009, all the major developed markets reported growth in 2010. Supported by extremely loose monetary policy, the US and Japan are expected to show economic growth of around 3% and 4% respectively. The euro-zone economy as a whole is less robust with a forecasted growth of about 2% for 2010. The economic performance of emerging markets was another key factor in 2010: China, for instance, is predicted to have shown economic growth of some 10% in 2010, while India is close behind with expected growth close to 9%.

There were starkly different rates of growth within the euro-zone economic region over the period. Germany is doing fine: exporters are benefiting from the decline in the euro and there are signs of increased domestic demand. By contrast, Southern Europe is struggling as the austerity measures begin to bite. In 2010 the euro-zone sovereign debt crisis also flared up again, as a combined sum of EUR 195 billion went to bail out first Greece and then Ireland.

Financial markets played it by the book in 2010

Against this backdrop, financial markets turned in a textbook performance for the early phase of an economic recovery; a period in which risky assets typically receive a risk premium. Real estate rose by 30% in euro terms, equities gained 21%, commodities 17%, (hedged) high-yield bonds 15% and (hedged) investment-grade bonds 7%. By contrast, (hedged) government bonds gained 4% and cash returned just 1%.

It should be noted that the figures are skewed by the euro's weakness, a factor that had important —and positive— implications for euro investors when they converted investments denominated in other currencies into euros.

Equities had a good 2010 despite some hiccups

Robust corporate earnings, improving economic data and the unprecedented US stimulus measures combined to push up equities for the year, despite headwinds in the form of Europe's sovereign debt crisis, still high US unemployment and China's anti-inflation measures. In fact, global stocks ended 2010 at their highest levels since Lehman Brothers collapsed in September 2008, with the MSCI All-Country World Index rising 21% (in euro terms).

US equities had a solid performance for 2010, with the MSCI North America returning 24% (in euro terms). Asia was also strong, with the MSCI Pacific climbing 24% (in euro terms), but European stocks lagged with gains of just 12% (in euro terms). Emerging markets within the various regions also outperformed, rising by 28% (in euro terms). This performance was supported by a decent macroeconomic picture, the more limited effects of aging in the medium term, the absence of sovereign debt issues and the weaker impact of the crisis.

Corporate bonds outperformed sovereign debt

Government bonds returned 4% (hedged in euro terms) in 2010, spurred on by the high US unemployment rate, record low inflation and Europe's deepening sovereign debt crisis, which provoked safe-haven demand, though gains were trimmed in the last four months of the year. Over 2010, the yield on the benchmark 10-year US Treasury dropped by 54 basis points to 3.29%.

Government debt's solid returns trailed the gains for investment-grade corporate debt, which returned 7% (hedged in euro terms). High-yield bonds did even better, gaining 15% (hedged in euro terms). Corporate bonds benefited from the moderate economic growth, which meant that the number of bankruptcies and defaults was limited.

Developments in the savings market in the Netherlands

On a macroeconomic level, growth in the Netherlands has predominantly been supported by the speedy recovery of the world trade and the build-up of inventory. Labor market conditions improved somewhat, but doubt remains as to the sustainability of the economic recovery. As the market has not yet recovered from the negative wealth effects of the financial crisis and house prices on average continue to experience mild downward pressure, consumer confidence and spending behavior can be summed up in one word: cautious. This limited optimism translates into Dutch households setting aside a growing part of their income in order to further reduce their financial vulnerability which means that savings are on the increase again.

In addition to the above, there is a widespread concern that income from pensions might not be as certain as previously assumed. Whether true or false – pension premiums are rising and benefits are on some rare occasions coming under review – this gives householders an uncomfortable feeling and causes them to set aside additional pockets of money. This can be observed in the data shown below. During the year, an additional EUR 7 billion (+2.5%) was added to the various saving accounts. The tax-friendly bank savings mortgage proposition (bankspaarhypotheek) gained momentum; reports show a 60% increase in the first half of 2010.

In billions of euro	**2010**	**2009**	**2008**	**2007**	**2006**	**2005**	**2004**	**2003**	**2002**	**2001**
Saving deposits in the Netherlands	291	284	251	237	222	210	200	185	168	153

Source: CBS

During the year, clients showed a preference for on-demand deposits rather than fixed-term deposits. As little as 12% of retail deposits in the Netherlands are entrusted to banks in the form of a fixed-term deposit. Saving rates normalized during the year, but – in comparison to most of the European countries – stayed at elevated levels compared to EURIBOR rates. This is partly due to the fact that in the Netherlands retail savings are significantly smaller than loans to the private market. Banks need to fill that gap and those who have difficulty in raising sufficient wholesale funding, have their eye on this enormous pool of resources. They are doing their utmost to tempt customers with attractive rates, assuming that these savings are more stable and thus filling their funding gap that became more pronounced given BIS III regulations. As funding costs are kept elevated, loans and mortgages continue to be high when compared to official interest rates, the state of the economic recovery and house prices.

The amount of EUR 100,000 guaranteed under the Deposit Guarantee System (DGS) became the new euro-zone standard as from 31 December 2010. Meanwhile, the banking industry is working out scenarios enabling retail clients to be repaid within 20 days by their respective central bank, should the bank to which they entrusted their savings enter into default. This means that the necessity for deposit holders to evaluate the risk profile or financial soundness of the highest bidding bank has become a thing of the past.

As mentioned above, Dutch households continued to see their total savings increase, albeit to a lesser extent than in previous years. Their appetite for fixed-term savings solutions is limited, while savings held in on-demand saving accounts have grown significantly. The Bank's share of the savings market contracted slightly, while the appetite for investment products rose.

Banksparen

Redemption-free, interest-only mortgages allow homeowners to set aside capital in a fiscally attractive way to invest in equity markets via insurance companies instead of by making partial downpayments. As the costs of these insurance policies turned out to be excessively high and equity markets showed a prolonged period of disappointing performance, households now prefer the more risk-averse asset category of bank savings (banksparen). This product can only be offered by registered banks. Obvion, a large provider of mortgage loans in the Netherlands and majority-owned by Rabobank Group, has joined forces with Robeco Direct N.V. to offer a bank savings mortgage (bankspaarhypotheek) through intermediaries, whereby clients first entrust their savings and later make a downpayment at the Bank. Given its impressive market acceptance, this proposition is a perfect example of anticipating on clients' needs and fully utilizes the strengths of different Rabobank entities.

Other household assets

In addition to the financial assets held by Dutch households in the form of savings accounts, private individuals also hold assets such as equities, bonds and investment funds. Since 2007, equity and bond holdings have fallen drastically from EUR 58 billion to EUR 47 billion. Initially, this decrease can be fully attributed to the depressed prices observed in 2007 and 2008. Despite the fact that these markets appreciated considerably in the years thereafter, ongoing sales have continued to prevent holdings in these investment categories from picking up and the appetite for equity investing still has a long way to recover. A comparable but much less pronounced development can be observed with respect to investment funds. In 2007, retail assets held in funds amounted to EUR 51 billion. The most recent statistics report holdings of approximately EUR 48 billion, which includes an increase of 7% in 2010. This trend mirrors developments evident within the Bank, although demand for principal-protected funds and other low-risk products has diminished.

Key figures

Operating results

Net interest income rose from EUR 26.6 million to EUR 66.9 million. The margin amounted to EUR 63.2 million for retail banking activities, more than three times last year's low margin of EUR 19.4 million. The bond portfolio generated less interest income in 2010. After a continuing decline at the beginning of the year, money-market rates and bond yields recovered. In addition to the lower absolute level of interest rates, total investments were lower in 2010, resulting in less interest income. The interest paid on more traditional savings normalized to a certain extent, allowing the Bank to recover from a low interest margin environment. Moreover, the effect of decreased entrusted funds caused the interest expense to be much lower.

The Dutch residential mortgage market has changed drastically in the last three years. The situation in the housing market meant that the Bank did not make a large number of mortgage loans. As a consequence, the total number of mortgages provided by the Bank decreased in 2010. Net fee and commission income totaled EUR 43.1 million, a EUR 2.0 million increase over the previous year. The increase in asset management fees, up EUR 1.5 million, reflects the improved situation in the investment world.

The returns on financial assets in 2010 improved to EUR 14.3 million (2009: EUR 6.4 million). The result on financial assets designated at fair value through profit or loss decreased due to increasing market interest rates and risk premiums on PIIGS sovereigns. The effect of this was to a large extent offset by higher returns on the related swaps (included in the result on trading assets). Moreover, the recovery in market prices caused the results on available-for-sale financial assets to rise.

Operating expenses benefited from the cost-reduction measures taken late 2008 and early 2009, which had a full year to take effect in 2010. As a consequence, the administrative expenses were reduced by EUR 14.2 million to EUR 64.0 million from last year's EUR 78.2 million. Further cost reduction is expected to occur as a result of the closure of the Bank's Belgian activities and the sale of Banque Robeco. The latter was completed on 31 March 2011 following approval from the French regulatory authorities.

Impairments and other market-related events that had a negative impact in previous years were not a factor in 2010. The impairment result on the asset-backed-securities portfolio was positive as reversals occurred due to increases in fair value for some assets that had been impaired at an earlier date and these more than offset the impairments recorded during 2010. The non-operating negative result was mainly caused by the sale of Banque Robeco, Robeco's private banking operations in France. In December 2010, the Bank reached an agreement with Oddo & Cie to sell Banque Robeco.

The result for the year turned into a net profit of EUR 30.6 million compared to a net loss of EUR 31.8 million over the previous year.

Composition of the statement of financial position

The Bank's total assets decreased from EUR 9.6 billion to EUR 8.9 billion at the end of 2010. The Bank further reduced its cash and bank balances, partly because of the outflow of entrusted funds, but also in response to the lessening uncertainty in the financial markets.

In terms of funds entrusted by customers, the available-on-demand savings remained more or less stable at EUR 6.5 billion, while time deposits decreased by EUR 0.6 billion in 2010. The division between these two types of savings reflects the preferences of retail clients throughout the Dutch market and resulted in a net outflow of EUR 0.6 billion, bringing the total entrusted funds to EUR 6.6 billion (2009: EUR 7.2 billion).

The Bank's total equity improved by EUR 55.3 million from EUR 355.6 million to EUR 411.0 million at year end. The increase is mainly attributable to a less adverse available-for-sale reserve (up EUR 42.0 million on higher prices for available-for-sale financial assets) and the net profit for the year.

Capital base
As mentioned above, the Bank's total equity totaled EUR 411.0 million at year end. At the same time, the BIS II ratio, the Bank's solvency ratio, amounted to 15.9% (2009: 16.2%) as the available capital was reduced by EUR 22 million, due to a decline in minority interests reduced and the fact that the annual net profit is not taken into account. The minimum required statutory norm as set by the Dutch central bank is 8%.

Strategy

The online fund bank
Robeco Direct has made good progress in continuing to roll out web-based services for its clients. Online asset coaching using a trustworthy portfolio of Robeco and best-of-breed third-party funds enables clients to construct a portfolio that fulfils their needs. This tailored suite of funds is accompanied by a well-matched assortment of relevant savings products. This well-balanced range enabled the Bank to stop making recommendations on individual stocks and, in May, to phase out offering individual stocks altogether. The Bank continues to act as intermediary for certain insurance products.

Beyond clients needs
The Bank has made considerable progress towards further digitalizing mail. Clients have been asked to inform us of their preferences in terms of online functionality, now that the Bank can execute transactions, send out bank statements and product information and provide portfolio performance information online. Clients have opted overwhelmingly to embrace the new technology. It is more timely and appropriate for our clients and it fully aligns with Robeco's ambitions and efforts to think and act responsibly from an environmental perspective.

Focus
An evaluation of the French retail business resulted in a decision to refocus Robeco's activities in France on asset management and to dispose of its private banking arm (Banque Robeco). In 2010, a buyer was found in Oddo & Cie, a family-owned and independent financial services group. The tie-up with Oddo & Cie will provide Banque Robeco's clients in France with access to a broader range of products and services.

Strengthening Robeco's profile in the market
A disciplined implementation of our strategic choices, especially in terms of product focus and investment solutions, will strengthen Robeco's profile in the market. In this respect, responsible investing is clearly one of the spearheads. Following thorough consultation with our clients and years of research, Robeco introduced an integral policy for responsible investing in early 2010. It is worth noting that Robeco launched its first sustainable equities fund in 1999.

An important pillar of our policy is the integration of environmental, social and governance (ESG) criteria into the Bank's investment processes. We are convinced that this will add value by improving the long-term risk-return profile of our clients' portfolios. By the end of 2010, ESG integration had been implemented for 88% of all Robeco assets in scope for this.

Risk Management and Compliance
The Bank aims for a maximum transparency in terms of those risks affecting the results of the organization. This section provides an insight into the Bank's risk control governance and risks. With respect to risk management, compliance and internal audit-related activities, the Bank is fully embedded Robeco group's organizational structure.

Risk control governance
Risk management is the responsibility of line management and ultimately the Management Board. Risk control governance is exercised by line management and the Group Risk Management (GRM), Group Compliance and Group Internal Audit departments, which are independently positioned within the Robeco group. Line management functions as the first line of defense while GRM and Group Compliance ensure compliance with rules and regulations and act as the second line. Group Internal Audit, the third line of defense, monitors the effectiveness of the control framework as well as the design, existence and effectiveness of processes and related process controls.

Several committees dedicated to risk management have been set up within the Robeco group. The Group Risk & Compliance Committee (GR&CC) ensures a comprehensive and consistent risk oversight throughout the different entities within the Group. This Committee evaluates and ratifies group-wide policies (including Robeco Direct) relating to compliance and risk-management topics. The GR&CC is supported by various subcommittees that focus on specific topics (e.g., valuation, new products, asset and liability management, etc.).

In case of a financial distress event, the Financial Crisis Committee is responsible for identifying any risks that could arise and assessing the impact that such an event could have on the clients' portfolios and Robeco's reputation. This committee stipulates, initiates and co-ordinates necessary actions and is chaired by the Head of GRM. This committee convened a number of times during 2010 due to the euro crisis.

As a subcommittee of Robeco Groep N.V.'s Supervisory Board, the Audit & Compliance Committee oversees Robeco Direct's governance and risk control. In addition, the Audit & Compliance Committee discusses the risks related to and the progress made on the implementation of control measures as described in this section.

Group Risk Management

As a second line of defense, Group Risk Management supports management by developing policies, methodologies and infrastructures for measuring, monitoring and reporting on the different types of risk inherent in the various activities. GRM is responsible for risk oversight and risk management of the Bank's own account positions and for advising the Management Board on strategic capital allocation based on economic capital calculations. In addition, GRM assists in performing risk & control self-assessments, is responsible for operational incident management and facilitates the documentation of Robeco's business processes. Annually, GRM carries out a risk & control self-assessment at Management Board level, to determine the strategic risks. GRM and the security officers manage information-security risk, ensuring that principles and regulations for information security are understood, adhered to and monitored. Furthermore, GRM coordinates and monitors the business-continuity-management program.

Robeco has a control framework in place that encapsulates the risk-management activities of the Robeco group. The framework is based on COSO II and sets standards for the risk assessment, control and monitoring activities that are required to be in place within the different Robeco entities. The control framework enables Robeco to offer stakeholders a solid assurance that processes and internal controls are effective. In 2010 Robeco issued SAS 70 reports for Robeco Pension Providers. Robeco also contributed to the Rabobank In-Control Statement on its own financial reporting.

Group Compliance

In addition to GRM, Group Compliance acts also as a second line of defense in supporting the Management Board and management team in maintaining a high level of compliance. It also aims to ensure that all business principles are understood and implemented.

Robeco operates in markets regulated by financial regulators and holds all necessary licenses to operate in these markets. It is essential for Robeco's business interests that the Bank retains these licenses. In order to do this, Robeco must maintain a high level of compliance with the license requirements and all other requirements set by financial and national legislators. In addition, regulators issue opinions and market best practices and expect industry practitioners to implement these as far as possible, an example is the duty to show due care to customers. The Bank therefore continually works on maintaining a proactive relationship with regulators through open and transparent communication. It works consistently at a level meant to safeguard compliance with all the relevant rules and regulations.

Besides being legally compliant, the Bank is committed to operate in compliance with all the agreements it has with customers. Compliance with these agreements entered into with customers is considered to be a cornerstone of the Bank's business.

As a result of the increasing number of rules and regulations and their diversity and complexity, the inherent risk of non-compliance also increases. To manage and mitigate this risk, Group Compliance employs specialists for designated compliance areas. The Group Compliance department initiates and monitors the implementation of new regulations together with Robeco's Group Legal Affairs department to ensure that the Bank's conduct is in line with stakeholders' expectations. In 2010, the UCITS IV implementation project was initiated.

To enhance employees' understanding of the Bank's compliance policies, Group Compliance continuously shares knowledge within the organization. The principles covered by the compliance policies are divided into four different areas: retail and institutional clients; products and services; investment management; and personnel and organization. In 2010 the applicable Code of Conduct was revised to become compliant with the Banking Code, by adding an integrity statement signed by all Management Board members. The Code integrates rules on integrity and staff conduct and acts as an umbrella for all other policies and regulations. It is accessible to all personnel and they are regularly kept informed on compliance-related issues via the Internet. All employees confirm that they have understood the Code and that they will comply with it. This is a significant cornerstone of sound operational management.

Group Compliance monitors the adherence to policies and procedures and participates in local and group risk-management committees. Within the Bank, the compliance officers perform the day-to-day compliance activities (e.g. checks on know-your-customer, anti-money-laundering, approval of marketing materials and investment restrictions).

Group Internal Audit
Group Internal Audit, the third line of defense, reports to the CEO of Robeco Groep N.V. Its independence is additionally safeguarded by having a second reporting line to the Chairman of the Audit & Compliance Committee.

Based on an annual in-depth risk analysis, a medium-term audit plan is maintained and implemented by Group Internal Audit. Senior management, Group Compliance and GRM provide input for risk assessments and for establishing the audit plan. With a view to keeping overall audit coverage at an appropriate level, every quarter the audit plan is adjusted to reflect any new developments.

Besides operational audits, IT audits, project reviews and management-control assessments, Group Internal Audit also performs SOx testing for operational effectiveness. In executing its audit plan, Group Internal Audit cooperates closely with the external auditors of Ernst & Young.

Group Internal Audit's quarterly reports are discussed in detail with the Management Board, the Group Risk & Compliance Committee, the Audit & Compliance Committee and Audit Rabobank Group. Audit Rabobank Group also annually reviews the risk analysis, the audit plan and the audit coverage, and every two years the Group Internal Audit department as a whole.

Audits generally result in audit reports with an audit rating, where everything is discussed with the responsible Management-Board member. If and when necessary during the audit, measures of improvement are agreed upon with management and for each measure an owner, deadline and its significance are documented. Every quarter Group Internal Audit monitors the progress of implementation and reports on this to the Management Board, enabling it to take timely corrective action, if necessary.

Group Internal Audit considers the implementation of measures of improvement within the Robeco group to have been satisfactory, which demonstrates the willingness of the organization to improve or optimize the design, documentation, effectiveness and efficiency of processes, risk management and risk control.

Risk appetite
Robeco defines its risk appetite in terms of both operational and financial risk. Operational risk is defined as the risk of losses resulting from inadequate or failed processes, people and systems, or from external events. In 2010, a qualitative operational risk appetite was used to determine the degree of risk that the Robeco group was willing to accept in pursuit of its commercial targets and in terms of the cost of control: "Finding a healthy balance between becoming a leader in specialized investment management, gaining revenues and lowering costs while preventing material fraud and avoiding the occurrence of operational risks which could cause catastrophic damage to the Robeco group, its clients and Robeco group's reputation".

In terms of financial risk, Robeco makes a distinction between credit risk, market risk, liquidity risk and interest-rate risk. The financial risk appetite is outlined in limit and control structures and governed by policies consistent with Rabobank's policies. Limit and control structures are ultimately endorsed by the Asset & Liability Committee.

Risk types
Robeco recognizes several types of risk that are actively managed throughout the organization. This section covers those risks that are currently considered to be significant within the Bank. The list of risks covered is, therefore, not exhaustive. There may be other significant risks that the Bank has not yet identified or that have been assessed as not having a significant potential impact on the business, but that could materialize as such at a later stage. Robeco's control framework is designed to provide timely insight into such risks.

Strategic risks

Changes in market conditions, unsatisfactory profitability and the need to update our strategic ambitions for the near future made it necessary to reassess the strategy. At the beginning of 2010, Robeco defined the strategy for the period 2010-2014.

Strategic objectives

The main goal of Robeco's strategy for 2010-2014 is the profitable growth of its assets under management. A number of projects have been initiated to achieve this goal and implement the strategic choices we have made. The Management Board closely monitors the progress of these projects. In 2010, the profitability for clients as well as for Robeco improved satisfactorily and cost reduction went according to plan.

A relevant development in the market is the debate on distribution fees. Robeco actively participates in the discussion as the outcome may affect revenues from third-party fund distribution.

In 2010 the Organizational Development & Internal Communication department was set up. This department supports the creation of an organization capable of achieving its strategic objectives in 2014. The emphasis is on team development and promoting leadership at all levels of the organization, stimulating knowledge-sharing and encouraging further cooperation.

Reputation

Robeco strives for excellence in its products and services, offers high-quality products and solutions to clients and ensures that their needs are met. In doing this Robeco endeavors to keep a low risk profile in terms of reputation risk.

Responsible investing is an important element in Robeco's strategy. It is one of the five themes where Robeco intends to secure a sustainable competitive advantage in terms of products and solutions for clients. Robeco is convinced that responsible investing will improve the long-term risk return profile of its clients' portfolios. It is likely that Robeco will suffer reputation risk if it is not able to live up to the expectations of responsible investing. The expected improvement in risk-return profiles will be supported by integrating sustainability information into the investment process and through the active-ownership strategies conducted by Robeco's Responsible Investing department.

At the end of 2010, ESG integration was implemented into the portfolio management process for 88% of all assets under management that fall within the scope of ESG integration. It will be implemented for the remaining 12% in 2011. In 2010, a Social and Environmental Policy was implemented and a new Exclusion Policy was established to ensure that Robeco acts in line with corporate responsibility objectives. In addition, Robeco's Responsible Investing department monitors Robeco's compliance with responsible investing targets on a quarterly basis.

Robeco advocates responsible investing including sustainable investing, which is actively managed by SAM, a specialist in this field. SAM opts for a best-in-class approach and aims to invest in sustainable leaders. SAM uses its annual corporate sustainability assessment to identify companies that achieve a superior sustainability performance to that of their peers in their respective sector and to establish companies' proprietary sustainability scores which are amongst others used to determine their eligibility for the Dow Jones Sustainable Index and their potential weight in certain indexes.

Robeco's reputation is closely tied to the quality of its products. Robeco, therefore, has strong governance and processes in place for product development and product approval. In addition, the product-at-risk analysis periodically performed by Group Compliance provides controls for the quality of Robeco products.

Operational risks

Robeco's main operational risks are described below, together with the mitigating measures that can be applied.

Key processes

Key processes for Robeco are the daily processing of a large number of transactions and the calculation of Net Asset Values (NAVs) for all its portfolios and products.

Robeco's trading desks process a vast number of transactions on a daily basis. An extensive set of controls is embedded in the business processes for processing transactions. Important controls are the individual matching of transactions by Robeco's Financial Services Center and the regular reconciliation of holdings and cash. There is an automated registration and execution of transactions with relevant audit trails in place, in addition to the four-eyes principle and the segregation of duties within the transaction-processing departments.

The daily calculation of NAVs of all portfolios is an important process for both our portfolio managers and our clients. An incorrect NAV may lead to incorrect or incomplete investment decisions. The valuation process consists of the pricing of holdings and the subsequent calculation of NAVs. Both elements have their own specific controls, such as automatically imported prices and exception reporting, the four-eyes principle applied to actions carried out by individuals and a simultaneous second NAV calculation to verify the outcome of the first NAV calculation. The methods used are validated by the Valuation Committee.

Outsourcing of activities

In several areas of Robeco's business, activities are outsourced to third parties. As Robeco remains responsible for all outsourced activities, an outsourcing policy provides a framework to support the decision-making process for the outsourcing of activities. Furthermore, the policy contains a number of prerequisites that have to be met before outsourcing takes place. An In-Control report (i.e., SAS70) and the right to audit are important prerequisites. The decision to outsource activities creates a long-term relationship with a third-party service provider. Dedicated vendor managers maintain the relationship with Robeco's service providers and ensure appropriate service levels are agreed upon and continuously met. At the beginning of 2011, the control over outsourced activities was further enhanced by the establishment of a centralized Vendor Management department. This department reports directly to Robeco's COO.

One important activity outsourced by Robeco is the IT infrastructure and related systems-management activities for the Rotterdam-based operations. In 2010, Hewlett Packard (HP) completed the transfer of the Robeco IT infrastructure to its datacenters, infrastructure and services. In addition to the transfer, governance structures at a strategic, tactical and operational level have been established. Where any weaknesses were detected in the control environment, Robeco initiated the necessary remedial action in cooperation with HP.

Information Technology

Robeco is in the process of executing a comprehensive program to update its IT-application landscape. The key objective of this project is to implement an IT solution that supports Robeco's ambitions with respect to innovation and connectivity. In 2010, several of this program's key projects were finalized. To mitigate the risk of improvements not being realized or not being realized within the timeframe or plan, a clear governance structure under the leadership of the COO of Robeco Groep N.V. is in place. Furthermore, quality assurance performed on both program and project level has been continued.

Robeco intends to bring IT and operations expenses back to a benchmark level. This will be done in various ways – by removing IT applications altogether and by simplifying others. The reduction in the number of IT applications will inherently lead to a temporary increase in risk as switching off certain applications may have unforeseen consequences. It is important to have processes in place to ensure the controlled management of such changes, especially if they involve significant changes to IT systems. To address this, Robeco has implemented a project-management methodology for IT projects. Moreover, to minimize the damage resulting from business processes or critical-systems failure as a result of a severe disruption or complete interruption to its services, Robeco has business continuity measures in place. These measures are incorporated into a group-wide business continuity program.

Cyber criminals are especially interested in activities that offer financial benefits and an e-banking service is therefore an attractive target. The Bank is aware of the potential risks for the on-line fund bank and specific controls are in place. Cyber crime is not only applicable to Robeco as our outsourcing partners are also exposed to this threat. Robeco is aware of those threats that exist within its service chain and has taken measures. In 2011, Robeco will further enhance control on cyber-related risks in areas that are vulnerable throughout its organization and the services it performs.

Robeco is aware of the opportunities social media provide. However, within the Internet landscape, cyber criminals are increasingly focusing on social media, using typical media instruments and negative writing to try to damage the reputation of organizations. Handling corporate information and the publication of such information, both intentionally and unintentionally, through social media channels could affect the Bank's reputation and lead to reputation damage. Robeco is aware of the risks relating to social media and the potential for corporate-information leaks, both internally and externally, and takes additional measures. Robeco follows and monitors social media, is currently developing internal guidelines for its use and plans to heighten employee awareness of the related risks.

Financial risks

In terms of financial risk, the Bank makes a distinction between credit risk, market risk, liquidity risk and interest-rate risk, all of which are actively managed and monitored by Robeco's Group Risk Management department.

IFRS 7 has been in effect since 1 January 2007. This accounting standard focuses on providing an insight into financial instruments and their effects on the financial positions and results of the Bank. The diversity of the applicable financial risks, their size, and the policies that are in place to mitigate these risks need to be stated explicitly. Note 41 to the Financial Statements provides further qualitative and quantitative information on financial instruments and financial risk management.

<u>Developments in the euro-zone economy</u>

Robeco extended and refined the measures it had already taken in 2009, in order to offer its customers optimal protection for the possible financial effects resulting from these developments. The measures were also discussed in Robeco's Financial Crisis Committee. The emphasis was on limiting losses resulting from the bankruptcy of its counterparties and to reduce the liquidity risk of the funds. Robeco is for example closely involved in initiatives to settle over-the-counter (OTC) transactions via clearing houses, which would materially reduce counterparty risk as well as increasing transparency in the markets. Furthermore, procedures surrounding the use of collateral (management) were further enhanced. Other measures that Robeco has taken and that are worthy of note include the further increase in the frequency of exchange of collateral in derivatives transactions.

Robeco also carefully monitored liquidity risk, in terms of both investments in the portfolios and purchases and sales by its clients. These risks are monitored and reported in an integrated way within a specially designed framework. This involves close contact with clients and between the parties concerned within Robeco - portfolio managers, risk management and product management.

<u>Basel III</u>

The aim of Basel III is predominantly to ensure stricter capital and liquidity rules for financial institutions in terms of quality and quantity. As these rules will be applicable to the Bank, it has conducted an impact analysis, the outcome of which demonstrates it can and will comply in time with the more restrictive liquidity and capital requirements. In addition to the annual mandatory capital adequacy analysis (ICAAP), a more frequent capital and liquidity adequacy assessment is performed. The results are discussed by senior management and used to ascertain the Bank's financial solidity. They are also used as input for the debate on risk tolerance versus risk appetite. The discussions focus on whether there is sufficient capital and liquidity available for the current positions and the business plans for the near future. This may result in changes being made to set limits or business plans.

Implementation of the Banking Code

It was agreed that the Banking Code would be implemented at both Robeco Groep N.V. and Robeco Direct N.V. level. As at 31 December 2010, Robeco Direct N.V. was compliant with the Banking Code with the exception of the following principles:

- Principle 2.1.2: Robeco Direct N.V.'s Supervisory Board does not have Board members from outside the Robeco group. Because all aspects of governance and internal control are also covered by the Supervisory Board of Robeco Groep N.V., the organizational structure as such is adequately designed and implemented. In this respect it is noted that the Audit & Compliance Committee of Robeco Groep N.V. has been appointed as the Audit Committee of Robeco Direct N.V. The majority of the members of the Audit Committee are independent in the sense of the Dutch Corporate Governance Code and the Banking Code, so the independence of supervision is safeguarded;
- Principle 2.1.2: Following the departure of Robeco Groep N.V.'s CFO as member of Robeco Direct N.V.'s Supervisory Board, De Nederlandsche Bank approved that the Supervisory Board of Robeco Direct N.V. may consist of only two members instead of the legally required three members for the period 1 October 2010 to 31 March 2011 at the latest. Jurgen Stegmann, who has been appointed CFO of Robeco Groep N.V. on 15 March 2010 subject to approval of the supervisory authorities, will become the third member of the Supervisory Board as from the date of approval by De Nederlandsche Bank;
- Principle 2.1.9: An evaluation of the lifelong learning program, including an assessment on effectiveness of the training program as part of the yearly internal evaluation of the Supervisory Board, was implicitly performed in 2010. An explicit evaluation took place during the Supervisory Board meeting of 7 April 2011;
- Principle 2.2.2: No specific profile requirements for the members of the Audit Committee have been defined. These profile requirements will be drafted;
- Principle 3.1.3: The lifelong learning program of the Management Board of Robeco Direct N.V. will be further developed and enhanced;

- Principle 4.1: In 2010, the risk appetite was not proposed to the Supervisory Board for approval. It has been agreed that henceforth the risk appetite will be submitted for approval to the Supervisory Board on an annual basis.

Management Review

The ongoing monitoring of risk management and internal control systems is embedded in Robeco's risk and control governance and framework. This provides insight into the significant risks applicable to the Bank. These risks, which are reported on by the different lines of defense at Robeco, are discussed with senior management and/or the Audit & Compliance Committee. Regular reports on this are submitted to the Supervisory Board. In 2010, Group Internal Audit performed an assessment on implementing the Banking Code and – in order to comply with this Code – issued a report to both the Management Board and Supervisory Board on governance and internal controls.

It is important to note that the proper design and implementation of internal risk management and control systems significantly reduces, but cannot fully eliminate, the possibility of poor judgment in decision-making; human errors; control processes being deliberately circumvented by employees and others; management overriding controls; and the occurrence of unforeseen circumstances.

Another limitation is the need to consider the relative costs and benefits of risk responses. Properly designed and implemented internal risk-management and control systems will therefore provide reasonable, though not absolute assurance that the Bank will not be hindered in achieving its business objectives or in the orderly and legitimate conduct of its business. In this context, reasonable assurance refers to a degree of certainty that would be satisfactory for a prudent manager in the management of his affairs in the given circumstances. Projections of any evaluation of effectiveness for future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with Robeco policies, procedures and instructions may deteriorate.

Based on the monitoring of Robeco's risk management and internal control systems and the awareness of their inherent limitations as described above, we have concluded that we can give reasonable assurance that the Bank has sufficient insight into the extent to which its targets will be realized and the reliability of its internal and external (financial) reporting. As a result of our assessment we can conclude that nothing has come to our attention that causes us to believe that the applicable laws and regulations are not being complied with.

Robeco in 2011

This year will be a crucial year in terms of implementing Robeco's strategy for 2010-2014. In 2011 the Bank will have to build further on its client focus and establish itself as a attractive supplier of investment solutions and as a natural supplier of sustainable food & agri investments and inflations products, while maintaining the high quality of its existing proposition in the field of quantitative strategies, responsible investing, emerging-markets equities, US equities, credits and other capabilities.

This is also the year during which a substantial part of the targeted reduction of IT and operations costs will have to be realized. In other words: in 2011 we should start to see the results of the preliminary work initiated in 2010. At the same time, Robeco will have to consolidate the head start it has in responsible and quantitative investing and its leading position in the Dutch retail market. To support these ambitions and to boost Robeco's profile in the market a new brand positioning will be introduced in April 2011.

We would like to thank our staff for their dedication and efforts in 2010 and look forward to co-operating with them in 2011.

Rotterdam, 12 April 2011

Management Board Robeco Direct N.V.

Leni M.T. Boeren, Chairman

Hester W.D.G. Borrie

Peter T.N. Bruin

CONSOLIDATED FINANCIAL STATEMENTS 2010
Robeco Direct N.V.

CONSOLIDATED INCOME STATEMENT
for the year ended 31 December

In millions of euro	Notes	2010	2009
Interest income	5	262.2	306.8
Interest expense	6	195.3	280.2
Net interest income		**66.9**	**26.6**
Fee and commission income	7	48.8	47.2
Fee and commission expense	8	5.7	6.1
Net fee and commission income		**43.1**	**41.1**
Results on financial assets designated at fair value through profit or loss	9	1.1	10.9
Results on financial assets available-for-sale	10	4.4	-2.8
Results on financial assets held for trading	11	9.2	-1.7
Results on financial assets held-to-maturity	12	-0.4	-
Other income	13	5.1	8.1
Net operating income		**129.4**	**82.2**
Employee benefits expenses	14	12.6	12.7
Administrative expenses	15	64.0	78.2
Depreciation and amortization expenses	16	0.5	0.6
Impairment loss / reversal	17	-1.9	34.1
Operating expenses		**75.2**	**125.6**
Result from group companies	18	-10.6	-
Operating result before tax		**43.6**	**-43.4**
Income tax	19	-13.0	11.6
Result for the year		**30.6**	**-31.8**
Attributable to:			
- Equity holder of the parent		30.6	-34.1
- Non-controlling interests	39	-	2.3
Result for the year		**30.6**	**-31.8**

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
for the year ended 31 December

In millions of euro	Notes	2010	2009
Result for the year		**30.6**	**-31.8**
Net unrealized results on financial assets available-for-sale		63.0	80.9
Realized gains and losses on financial assets available-for-sale reclassified to the income statement on disposal	10	-4.4	2.8
Impairment of financial assets available-for-sale		-2.9	28.6
Income tax effect		-13.7	-28.6
Other comprehensive income		**42.0**	**83.7**
Exchange differences on translation of foreign operations		-0.7	-
Other items		-0.6	-
Other comprehensive income for the year, net of taxes		**40.7**	**83.7**
Total comprehensive income for the year, net of taxes		**71.3**	**51.9**
Attributable to:			
- Equity holder of the parent		71.3	49.6
- Non-controlling interests	39	-	2.3
Total comprehensive income for the year, net of taxes		**71.3**	**51.9**

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

at 31 December (before appropriation of result)

In millions of euro	Notes	**2010**	**2009**
ASSETS			
Cash and balances with central banks	20	133.7	163.8
Due from banks	21	264.7	580.6
Derivative financial instruments	22	25.5	17.2
Financial assets held for trading	23	722.2	702.8
Financial assets designated at fair value through profit or loss	24	1,760.6	1,607.2
Loans and advances	25	2,183.2	2,330.9
Financial assets available-for-sale	26	3,469.9	3,544.9
Financial assets held-to-maturity	27	222.2	425.8
Property and equipment	28	-	0.7
Intangible assets	29	-	0.6
Deferred tax assets	30	0.7	1.5
Other assets	31	118.7	196.9
Assets classified as held for sale	18	31.4	-
Total assets		**8,932.8**	**9,572.9**

In millions of euro	Notes	**2010**	**2009**
EQUITY AND LIABILITIES			
Due to banks	32	1,105.8	1,061.7
Derivative financial instruments	22	401.8	379.1
Financial liabilities held for trading		-	6.2
Due to customers	33	6,524.0	7,180.1
Issued securities	34	271.7	360.9
Other liabilities	35	126.9	191.2
Provisions	36	0.0	0.3
Subordinated loans	37	37.7	37.7
Liabilities directly associated with the assets classified as held for sale	18	53.9	-
Total liabilities		**8,521.8**	**9,217.2**
Issued share capital		0.3	0.3
Share premium		245.4	245.4
Available-for-sale reserve		-34.9	-76.9
Foreign currency translation reserve		-0.7	-
Retained earnings		200.3	170.3
Total equity attributable to the equity holder of the parent	38	**410.4**	**339.1**
Non-controlling interests	39	0.6	16.6
Total equity		**411.0**	**355.7**
Total equity and liabilities		**8,932.8**	**9,572.9**

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the year ended 31 December 2010 and 2009

In millions of euro	Attributable to equity holder of the parent						Non-con-trolling interests	Total equity
	Issued share capital	Share pre-mium	Available-for-sale reserve	Foreign currency translation reserve	Retained earnings	Total		
At 1 January 2010	**0.3**	**245.4**	**-76.9**	**-**	**170.3**	**339.1**	**16.6**	**355.7**
Result for the year	-	-	-	-	30.6	30.6	-	30.6
Other compre-hensive income	-	-	42.0	-0.7	-0.6	40.7	-	40.7
Total compre-hensive income	**-**	**-**	**42.0**	**-0.7**	**30.0**	**71.3**	**-**	**71.3**
Movements in non-controlling interests	-	-	-	-	-	-	-16.0	-16.0
At 31 December 2010	**0.3**	**245.4**	**-34.9**	**-0.7**	**200.3**	**410.4**	**0.6**	**411.0**

In millions of euro	Attributable to equity holder of the parent						Non-con-trolling interests	Total equity
	Issued share capital	Share pre-mium	Available-for-sale reserve	Foreign currency translation reserve	Retained earnings	Total		
At 1 January 2009	**0.3**	**195.4**	**-160.6**	**-**	**204.4**	**239.5**	**20.9**	**260.4**
Result for the year	-	-	-	-	-34.1	-34.1	2.3	-31.8
Other compre-hensive income	-	-	83.7	-	-	83.7	-	83.7
Total compre-hensive income	**-**	**-**	**83.7**	**-**	**-34.1**	**49.6**	**2.3**	**51.9**
Capital increase	-	50.0	-	-	-	50.0	-	50.0
Movements in non-controlling interests	-	-	-	-	-	-	-6.6	-6.6
At 31 December 2009	**0.3**	**245.4**	**-76.9**	**-**	**170.3**	**339.1**	**16.6**	**355.7**

CONSOLIDATED STATEMENT OF CASH FLOWS

for the year ended 31 December

In millions of euro	Notes	2010	2009
Operating activities			
Operating result before tax from continuing operations		43.6	-43.4
Non-cash adjustments to operating result:			
- Depreciation and amortization		0.5	0.6
- Impairments		-1.9	34.1
- Result from financial assets (excluding dividends received)		-12.5	20.4
- Result from group companies		10.6	-
- Movements in provisions		0.1	-
Other movements from operations:			
- Change in operating assets		140.4	623.3
- Change in operating liabilities		-712.8	-173.8
- Income tax paid		-13.0	11.6
Net cash flows (used in)/from operating activities	44	**-545.0**	**472.8**
Investing activities			
Purchase of:			
- property and equipment		-0.3	-0.3
- financial assets available-for-sale		-1,182.6	-1,156.7
- financial assets held-to-maturity		-	-108.9
- financial assets at fair value through profit or loss		-238.3	-654.8
- loans and advances		-457.8	-1,573.3
- intangible assets		-0.2	-0.5
Proceeds from:			
- sale of property and equipment		-	0.1
- sale / redemption of financial assets available-for-sale		1,303.5	1,454.6
- sale / redemption of financial assets held-to-maturity		200.5	185.0
- sale / redemption of financial assets at fair value through profit or loss		145.9	226.1
- sale / redemption of loans and advances		578.2	482.0
Net cash flows from/(used in) investing activities	45	**348.9**	**-1,146.7**
Financing activities			
Share premium increase		-	50.0
Net cash flows from financing activities	46	**-**	**50.0**
Net movement in cash and cash equivalents		**-196.1**	**-623.9**
Cash and cash equivalents at 1 January		522.5	1,146.4
Cash and cash equivalents at 31 December	47	**326.4**	**522.5**
Cash flows from interests and dividends			
Interest paid		-143.0	-242.7
Interest received		293.6	313.9
Dividends received		1.8	26.8

ACCOUNTING POLICIES FOR THE CONSOLIDATED FINANCIAL STATEMENTS

1. Corporate information

Robeco Direct N.V., a company established in the Netherlands, aims to offer products and services to retail clients enabling them to achieve their financial goals. In addition, the Company offers a banking infrastructure for other entities of Robeco Groep N.V.

The consolidated financial statements of Robeco Direct N.V. for the year ended 31 December 2010 relate to Robeco Direct N.V. and its subsidiaries (together referred to as the 'Bank'). All shares of Robeco Direct N.V. are owned through Robeco Groep N.V. by Coöperatieve Centrale Raiffeisen-Boerenleenbank B.A. (referred to as "Rabobank Nederland"), which is also the ultimate parent. The consolidated financial statements of Robeco Groep N.V. are included in the Rabobank Group consolidated financial statements.

The financial statements were authorized for issue by the directors on 12 April 2011.

2. Accounting policies

Statement of compliance
The financial statements of Robeco Direct N.V. have been prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union (EU), which comprise standards and interpretations approved by the International Accounting Standards Board (IASB).

Basis of preparation
The financial statements are presented in euros, which is the functional currency of Robeco Direct N.V., rounded to the nearest hundred thousand, unless explicitly stated otherwise. The financial statements have been prepared on a fair value or amortized cost basis, except for property and equipment and purchased intangible assets which are stated at historical cost less accumulated depreciation or amortization and any accumulated impairment results. The presentation of and certain terms used in the consolidated statement of financial position, the consolidated income statement, consolidated statement of cash flows, consolidated statement of changes in equity and certain notes has changed to provide additional and more relevant information.

IFRS developments

Adopted International Financial Reporting Standards
Several new or revised IFRS standards were issued for the purpose of the consolidated financial statements as of 2010. Only those standards applicable to the financial statements 2010 of Robeco Direct N.V. are mentioned below.

IAS 24 Related party disclosures (Revised)
In IAS 24 Related party disclosures (Revised), the definition of a related party has been clarified to simplify the identification of related party relationships, particularly in relation to significant influence and joint control. A partial exemption from the disclosures has been included for government-related entities. This amendment is effective for annual periods beginning on or after 1 January 2011.

Future IFRS developments
Of all future IFRS developments, only those mentioned below are considered to be applicable to the financial statements of Robeco Direct N.V.:

IFRS 9 Financial instruments
The first phase of IFRS 9 Financial Instruments addresses the classification and measurement of financial assets. The work of the IASB on the other phases is ongoing and includes classification and measurement of financial liabilities, impairment of financial instruments, hedge accounting and derecognition of financial instruments. Phase I of IFRS 9 applies to all financial assets and liabilities in scope of IAS 39. The standard has not yet been adopted by the EU and will be effective for annual periods beginning on or after 1 January 2013. Earlier adoption is permitted, but is only possible after endorsement of this standard by the EU.

Basis of consolidation
The consolidated financial statements include Robeco Direct N.V. and its subsidiaries as at 31 December of each year. The financial statements of the subsidiaries are prepared for the same reporting year as the parent company, using consistent IFRS accounting policies.

Subsidiaries
Subsidiaries are entities controlled by the Bank. Control exists when the Bank has the power, directly or indirectly, to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, potential voting rights that are exercisable or convertible are taken into account to determine if the Bank holds more than 50% of the voting rights.

The financial statements of the subsidiaries are included in the consolidated financial statements from the date control commences until the date control ceases. A complete list of the subsidiaries is shown in Note 42, Related parties. The subsidiaries are accounted for by integral consolidation showing non-controlling interests in equity.

Transactions eliminated on consolidation
Intragroup balances, any unrealized gains or losses and income and expenses arising from intragroup transactions, are eliminated in preparing the consolidated financial statements. Unrealized gains arising from transactions with associates are eliminated in proportion to the Bank's interest in the entity. Unrealized losses are eliminated in the same way as unrealized gains, unless it provides an evidence of impairment.

Business combinations
Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred, measured at acquisition date fair value and the amount of any non-controlling interest in the acquiree. For each business combination, the acquirer measures the non-controlling interest in the acquiree either at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition costs incurred are expensed and included in administrative expenses. When the Bank acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree.

If the business combination is achieved in stages, the acquisition date fair value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date through profit or loss. Any contingent consideration to be transferred by the acquirer will be recognized at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration deemed to be an asset or liability will be recognized in accordance with IAS 39 either in profit or loss or as a change to other comprehensive income. If the contingent consideration is classified as equity, it should not be remeasured until it is finally settled within equity.

Goodwill is initially measured at cost being the excess of the aggregate of the consideration transferred and the amount recognized for non-controlling interest over the net identifiable assets acquired and liabilities assumed. If this consideration is lower than the fair value of the net assets of the subsidiary acquired, the difference is recognized in profit or loss. After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Bank's cash-generating units that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

Where goodwill forms part of a cash-generating unit and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this circumstance is measured based on the relative values of the operation disposed of and the portion of the cash-generating unit retained.

3. Significant accounting judgments and estimates

The preparation of financial statements in conformity with IFRS 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 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 an accounting estimate is recognized in the period in which the estimate is revised. Judgments made by management in applying IFRS that might have significant impact on the financial statements are:

<u>Fair value of financial instruments</u>
The fair value of financial assets classified as available-for-sale, financial assets and liabilities classified as designated at fair value through profit or loss and held for trading and derivative financial instruments, is determined by reference to published price quotations in an active market where available. If no active market price or rate is available, the fair values are estimated using appropriate discounted cash-flow models and option valuation models, using inputs based on market conditions existing at the reporting dates. Some of the inputs to these models may not be market observable and are therefore estimated based on assumptions. For some financial instruments the Company adjusts the latest valuation in order to limit the time lag between moment of valuation and availability of information at reporting dates by assessing additional required information from underlying independent fund managers. These valuation adjustments are necessary and appropriate to fairly determine the values of financial instruments carried at fair value on the statement of financial position.

<u>Impairment of financial instruments available-for-sale and at amortized cost</u>
The Bank reviews its financial assets classified as available-for-sale and at amortized cost at each reporting date to assess whether they are impaired. See also Note 4.18, Impairment of financial assets for further details.

4. Summary of significant accounting policies

The principal accounting policies adopted in the preparation of these consolidated financial statements are set out hereafter. These accounting policies are applied consistently in all periods presented in the consolidated financial statements.

The Bank presents its income statement using a nature of expense view. This presentation gives a clear insight in the profitability of its main activities.

4.1 Foreign currency translation

As stated before, the euro is the functional currency of Robeco Direct N.V. Each entity of the Bank determines its own functional currency and the items included in the financial statements of each entity are measured using that functional currency.

Monetary assets and liabilities denominated in foreign currencies are translated into euros at the spot rates prevailing at the reporting date. Non-monetary items measured at historical cost in a foreign currency are translated using exchange rates prevailing at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date the fair value was determined. Any fair value adjustments to the carrying amounts of assets and liabilities arising on the acquisition are treated as assets and liabilities of the foreign operation and are translated using the spot rate prevailing at the reporting date.

Purchases and sales of securities are translated at the exchange rates prevailing at the relevant transaction date. The same applies to both income and expenses. Forward transactions in foreign currencies for funds withdrawn and settled are converted at the exchange rates at the closing date. Other forward exchange transactions not settled at the reporting date are valued at the forward rate for the contract's remaining term to maturity at closing date. In general, exchange rate differences are taken to the income statement.

Exchange rate differences on non-monetary items classified as available-for-sale are taken to other comprehensive income. Exchange rate differences on non-monetary items classified as at fair value through profit or loss are taken to the income statement.

4.2 Determination of fair value

For financial assets classified as available-for-sale, financial assets and liabilities designated at fair value through profit or loss and held for trading and derivative financial instruments, the determination of the fair values is based on quoted market prices when available. If no active market price or rate is available, the fair values are estimated using appropriate discounted cash-flow models and option valuation models, using inputs based on market conditions existing at the reporting dates. Some of the inputs to these models may not be market observable and are therefore estimated based on assumptions. For some financial instruments, the Bank adjusts the latest valuation in order to limit the time lag between the moment of valuation and availability of information at reporting dates by assessing additional required information from underlying independent fund managers. These valuation adjustments are necessary and appropriate to fairly determine the values of financial instruments carried at fair value on the statement of financial position.

4.3 Interest income

Interest income consists of the interest income generated by the mortgage portfolios and the investment portfolio as well as gross interest income from derivative financial instruments.

4.4 Interest expense

Interest expense mainly relates to expenses incurred on entrusted funds from customers and banks as well as gross interest expenses on derivative financial instruments.

4.5 Fee and commission income

Fee and commission income includes management fees, insurance fees, transaction fees and similar other fees. Fees are recognized when the services have been performed and can be reliably measured. Fees are primarily based on predetermined percentages of the market value of average assets under management, including investment performance and net subscriptions or redemptions. Transaction fees are based on predetermined percentages of transaction volumes.

4.6 Fee and commission expense

Fee and commission expense comprises distribution and maintenance fees, transaction fees, fees for payment services and similar fees. Distribution and maintenance fees are recorded when related services have been performed and can be reliably measured and are primarily based on predetermined percentages of the market values of the assets under management of the investments, including investment performance and net subscriptions or redemptions.

4.7 Other income

Other income consists of expenses charged to third parties for services delivered by the Bank.

4.8 Non-controlling interests

Non-controlling interests are the portion of the net result and net assets of a subsidiary attributable to equity interests that are not owned, directly or indirectly through subsidiaries, by the Bank.

4.9 Cash and balances with central banks

Cash comprises cash in hand and deposits with central banks. The latter is held to satisfy regulatory liquidity requirements and is disclosed as restricted cash. Bank overdrafts are classified as liabilities.

4.10 Due from banks

This item represents short-term deposits with an original maturity of three months or less and claims on credit institutions and central banks subject to governmental supervisions on banking not belonging to cash and not included in financial assets.

4.11 Derivative financial instruments

The Bank uses derivative financial instruments, such as foreign currency forwards, interest rate swaps and credit default swaps to hedge foreign currency risk, interest rate risk, credit risk and market risk. The derivative financial instruments are initially recognized at fair value on the date on which they were entered into and subsequently remeasured. Gains and losses on the remeasurement of derivative financial instruments are included in Result on financial assets held for trading. Derivative financial instruments are carried as assets if the fair value is positive and as liabilities if the fair value is negative.

Partially, the derivative financial instruments regard total return swaps. The Bank entered into structured transactions, resulting in total return swaps and certain financial instruments being recognized on the Bank's statement of financial position. Total return swaps are financial instruments whose value is derived from an underlying instrument or product. Through total return swaps the market risk and the economic returns from the underlying financial instrument are transferred to clients. Total return swaps are recognized at fair value at reporting date. Gains or losses arising from changes in fair value of the underlying financial instruments are recognized in Results on financial assets, while the economic returns thereof are mostly recognized in Interest income or expense.

4.12 Financial assets held for trading

Financial assets are classified as held for trading if they are acquired for the purpose of selling in the near future. Financial assets held for trading are initially recognized at fair value, and transaction costs are expensed in the income statement. Interest earned and dividends received on these assets are reported as Results on financial assets held for trading. All other realized and unrealized gains and losses on remeasurement of these financial instruments at fair value are also included in Results on financial assets held for trading.

All purchases and sales of financial assets held for trading that require delivery within the time frame established by regulation or market convention, i.e. regular-way purchases and sales, are recognized at the trading date.

4.13 Financial assets designated at fair value through profit or loss

Financial assets designated at fair value through profit or loss are non-trading financial assets designated on initial recognition at fair value through profit or loss, using the 'fair value option'. These financial assets are recorded on a trading date basis and are initially recognized at fair value and subsequently measured at fair value.

The Bank's management chooses to designate non-trading financial assets at fair value through profit or loss on initial recognition when one of the following criteria is met:

- the designation eliminates or significantly reduces the inconsistent treatment that would otherwise arise from measuring the assets or recognizing gains or losses on them on a different basis;
- the assets are part of a group of financial assets which are managed and their performance evaluated on a fair value basis in accordance with a risk management strategy;
- the financial instruments contain an embedded derivative, unless the embedded derivative does not significantly modify the cash flows or if it is clear that it would not be separately recorded.

Interest earned on these assets is reported as Interest income. All realized and unrealized gains and losses from remeasurement at fair value are included in Results of financial assets designated at fair value through profit or loss. The fair value of financial assets actively traded in organized financial markets is determined by reference to quoted market prices at the close of business on the reporting date. The fair value of all other financial assets is determined using valuation techniques, which include net present value techniques, the discounted cash flow method, comparison to similar instruments for which market prices do exist, and valuation models. The input into these valuation models is practically always market observable.

As the market risk of purchased loans and mortgages is considered to be nil as these positions are fully hedged, changes in the fair value of these financial assets are fully attributed to credit risk.

4.14 Loans and advances

Loans and advances are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are carried at amortized cost using the effective interest rate method less any impairment. Gains and losses are recognized in the income statement upon derecognition or impairment as well as through amortization. Transaction costs are taken into account at initial recognition and amortized over the remaining term. The assets are recorded on a trading date basis.

4.15 Financial assets available-for-sale

Financial assets available-for-sale are non-derivative financial instruments that are designated as available-for-sale or are not classified as (a) loans and advances, (b) held-to-maturity or (c) financial assets at fair value through profit or loss. Those financial assets are recorded on a trading date basis. Financial assets available-for-sale are instruments which, in management's opinion, may be sold in response to or in anticipation of needs for liquidity or changes in interest rates, foreign exchange rates or equity prices. Financial assets available-for-sale consist of money market paper, other debt instruments and equity instruments.

Financial assets available-for-sale are initially recognized at fair value and subsequently measured at fair value. Unrealized gains or losses on financial assets available-for-sale are reported as other comprehensive income and recognized in the available-for-sale reserve, net of taxes, until such assets are sold, collected or otherwise disposed of, or until such assets are impaired.

On disposal of an available-for-sale asset, the accumulated unrealized gain or loss included in the available-for-sale reserve is transferred to the income statement. Gains and losses on disposal are determined using the average cost method. If a financial asset available-for-sale is impaired, the cumulative unrealized loss recognized in other comprehensive income is included in the income statement.

Interest earned on financial assets available-for-sale is reported as Interest income. Realized gains and losses on financial assets available-for-sale are recognized as Results on financial assets available-for-sale.

If a financial asset available-for-sale is impaired, the amount comprising the difference between its cost (net of any principal payment and amortization) and its current fair value, less any impairment loss previously recognized in the income statement, is removed from other comprehensive income and recognized in the income statement. For debt instruments available-for-sale, reversals of impairment losses are reversed through the income statement, if the increase in fair value of the instruments can be objectively related to an event occurring after the impairment loss was recognized in the income statement. For available-for-sale equity securities however, reversals of impairment losses are not recognized through the income statement; increases in their fair value after impairment are recognized directly in other comprehensive income.

4.16 Financial assets held-to-maturity

When management has both the intention and the ability to hold financial assets to maturity, securities with fixed or determinable payments and fixed maturity are classified as financial assets held-to-maturity. Management determines the appropriate classification of its financial assets at the time of purchase. The financial assets are recorded on a trading date basis. Financial assets held-to-maturity are initially recognized at fair value and subsequently carried at amortized cost using the effective-yield method. Interest earned on financial assets held-to-maturity is reported as Interest income.

If there is objective evidence that an impairment loss on financial assets carried at cost or amortized cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future expected credit losses that have not been incurred), discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition). The amount of the loss shall be recognized in the income statement. If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed. Any subsequent reversal of an impairment loss is recognized in the income statement, to the extent that the carrying value of the asset does not exceed its amortized cost at the reversal date.

4.17 Derecognition of financial assets

A financial asset (or, where applicable a part of a financial assets or part of a group of similar financial assets) is derecognized when the rights to receive cash flows from the asset have expired or the Bank has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a pass-through arrangement and either (a) the Bank has transferred substantially all the risks and rewards of the asset or (b) the Bank has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Bank has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognized to the extent of the Bank's continuing involvement in the asset. In that case, the Bank also recognizes an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Bank has retained.

Continuing involvement through a guarantee over the transferred asset is measured at the lower of the original carrying amount and the maximum amount of consideration that the Bank could be required to repay.

4.18 Impairment of financial assets

The Bank assesses at each reporting date whether there is objective evidence that a financial asset or a group of financial assets is impaired. A financial asset is deemed to be impaired if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (an incurred 'loss event') and that loss event has impact on the estimated future cash flows of the financial asset or the group of assets that can be reliably estimated.

Objective evidence of impairment includes observable data about:

- significant financial difficulty of the issuer;
- an actual breach of contract, such as a default or delinquency in interest or principal payments;
- probability of bankruptcy or other financial reorganization of the borrower;
- the disappearance of an active market for that financial asset due to financial difficulties;
- indications of a measurable decrease in the estimated future cash flows from a group of financial assets since the initial recognition of those assets.

For debt instruments classified as available-for-sale, held-to-maturity or loans and advances, impairment is assessed if there is objective evidence that an impairment loss has been incurred. If, in a subsequent period, the fair value of an impaired debt instrument increases and the increase can objectively be related to a credit event occurring after the impairment loss was recognized in the income statement, fair value increases not exceeding the impaired amount will be reversed through the income statement.

Objective evidence of impairment for available-for-sale equity instruments may include specific information about the issuer as detailed above, but may also include a significant or prolonged decline in the fair value of the asset. In assessing whether it is significant, the decline in fair value is evaluated against the original cost of the asset at initial recognition. In assessing whether it is prolonged, the decline is evaluated against the period in which the fair value of the asset has been below its original cost at initial recognition. 'Significant' and 'prolonged' are interpreted on a case-by-case basis for specific equity instruments; as general guideline the Bank considers a decline of 25% as 'significant' and a period of more than six months as 'prolonged'.

For loans and advances to customers carried at amortized cost, the Bank assesses individually whether objective evidence of impairment exists. If there is objective evidence that an impairment loss has been incurred, the amount of loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future expected credit losses that have not yet been incurred). The carrying amount of the asset is reduced through the use of an allowance account and the loss is recognized in the income statement. Loans together with the associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realized or has been transferred to the Bank. In determining the extent of the impairment, management evaluates the risk in the portfolio, current economic conditions, losses experienced in recent years and credit concentration trends. The identification of impairment and determination of the recoverable amount are a process involving assumptions and factors including the financial condition of the counterparty, expected future cash flows and expected net selling prices.

4.19 Property and equipment

Property and equipment are stated at cost less accumulated depreciation and any recognized accumulated impairment losses. The carrying values of property and equipment are reviewed for impairment once a year. If an indication of impairment exists, the assets are impaired to their recoverable amount and the impairment loss is taken to the income statement in the period in which it arises.

Depreciation is calculated using the straight-line method over the expected useful economic lives of the assets, recognized as an expense and included in the income statement under Depreciation and amortization expenses Disposal gains and losses are included in the income statement under Other income. The assets' residual values, useful lives and methods of depreciation are reviewed and adjusted, if appropriate, at each financial year end.

Property and equipment category	Useful economic life	Depreciation rate
Computer equipment	5 years	20%
Office equipment	5 years	20%

4.20 Intangible assets

Intangible assets consist of purchased capitalized software. Intangible assets are stated at cost less any accumulated amortization and any accumulated impairment losses determined individually for each asset. The assets are reviewed for impairment annually.

The intangible assets of the Bank are all finite and acquired. Amortization is recognized on a straight-line basis for the period of 5 years.

4.21 Other assets

Other assets are valued at amortized cost using the effective interest method. Other assets mainly comprise interest receivable, accrued income and capitalized structuring fees. Capitalized structuring fees are received up-front and amortized over the maturity of the related products.

4.22 Due to banks

(Short-term) Loans and advances from banks are stated at amortized cost using the effective interest method.

4.23 Due to customers

Saving accounts and deposits of private and business customers are stated at amortized cost using the effective interest method.

4.24 Income tax

Income tax on the result for the year comprises current and deferred tax. Income tax is recognized in the income statement except to the extent it relates to items recognized directly in other comprehensive income, in which case it is recognized in other comprehensive income.

Current tax

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to tax authorities. The tax rates and laws used to compute taxable amounts are those enacted or substantially enacted at the reporting date.

Deferred tax

Deferred tax is provided using the liability method on temporary differences at the reporting date between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for tax purposes. The following temporary differences are not accounted for:

- initial recognition of assets and liabilities that affects neither the accounting profit nor the taxable profit;
- differences relating to investments in subsidiaries to the extent that they will not reverse in the foreseeable future;
- recognition of carry-forward losses to be set off against future taxable profits that are still uncertain according to management's judgment.

The amount of deferred tax provided is based on the expected manner of realization or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the reporting date.

A deferred tax asset is recognized for tax benefits relating to the carry forward of unused tax losses when it is probable that estimated future taxable profits will be available for which these losses can be utilized. The carrying amount of deferred income tax assets is reviewed annually and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the deferred income tax asset to be utilized. Unrecognized deferred income tax assets are reassessed at each reporting date and recognized to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

4.25 Issued securities

Issued securities designated at fair value through profit or loss are recognized at fair value, with transaction costs being recognized in profit or loss, and are subsequently measured at fair value. Gains and losses on issued securities designated at fair value through profit or loss are recognized in profit or loss as they arise. Issued securities at amortized cost are initially recognized at fair value and subsequently carried at amortized cost using the effective interest method.

4.26 Other liabilities

Other liabilities are initially recognized at amortized cost using the effective interest method.

4.27 Provisions

A provision is recognized when the Bank has a legal or constructive obligation as a result of a past event for which it is probable, an outflow of economic benefits will be required to settle the obligation and a reliable estimate of the amount of the obligation can be made. If the effect of time value is material, provisions are based on expected future cash flows discounted at a pre-tax rate reflecting current market rates and, where appropriate, the risks specific to the liability.

4.28 Subordinated loans

Subordinated loans are initially recognized at amortized cost using the effective interest method.

4.29 Equity attributable to equity holder of the parent

Equity is accounted for as the residual interest of the Bank after deducting all its liabilities. The amount at which equity is shown in the consolidated statement of financial position is dependent on the measurement of assets and liabilities. Dividends for distribution are recognized as a liability in the period when they are declared. Dividends declared after the reporting date are not retroactively reflected in the financial statements of the period just ended.

Non-controlling interests are presented in the consolidated statement of financial position as part of total equity, separately from the Bank's equity.

NOTES TO THE CONSOLIDATED INCOME STATEMENT

5. Interest income

Interest income can be broken down as follows:

In millions of euro	2010	2009
Cash and balances with central banks	1.6	2.2
Due from banks	3.1	14.2
Loans and advances	72.0	68.2
Financial assets available-for-sale	96.8	123.2
Financial assets held-to-maturity	10.2	19.0
Interest income on financial assets not at fair value through profit or loss	**183.7**	**226.8**
Derivative financial instruments	12.9	17.9
Financial assets held for trading	3.6	10.7
Financial assets designated at fair value through profit or loss	62.0	51.4
Interest income on financial assets at fair value through profit or loss	**78.5**	**80.0**
Total	**262.2**	**306.8**

The investments generated less interest income. After a continuing decline in the beginning of 2010, the money market rates as well as bond yields recovered and the decline came to a halt. In addition to the lower absolute level of interest rates, the total investments reduced during the year, resulting in a lower interest income amount.

6. Interest expense

Interest expense can be broken down as follows:

In millions of euro	2010	2009
Due to customers	141.5	233.9
Due to banks	0.7	0.8
Subordinated loans	0.4	0.8
Other	0.1	0.1
Interest expense on financial assets not at fair value through profit or loss	**142.7**	**235.6**
Derivative financial instruments	52.6	44.6
Interest expense on financial assets at fair value through profit or loss	**52.6**	**44.6**
Total	**195.3**	**280.2**

The interest paid on the more traditional savings normalized to a certain extent, allowing the Bank to recover from a low interest margin environment. In addition to the above, the effect of a decreased amount of entrusted savings results into a materially lower total interest expense.

7. Fee and commission income

Fee and commission income can be broken down as follows:

In millions of euro	2010	2009
Management fees	44.8	38.7
Securities transactions	2.0	2.6
Insurance and other fees	2.0	5.9
Total	**48.8**	**47.2**

8. Fee and commission expense

Fee and commission expense can be broken down as follows:

In millions of euro	2010	2009
Distribution and maintenance fees	5.1	5.3
Other	0.6	0.8
Total	**5.7**	**6.1**

9. Results on financial assets designated at fair value through profit or loss

Results on financial assets designated at fair value through profit or loss are as follows:

In millions of euro	2010	2009
Realized results on debt instruments	0.5	10.9
Realized results on equity securities	0.6	-
Total	**1.1**	**10.9**

10. Results on financial assets available-for-sale

Results on financial assets available-for-sale are as follows:

In millions of euro	2010	2009
Realized results on debt instruments	3.2	-2.5
Realized results on equity securities	1.2	-0.3
Total	**4.4**	**-2.8**

11. Results on financial assets held for trading

Results on financial assets held for trading are as follows:

In millions of euro	2010	2009
Results on debt securities	-16.2	-22.7
Results on equity securities	23.7	21.9
Results on derivative financial instruments	2.2	-2.4
Results on foreign currencies	-0.2	2.6
Other results	-0.3	-1.1
Total	**9.2**	**-1.7**

The results on equity securities include received dividends totaling EUR 1.8 million (2009: EUR 26.8 million).

12. Results on financial assets held-to-maturity

The results on financial assets held-to-maturity (EUR -0.4 million; 2009: nil) comprise results on debt securities. Besides regular redemptions, the Bank was offered to have a bond repurchased. Due to the assessed creditworthiness and the illiquid market for such bonds, the Bank decided to sell its position. Based on IAS 39 guidance, the Bank concluded that its remaining held-to-maturity portfolio was not tainted by this sale.

13. Other income

Other income mainly comprises expenses charged to third parties for services delivered by the Bank.

14. Employee benefits expense

Employee benefits expense can be broken down as follows:

In millions of euro	2010	2009
Wages and salaries	7.1	6.7
Social security costs	2.3	2.3
Pension costs	1.5	1.7
Temporary staff	1.5	1.9
Other	0.2	0.1
Total	**12.6**	**12.7**

In the Netherlands, the Bank does not employ personnel itself. Robeco Nederland B.V. is the actual employer, recharging personnel-related costs to the Bank. The recharged costs classified as Administrative expenses concern on average 224 FTE's in 2010 (2009: 254 FTE's). The Belgian activities were closed in the last quarter of 2010; the French subsidiary is classified as held for sale as from 1 December 2010. At the end of 2010, the Bank had no workforce in these countries. On average, the number of FTEs in Belgium and France amounted to 78 in 2010 (2009: 107 FTEs):

Average number of FTEs	2010	2009
Belgium	2	3
France	76	104
Total	**78**	**107**

15. Administrative expenses

Administrative expenses can be broken down as follows:

In millions of euro	2010	2009
Lump-sum recharge	55.7	64.4
Foreign offices	6.3	6.0
Other expenses	2.0	7.8
Total	**64.0**	**78.2**

The administrative expenses comprise a lump-sum recharge from Robeco Nederland B.V. for personnel, housing and ICT expenses made for the Netherlands-based activities.

16. Depreciation and amortization expenses

Depreciation and amortization expenses can be broken down as follows:

In millions of euro	2010	2009
Depreciation of property and equipment	0.3	0.3
Amortization of intangible assets	0.2	0.3
Total	**0.5**	**0.6**

17. Impairment loss / reversal

The impairment of available-for-sale financial assets predominantly relates to asset-backed securities. Based on the economic circumstances and market situation in 2010 and 2009, the Bank made an assessment of its entire investments portfolio. The outcome of this in-depth analysis resulted in an impairment of additional asset-backed securities, in 2010 more than offset by positive fair value changes of earlier impaired financial instruments. The value adjustments on credits to customers regard additions to the provision for mortgages.

Impairment loss / reversal can be broken down as follows:

In millions of euro	2010	2009
Impairment financial assets available-for-sale:		
- asset-backed securities	15.2	27.9
- other debt securities	2.2	1.7
- equity securities	-	1.7
Reversal of impairment financial assets available-for-sale:		
- asset-backed securities	-20.3	-2.7
Value adjustments on credits to customers		
- loans and advances	0.5	5.2
- fair value through profit or loss	0.5	0.3
Total	**-1.9**	**34.1**

18. Result from group companies

In December 2010, Robeco signed a binding sale and purchase agreement with Oddo & Cie to sell Banque Robeco. Ownership was transferred to Oddo & Cie on 31 March 2011. The result from group companies regards an impairment due to the write-down from the carrying amount of Banque Robeco's assets to fair value less costs to sell. The assets of Banque Robeco classified as held for total EUR 31.4 million after elimination of an intercompany balance and reduced for the aforementioned impairment, whereas the liabilities related to the assets classified as held for sale amount to EUR 53.9 million at year-end 2010.

19. Income tax

Income tax in the income statement and the statement of comprehensive income can be broken down as follows:

In millions of euro	2010	2009
Income statement		
Current year	-14.1	11.6
Adjusted tax assessments previous years	1.1	-
Income tax reported in the income statement	**-13.0**	**11.6**
Statement of comprehensive income		
Unrealized loss on financial assets available-for-sale	-13.7	-28.6
Income tax charged directly to comprehensive income	**-13.7**	**-28.6**

The reconciliation between income tax expense and accounting result for the years 2010 and 2009 is as follows:

In millions of euro	2010	2009
Accounting result before tax	**43.6**	**-43.4**
Income tax at statutory tax rate (25.5%)	**-11.1**	**11.1**
Result of minority interests in consolidated products	-	0.6
Result from group companies (tax exempt)	-2.7	-
Adjusted tax assessments previous years	1.1	-
Other	-0.3	-0.1
Income tax reported in income statement	**-13.0**	**11.6**
Effective tax rate	**29.8%**	**26.7%**

Following a covenant with the Dutch tax authorities, future tax returns will be drawn up to a large extent in compliance with IFRS.

NOTES TO THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION

20. Cash and balances with central banks

Cash and balances with central banks consist of mandatory reserves at central banks (EUR 133.7 million; 2009: 163.8 million). From 8 December 2010 to 19 January 2011, EUR 141.9 million (8 December 2009 to 20 January 2010: EUR 171.1 million) on average was held to satisfy regulatory liquidity requirements set by DNB and is therefore restricted.

21. Due from banks

Due from banks can be broken down as follows:

In millions of euro	**2010**	**2009**
Banks - available on demand	192.7	358.7
Banks - not available on demand	66.8	196.6
Cash receivables securities	5.2	25.3
Total	**264.7**	**580.6**

Cash receivables securities regard broker positions due to differences between trading and settlement dates.

22. Derivative financial instruments

In millions of euro			**2010**			**2009**
	Contract/ Notional	**Assets**	**Fair value Liabilities**	**Contract/ Notional**	**Assets**	**Fair value Liabilities**
Funded total return swaps	255.6	0.7	256.3	239.4	4.0	243.4
Equity swaps	16.2	2.3	18.5	18.3	2.6	20.9
Interest rate swaps	2,626.6	18.3	125.5	2,064.0	8.6	112.0
Swaptions	-	1.0	1.0	71.7	0.8	-
Credit default swaps	83.7	-	0.5	133.0	0.1	1.9
Foreign currency forwards	189.4	3.2	-	129.6	0.1	0.4
Other	-	-	-	-	1.0	0.5
Total		**25.5**	**401.8**		**17.2**	**379.1**

Notional amounts or contract sizes of derivative financial instruments provide the basis for comparison with instruments recognized in the statement of financial position, but do not necessarily indicate the value of future cash flows involved or the current fair value of these derivative financial instruments and therefore do not indicate the Bank's exposure to credit or price risks. The notional amount represents the value of a derivative financial instrument's underlying asset, reference rate or index and forms the basis for measurement of the derivative financial instrument's value. It provides an indication of the volume of the Bank's transactions, but not any measure of risk. Some derivative financial instruments are standardized in terms of notional amount and settlement date and designed to be traded on active markets (i.e., at organized exchanges). Others are packaged and unlisted, as they are traded between counterparties at negotiated prices (over-the-counter instruments).

Positive fair values represent the costs to the Bank of replacing all transactions with a receivable amount, if all counterparties were to default. Negative fair values represent the costs incurred by counterparties in replacing all transactions, if the Bank were to default. The total positive and negative fair values are separately included in the statement of financial position. Derivative financial instruments become favorable (assets) or unfavorable (liabilities) as a result of fluctuations in the underlying risk factors, like interest rate or foreign exchange rate movements relative to their terms. Total contract sizes or notional amounts of derivative financial instruments held, the degree to which they are favorable or unfavorable and hence the total fair value of derivative financial assets and liabilities may fluctuate significantly.

Derivative financial instruments include an interest rate swap designated as an element of a package of financial instruments, to which the Bank applies the 'fair value option'. These instruments are disclosed in Financial assets designated at fair value through profit or loss.

23. Financial assets held for trading

Financial assets held for trading include equity securities for an amount of EUR 291.2 million (2009: EUR 279.0 million) held to back total return swaps to meet specific investment objectives of note holders bearing the investment risk arising from financial assets held for trading. The fair values of financial assets held for trading can be broken down as follows:

In millions of euro	2010	2009
Debt securities	228.8	227.5
Equity securities	493.4	475.3
Total	**722.2**	**702.8**

24. Financial assets designated at fair value through profit or loss

Financial assets designated at fair value through profit and loss can be broken down as follows:

In millions of euro	2010	2009
Mortgage portfolio	662.9	663.0
Government bonds	441.7	439.5
Bank bonds	444.9	372.0
Other debt securities	193.1	131.8
Equity securities	18.0	0.9
Total	**1,760.6**	**1,607.2**

Government bonds, bank bonds and other debt securities (all with fixed rates) are managed as one portfolio. Although the interest rate risk of this portfolio is largely hedged by interest rate swaps, the Bank decided not to apply hedge accounting.

The mortgage portfolio (notional amount: EUR 600 million) was purchased together with accompanying saving deposits and interest rate swaps. The package is part of the fair value portfolio following the fair value option, which the Bank could apply as it manages the package's financial assets and liabilities as a group, while evaluating its performance on a fair value basis. From an interest rate perspective, there is no accounting mismatch. The package's total notional amount equaled the fair value on all of the above dates; hence, there were no revaluation results. The fair value of this particular package at year-end amounts to:

In millions of euro	2010	2009
Mortgage portfolio	662.9	663.0
Less: Saving deposits	-28.1	-27.0
Less: Interest rate swaps	-56.4	-47.9
Total	**578.4**	**588.1**

The maximum credit exposure of purchased loans and mortgages amounts to EUR 687.5 million (2009: EUR 667.8 million). In the Credit risk section of Note 41, disclosure of the maximum credit exposure of all financial assets designated at fair value through profit or loss is presented. The change in fair value of the purchased loans and mortgages attributable to changes in credit risk amounts to EUR 0.2 million (2009: EUR 0.0 million).

25. Loans and advances

Loans and advances can be broken down as follows:

In millions of euro	2010	2009
Mortgages	929.6	967.9
Loans and advances – governments	328.9	463.2
Loans and advances – banks	61.2	66.1
Private sector loans	848.2	786.8
Other	15.3	46.9
Total	**2,183.2**	**2,330.9**

The Bank holds collateral in relation to private sector loans, consisting of securities and properties.

26. Financial assets available-for-sale

Financial assets available-for-sale can be broken down as follows:

In millions of euro	2010	2009
Government bonds	1,345.9	1,625.2
Bank bonds	1,030.3	993.1
Asset-backed securities	809.3	664.4
Other debt securities	221.1	210.8
Equity securities	63.3	51.4
Total	**3,469.9**	**3,544.9**

Accrued interest on impaired financial assets totals EUR 0.2 million at 31 December 2010 (2009: EUR 0.1 million).

27. Financial assets held-to-maturity

Financial assets held-to-maturity can be broken down as follows:

In millions of euro	2010	2009
Government bonds	207.5	359.5
Bank bonds	14.7	66.3
Total	**222.2**	**425.8**

28. Property and equipment

Movements in property and equipment are as follows:

In millions of euro	2010	2009
Cost	3.3	3.9
Accumulated depreciation	-2.6	-3.1
Net carrying amount at 1 January	**0.7**	**0.8**
Additions	0.3	0.3
Disposals	-	-0.1
Depreciation	-0.3	-0.3
Impairment upon reclassification as assets held for sale	-0.7	-
Net carrying amount at 31 December	**-**	**0.7**
Cost	3.3	3.3
Accumulated depreciation and impairment	-3.3	-2.6
Net carrying amount at 31 December	**-**	**0.7**

29. Intangible assets

Movements in the intangible assets are as follows:

In millions of euro	2010	2009
Cost	3.7	5.2
Accumulated amortization	-3.1	-4.8
Net carrying amount at 1 January	**0.6**	**0.4**
Additions	0.2	0.5
Amortization	-0.2	-0.3
Impairment upon reclassification as assets held for sale	-0.6	-
Net carrying amount at 31 December	**-**	**0.6**
Cost	3.6	3.7
Accumulated amortization and impairment	-3.6	-3.1
Net carrying amount at 31 December	**-**	**0.6**

30. Deferred tax assets and liabilities

Movements in the deferred tax assets are as follows:

In millions of euro	2010	2009
At 1 January	**1.5**	**-**
Addition to/release from current income tax	-0.8	1.5
At 31 December	**0.7**	**1.5**

As of 2009, a deferred tax asset has been recognized related to the difference between fiscal and commercial treatment of the loan loss provision. No deferred tax asset is recognized for Banque Robeco's taxable losses (EUR 2.1 million; 2009: EUR 1.6 million). Following a covenant with the Dutch tax authorities, tax returns will be drawn up to a large extent compliant with IFRS. Therefore, no deferred tax liabilities are recognized in 2010 and 2009.

31. Other assets

Other assets can be broken down as follows:

In millions of euro	2010	2009
Interest receivable and accrued income	99.7	115.9
Capitalized structuring fee	12.0	16.8
Cash transfers	0.7	42.2
Other	6.3	22.0
Total	**118.7**	**196.9**

32. Due to banks

Due to banks can be broken down as follows:

In millions of euro	2010	2009
Call money and balances available on demand	1,099.7	1,017.9
Liability securities transactions	6.1	43.8
Total	**1,105.8**	**1,061.7**

Call money and balances available on demand refer to saving accounts via third-party distributors.

33. Due to customers

Due to customers can be broken down as follows:

In millions of euro	2010	2009
Savings available on demand	6,448.5	6,519.6
Savings not available on demand	71.6	648.6
Other	3.9	11.9
Total	**6,524.0**	**7,180.1**

Savings available on demand refer to the saving accounts of private and business customers. Savings not available on demand are fixed-term savings accounts and deposits provided by customers and funds managed by the Bank.

34. Issued securities

Issued securities can be broken down as follows:

In millions of euro	2010	2009
Issued securities designated at fair value through profit or loss	269.6	358.7
Issued securities at amortized cost	2.1	2.2
Total	**271.7**	**360.9**

At 31 December 2010, the notional amount equals EUR 278.2 million (2009: EUR 386.8 million). Robeco Direct issued principal-protected (notional amount: EUR 104.7 million; fair value: EUR 106.2 million) and non principal-protected (notional amount: EUR 173.5 million; fair value: EUR 165.5 million) structured notes. All notes are linked to Robeco Direct's private equity, commodity trading advisor and fixed-income capabilities. The Bank did not observe any credit events during 2010 and 2009 affecting the fair value of the issued securities.

35. Other liabilities

Other liabilities can be broken down as follows:

In millions of euro	2010	2009
Accrued interest payable	107.4	159.7
Creditors	19.5	24.0
Accruals	-	7.5
Total	**126.9**	**191.2**

36. Provisions

Movements in the provisions are as follows:

In millions of euro	**Legal, tax and social security provisions**	
	2010	**2009**
At 1 January	**0.3**	**0.3**
Additions	0.1	-
Reclassified as Liabilities directly associated with assets held for sale	-0.4	-
At 31 December	**0.0**	**0.3**

All provisions are deemed to mature within a year; the maturity and amounts of the provisions are based on management's best estimate.

37. Subordinated loans

Two loans totaling EUR 37.7 million (2009: EUR 37.7 million) are subordinated to all other present and future liabilities of Robeco Direct N.V. These loans, granted by Rabobank Nederland, have a variable interest rate of Euribor + 40 basis points. The term is indefinite and subject to a five-year notice period. The loans can only be repaid when the Dutch central bank removes the subordination in writing. The average variable interest rates paid on the loans are as follows:

In millions of euro	Notional amount	Average interest rate 2010	Average interest rate 2009
Rabobank Nederland	26.3	1.14%	2.01%
Rabobank Nederland	11.4	1.16%	2.08%

38. Total equity attributable to the equity holder of the parent

The authorized share capital amounts to EUR 1.0 million (2009: EUR 1.0 million), consisting of 200,000 shares with a par value of EUR 5 each, of which EUR 340,340 is fully paid in. The number of shares has not been changed.

The Shareholder is entitled to receive dividends when declared and to vote on a one vote per share basis at Robeco Direct N.V.'s Shareholder's Meetings.

In 2009, the Shareholder provided Robeco Direct N.V. with EUR 50 million in share premium to assure that, despite the adverse result in that year, the solvency ratio would not decrease.

39. Non-controlling interests

This regards interests in the equity of Robeco Indian Equities (3%) and SAM Sustainable Multi-Theme (10%). In 2009, non-controlling interest related to interests in the equity of VCM Emerging Managers Fund (1%), Robeco Multi Alternatives (34%), Robeco 130/30 Emerging Markets Equities (30%), Robeco 130/30 European Equities (36%) and Robeco European Dividend Extension (12%).

Movements in non-controlling interests are as follows:

In millions of euro	2010	2009
At 1 January	**16.6**	**20.9**
Net result for the financial year	-	2.3
Change in assets and liabilities third parties	-16.0	-6.6
At 31 December	**0.6**	**16.6**

40. Contingent liabilities

Capital commitments
The Bank has a commitment to repurchase specific bonds upon a request by bondholders. It can unwind these securities with nominal amount of EUR 570.4 million (2009: EUR 605.1 million) without a loss. At 31 December 2010, the Bank has EUR 576.3 million in irrevocable credit facilities related to mortgages, credits and guarantees (2009: EUR 563.0 million). These are secured by customers' assets. The Bank has capital commitments of EUR 66.2 million regarding co-investments in private equity funds (2009: EUR 95.2 million).

Pledged assets
Assets pledged by the Bank at 31 December 2010 regard financial assets available-for-sale and held-to-maturity with carrying amounts of EUR 330.0 million (2009: EUR 269.8 million) and EUR 152.5 million (2009: EUR 148.6 million)

and notional amounts of EUR 312.8 million (2009: EUR 255.5 million) and EUR 150.0 million (2009: EUR 145.0 million), respectively. The assets pledged by the Bank are strictly for the purpose of providing collateral to counterparties for funds entrusted by them to the Bank and any interest due over these entrusted funds. The pledged assets cannot be sold by the counterparties, unless a default event should occur.

41. Financial risk management objectives and policies

Introduction
The Bank applies various indicators for the assessment of financial performance. The use of these indicators is part of the strategic capital allocation process and enables the Bank to improve the quality of decision-making. This process entails the use of internal models for individual risk types, a correlation matrix to account for inter-risk type diversification and a process to allocate capital to the various business lines and activities. The economic capital limit is determined by the Bank's available capital, its risk appetite and the portfolio of activities.

In determining economic capital, the Bank distinguishes financial risk types (credit, market and interest rate risk) and non-financial risk types (operational and business risk). It is recognized that both operational and business risk are not of easy steerage in the short run. The risk appetite for the financial risk types is therefore the result of the available capital and the required capital for the non-financial risk types. The Bank does however allocate capital to the financial risk types, notably market and credit risk, since banking activities form an integral part of the Bank's activities. The capital allocation is influenced by the requirements for seed capital and co-investments, secondary market support and (dynamic) hedging of structured products issued by Robeco. The provision of seed capital and co-investments serves to build a track record for a fund or trading strategy and/or to achieve alignment of interest between investment manager and investor. Limits for these activities, both in terms of notional amounts and of risk and risk capital, are reviewed on an annual basis.

The objective of the Bank's Asset & Liability Management activity is geared to optimizing interest rate risk results within the risk and other boundaries set by the Asset & Liability Committee. These boundaries and the allocation of capital to credit and interest rate risk depend on availability of risk capital and the opportunities in the markets.

Since the financial crisis broke out, markets, countries and even continents have not found there new equilibrium yet. The instability from a macroeconomic as well as political perspective even intensified during the year, putting markets under severe stress. The Financial Crisis Committee consisting of board members of Robeco group's various companies, supported by representatives of several departments such as Group Compliance and Group Risk Management continued to be vigilant and discussed potential repercussions for funds entrusted to the Bank.

The numbers presented in the tables within the financial risk management objectives and polices disclosure do not reconcile with the consolidated statement of financial position on an item level. The as held for sale disclosed Banque Robeco's assets within the Consolidated statement of financial position are not presented as assets classified as held for sale in the tables below. Instead they are included in the specific items as reported by Banque Robeco, before application of IFRS 5, to enhance the comparability with prior year's tables.

Credit risk
Credit risk is governed by credit risk policies approved by the Asset & Liability Committee and the Management Board of Robeco Direct N.V. Credit risk mainly relates to the Asset & Liability Management activity, where entrusted savings are invested in predominantly investment-grade bonds. Additional sources of credit risk are domestic residential mortgages, private loans collateralized by securities, counterparty credit risk in the trading and investment books of the Bank and the Bank and co-investment positions (mainly private equity).

The Bank applies the Advanced Internal Rating Based ('IRB-A') approach to calculate regulatory capital requirements for credit risk. As a Rabobank entity, the Bank also reports to Rabobank Group on an IRB-A basis. An overall limit in terms of economic capital applies for credit risk. For most of the credit exposures, capital requirement calculations are based on internal models for Probability of Default, Loss Given Default, Exposure at Default and Maturity. For securitizations, the Bank uses the Rating Based approach of the Basel II Securitization Framework. For equity exposures (predominantly longer term co-investments), the Simple Risk Weight approach is applied. For the immaterial portfolios (loans collateralized by securities, non-retail mortgages and corporate bonds), the Bank applies the Standardized Approach.

The overall economic capital limit is complemented by a set of controls aimed at preventing concentration risk in the portfolio. Controls relate to the exposure by issuer, issue and by sector. Additionally, the size of portfolios of corporate exposures, mortgages and asset-backed securities is contained by a strict limit and control structure. Dealings may only be undertaken in authorized products to secure correct processing in front, mid and back office systems. Credit risk reports are sent on a weekly basis to the Bank's management and on a monthly basis to the Asset & Liability Committee. Besides detailed overviews on the different types of exposure and corresponding capital requirements and an analysis of changes in credit risk exposure, the reports contain market developments.

In millions of euro	2010	2009
Cash and balances with central banks	134.5	163.8
Due from banks	267.5	580.6
Derivative financial instruments	25.5	17.2
Financial assets designated at fair value through profit or loss	1,760.6	1,607.2
Loans and advances	2,213.9	2,330.9
Financial assets available-for-sale	3,469.9	3,544.9
Financial assets held-to-maturity	222.2	425.8
	8,094.1	**8,670.4**
Contingent liabilities – credit-related obligations:		
- irrevocable credit facilities	576.3	563.0
- capital commitments	66.2	95.2
Total	**8,736.6**	**9,328.6**

The table above shows the maximum exposure to credit risk for components of the statement of financial position including derivative financial instruments. The maximum exposure is shown gross, before mitigation through the use of master netting and collateral agreements. When financial instruments are recorded at fair value, the amounts shown represent the current credit risk exposure and not the maximum risk exposure that could arise in the future as a result of changes in values.

Risk concentrations of the maximum exposure to credit risk

Concentration of risk is managed by counterparty. The maximum credit exposure to one client or counterparty as of 31 December 2010 is EUR 870.2 million (2009: EUR 703.2 million) in the category Institutional investors.

In millions of euro		2010		2009
Central governments and central banks	3,341.7	38.3 %	4,001.2	42.9%
Institutional investors	1,772.4	20.3%	1,936.4	20.7%
Corporates	484.8	5.5%	185.0	2.0%
Retail	2,247.1	25.7%	2,209.8	23.7%
Equity	81.3	0.9%	175.9	1.9%
Securitizations	809.3	9.3%	820.3	8.8%
Total	**8,736.6**	**100.0%**	**9,328.6**	**100.0%**

Collateral and other credit enhancements

The amount and type of collateral required depends on the assessment of the credit risk of the counterparty. Procedures are in place regarding the acceptability of types of collateral and valuation parameters.

The main types of collateral obtained are cash and securities for securities lending, mortgages on residential properties for retail lending and securities for credits. Management monitors the market value of collateral and requests additional collateral in accordance with the underlying agreement, if necessary.

Credit quality per class of financial assets

The credit quality of financial assets is managed by using the Rabobank Risk Rating and in certain cases external credit ratings, which reflect the counterparty's probability of default over a one-year period. High-grade assets have (virtually) no risk, standard-grade assets are adequate to good in terms of credit quality, while sub-standard grade and past due, but not impaired assets are vulnerable to defaults.

The tables below show the credit quality by class of asset, based on the rating methodology applied:

Credit quality In millions of euro	**Neither past due nor impaired**			**Past due but not impaired**	**Individually impaired**	**Total**
	High grade	**Standard grade**	**Sub-standard grade**			
Cash and central banks	134.5	-	-	-	-	134.5
Due from banks	267.3	0.2	-	-	-	267.5
Financial assets:						
- available-for-sale	3,115.7	210.5	43.5	-	36.9	3,406.6
- government bonds	*1,205.0*	*102.2*	*38.7*	-	-	*1,345.9*
- bank bonds	*952.2*	*63.2*	-	-	-	*1,015.4*
- asset-backed securities	*762.3*	*17.2*	*4.8*	-	*36.5*	*820.8*
- other securities	*196.2*	*27.9*	-	-	*0.4*	*224.5*
- held-to-maturity	222.2	-	-	-	-	222.2
- FV through profit or loss	1,073.4	640.0	0.1	24.6	4.5	1,742.6
- loans and advances	1,248.8	919.2	35.4	7.7	2.8	2,213.9
At 31 December 2010	**6,061.9**	**1,769.9**	**79.0**	**32.3**	**44.2**	**7,987.3**

Credit quality In millions of euro	**Neither past due nor impaired**			**Past due but not impaired**	**Individually impaired**	**Total**
	High grade	**Standard grade**	**Sub-standard grade**			
Cash and central banks	163.8	-	-	-	-	163.8
Due from banks	580.3	0.3	-	-	-	580.6
Financial assets:						
- available-for-sale	3,195.6	232.7	49.8	-	15.4	3,493.5
- government bonds	*1,557.8*	*21.8*	*45.6*	-	-	*1,625.2*
- bank bonds	*870.5*	*122.6*	-	-	-	*993.1*
- asset-backed securities	*590.1*	*58.9*	*2.6*	-	*12.8*	*664.4*
- other securities	*177.2*	*29.4*	*1.6*	-	*2.6*	*210.8*
- held-to-maturity	385.9	15.0	24.9	-	-	425.8
- FV through profit or loss	951.9	632.2	0.3	22.5	-	1,606.9
- loans and advances	1,412.2	879.7	26.9	18.2	-	2,337.0
At 31 December 2009	**6,689.7**	**1,759.9**	**101.9**	**40.7**	**15.4**	**8,607.6**

Loan loss allowance
Movements in the loan loss allowance are as follows:

Loan loss allowance In millions of euro	**Loans and advances**	**FV through profit or loss**	**2010**	**Loans and advances**	**FV through profit or loss**	**2009**
At 1 January	**6.1**	**0.7**	**6.8**	**1.6**	**0.5**	**2.1**
Additions	0.5	0.5	1.0	5.2	0.3	5.5
Write-offs / other charges	-5.1	-	-5.1	-0.7	-0.1	-0.8
At 31 December	**1.5**	**1.2**	**2.7**	**6.1**	**0.7**	**6.8**

Aging analysis of past due but not impaired loans per class of financial assets
Of the total amount of gross loans to customers past due but not impaired, the fair value of collateral held by the Bank was EUR 33.9 million on 31 December 2010 (2009: EUR 45.2 million); see 'Collateral and other credit enhancements' for details on the types of collateral held.

Aging analysis			**Days past due**		**Total**
In millions of euro	**<30**	**31-60**	**61-90**	**>90**	
Financial assets at fair value through profit or loss	6.8	14.9	2.8	0.1	24.6
Loans and advances	5.0	0.8	1.5	0.4	7.7
At 31 December 2010	**11.8**	**15.7**	**4.3**	**0.5**	**32.3**
Financial assets at fair value through profit or loss	4.4	11.7	3.1	3.3	22.5
Loans and advances	2.1	1.6	0.3	14.2	18.2
At 31 December 2009	**6.5**	**13.3**	**3.4**	**17.5**	**40.7**

Interest rate risk

Interest rate risk is governed by interest rate risk policies approved by the Asset & Liability Committee and the Management Board. It relates to the Asset & Liability Management activity within the Bank. The sensitivity of trading book positions to interest rate changes is measured, monitored and controlled as integral part of market risk. Interest rate risk is part of the Pillar II Capital Adequacy assessment.

Interest rate risk is measured through the Value at Risk of equity on a mark-to-market (fair value) basis. Value at Risk is calculated using historical simulation (7 years of pricing history, 99% one-tailed confidence level and a 1 month holding period) for all investments books except for the trading books. The Value at Risk at year end (at a 99% confidence level and a 1 month holding period) is EUR 4.3 million (2009: EUR 5.6 million) versus a EUR 15 million limit, excluding the trading positions in the Market Risk Value at Risk.

Given the positions in the investment books, Value-at-Risk calculations provide senior management insight in a potential loss threshold (EUR 4.3 million at year end) and the (inverse) probability (1%) this threshold is exceeded due to extreme interest rate movements in the holding period. The main benefit of the historical simulation approach is that it does not rely on statistical assumptions regarding price and interest rate changes. The main disadvantage is the relative importance of the defined sample period and the implicit assumption 7 years of history are representative for the next holding period. Therefore, from a risk management perspective, Value-at-Risk calculations are complemented by several trading controls. Delta vectors are calculated, representing the absolute change in the market value of equity upon a 1 basis point shock in a single maturity (time bucket) of the yield curve. Level control controls the overall level of deltas. Curvature control is in place to detect positions that have an extreme barbell character; barbell positions tend to be duration-neutral. Finally, steepness control restricts the unequal distribution of positive and negative deltas over time buckets.

Additional risk measures applied by the Bank are:

- Income at Risk; a short-term indicator defined as the possible decline in interest income during the next 12 months, if interest rates were to change by a maximum size compared to interest income, if interest rates remain constant. Items in the statement of financial position are assumed to be stable. Income at Risk is calculated by running 3 scenarios (stable, up, down) and determining the worst interest income downswing.
- Earnings at Risk (measure of change in earnings if interest rates change). Earnings at Risk are computed for the first and second 12-month period after reporting date based on scenarios of gradual shifts away from the yield curve, over the course of 12 months to a value of 200 basis points above and below baseline projection.
- Equity at Risk; a measure of long-term interest rate risk expressing the sensitivity of the equity's market value to interest rate fluctuations. It is defined as the relative change of that market value resulting from a parallel shift of the relevant yield curves by 100 basis points. For regulatory reporting, shifts of 200 basis points are used.

The Management Board receives interest rate risk reports on a weekly basis. Monthly, the Asset & Liability Committee receives interest rate risk reports containing an extensive analysis of interest rate risk exposure and the changes therein. These reports describe market and cash flow developments and explain changes in values of different risk measures and portfolio maintenance activities. It also contains an outlook for the next period.

At 31 December 2010 In millions of euro	Up to 1 month	1-3 months	3-12 months	1-5 years	Over 5 years	Non-interest bearing	Total
Cash and balances central banks	134.5	-	-	-	-	-	134.5
Due from banks	238.6	-	23.8	-	-	5.1	267.5
Financial assets:							
- derivative financial instruments	6.6	5.6	9.4	2.8	1.1	-	25.5
- held for trading	-	3.4	41.8	146.8	36.8	493.4	722.2
- fair value through profit or loss	27.8	91.3	168.7	847.6	602.2	23.0	1,760.6
- loans and advances	700.8	356.5	121.8	715.8	318.7	0.3	2,213.9
- available-for-sale	540.5	667.6	684.1	1,444.3	62.8	70.6	3,469.9
- held-to-maturity	-	100.1	10.0	112.1	-	-	222.2
Other assets	-	-	-	-	-	125.8	125.8
Total assets	**1,648.8**	**1,224.5**	**1,059.6**	**3,269.4**	**1,021.6**	**718.2**	**8,942.1**
Due to banks	1,100.4	-	-	-	-	6.1	1,106.5
Derivative financial instruments	89.0	9.4	27.6	-	1.0	274.8	401.8
Due to customers	6,483.2	31.2	1.0	12.3	15.1	27.0	6,569.8
Issued securities	-	-	-	-	2.1	269.6	271.7
Other liabilities	-	-	-	-	-	143.9	143.9
Subordinated loans	-	37.7	-	-	-	-	37.7
Total liabilities	**7,672.6**	**78.3**	**28.6**	**12.3**	**18.2**	**721.4**	**8,531.4**
- on-balance sheet	-6,023.8	1,146.2	1,031.0	3,257.1	1,003.4	-3.2	410.7
- off-balance sheet	-12.1	-2.7	-139.6	-1,406.5	-999.1	-	-2,560.0
Interest sensitivity gap	**-6,035.9**	**1,143.5**	**891.4**	**1,850.6**	**4.3**	**-3.2**	**-2,149.3**

At 31 December 2009 In millions of euro	Up to 1 month	1-3 months	3-12 months	1-5 years	Over 5 years	Non-interest bearing	Total
Cash and balances central banks	163.8	-	-	-	-	-	163.8
Due from banks	496.1	25.5	33.7	-	-	25.3	580.6
Financial assets:							
- derivative financial instruments	0.1	0.6	8.6	4.7	2.0	1.2	17.2
- held for trading	-	-	0.6	151.0	75.9	475.3	702.8
- fair value through profit or loss	5.6	17.9	111.6	562.4	903.4	6.3	1,607.2
- loans and advances	700.2	359.7	92.2	685.0	479.9	13.9	2,330.9
- available-for-sale	484.9	745.4	514.5	1,693.9	44.8	61.4	3,544.9
- held-to-maturity	53.5	-	123.6	248.7	-	-	425.8
Other assets	-	-	-	-	-	196.9	196.9
Total assets	**1,904.2**	**1,149.1**	**884.8**	**3,345.7**	**1,506.0**	**780.3**	**9,570.1**
Due to banks	1,051.0	-	-	-	-	10.7	1,061.7
Derivative financial instruments	82.0	12.1	17.8	-	-	267.2	379.1
Fin. liabilities held for trading	-	-	-	-	-	6.2	6.2
Due to customers	6,873.2	268.1	10.6	1.1	25.8	1.3	7,180.1
Issued securities	-	-	-	-	2.2	358.7	360.9
Other liabilities	-	-	-	-	-	191.2	191.2
Subordinated loans	-	37.7	-	-	-	-	37.7
Total liabilities	**8,006.2**	**317.9**	**28.4**	**1.1**	**28.0**	**835.3**	**9,216.9**
- on-balance sheet	-6,102.0	831.2	856.4	3,344.6	1,478.0	-55.0	353.2
- off-balance sheet	-5.1	-	-25.0	-977.9	-1,116.3	-	-2,124.3
Interest sensitivity gap	**-6,107.1**	**831.2**	**831.4**	**2,366.7**	**361.7**	**-55.0**	**-1,771.1**

The tables above summarize the exposure to interest rate risk and include the Bank's assets and liabilities at carrying amounts categorized by the earlier of contractual repricing and maturity dates. The off-balance sheet gap represents net notional amounts of all interest-rate sensitive derivative financial instruments.

Expected repricing and maturity dates do not differ significantly from the contractual dates except for the maturity of EUR 538.8 million (2009: EUR 503.4 million) in 'Loans and advances' and EUR 7,588.9 million (2009: EUR 7,560.9 million) in 'Due to customers and banks' up to 1 month, of which 81.0% (2009: 73.6%) represent balances on current accounts considered by the Bank as a relatively stable core source of funding of its operations.

The liability items Due to banks, Due to customers, Other liabilities and Subordinated loans form part of the IAS 39 category Other liabilities.

Liquidity risk
The Bank is exposed to daily calls on its available cash resources from overnight deposits, maturing deposits and other financial instruments, non-maturity retail saving accounts, guarantees and commitments and from margin and other calls on cash-settled derivative financial instruments. The Bank does not maintain cash resources to meet all these needs as experience shows that withdrawal of funds (mainly retail savings) usually goes smoothly and a minimum level of reinvestment of maturing funds can be predicted with a high level of certainty. The Asset & Liability Committee monitors the liquidity position of the asset and liability activities on a monthly basis.

The Asset & Liability Management activity of the Bank can best be described as a liability-driven banking operation. Entrusted funds come predominantly from savings from retail clients, whereby statistical research and behavioral observation based savings are matched by corresponding investments. As part of the ongoing efforts to improve the risk management framework, the Management Board, in close co-operation with Group Risk Management and Group Finance, has further enhanced its liquidity risk toolbox enabling management to swiftly respond to potential liquidity opportunities and risks.

The Asset & Liability Committee receives monthly liquidity risk reports, in which daily, weekly and monthly liquidity indicators are shown for normal and stressed circumstances. The reports contain assessments on potential clients' behavior and the most recent insight on the marketability of financial assets held. The analysis made is in supplement to the liquidity reports prepared for regulatory purposes.

The Bank maintains a portfolio of highly marketable and diverse assets, a major part of which are assumed to be easily liquidated in the event of an unforeseen interruption of cash flow. In addition, it maintains a statutory deposit with the Dutch central bank equal to 2% of customer deposits. In accordance with its policy, the liquidity position is assessed and managed under a variety of scenarios giving due consideration to stress factors relating to both the market in general and specifically to the Bank.

The tables below reflect the maturity profile of the Bank's financial assets and liabilities. Trading derivatives are shown at fair value in separate lines. All derivatives used for hedging purposes are shown by maturity, based on their contractual undiscounted repayment obligations. Repayments subject to notice are treated as if notice were to be given immediately. However, the Bank expects that many customers will not request a repayment on the earliest date it could be required to pay. The tables do not include expected cash flows indicated by the Bank's deposit retention history. Mortgage portfolios have been included based on their weighted average lives.

Furthermore, equity securities are classified as no maturity, unless they regard participations in special purpose companies established to issue bonds. In those cases, the maturity of the equity equals that of the issued bonds. Financial instruments held for trading (other than equities) are classified based on the maturity dates of these instruments. Future interest receivables have been included in Other assets and future interest payables in Other liabilities.

At 31 December 2010 In millions of euro	On demand	Up to 1 month	1-3 months	3-12 months	1-5 years	Over 5 years	No maturity	Total
Cash / balances central banks	134.5	-	-	-	-	-	-	134.5
Due from banks	193.6	50.1	-	23.8	-	-	-	267.5
Financial assets:								
- held for trading	-	-	2.5	47.8	130.5	34.5	493.3	708.6
- at FV through profit or loss	-	-	20.2	70.7	651.8	908.3	18.0	1,669.0
- loans and advances	-	50.6	76.3	227.1	726.5	1,128.4	4.4	2,213.3
- available-for-sale	-	59.0	181.5	789.7	2,225.6	165.4	63.3	3,484.5
- held-to-maturity	-	-	100.0	10.0	109.5	-	-	219.5
Other assets	2.1	38.0	40.5	171.5	558.3	172.7	-	983.1
Total financial assets	**330.2**	**197.7**	**421.0**	**1,340.6**	**4,402.2**	**2,409.3**	**579.0**	**9,680.0**
Due to banks	1.1	1,105.4	-	-	-	-	-	1,106.5
Due to customers	5,137.1	1,372.8	30.9	0.3	-	28.7	-	6,569.8
Issued securities	-	10.3	26.4	22.3	61.0	158.2	-	278.2
Other liabilities	-	117.9	18.0	8.0	-	-	-	143.9
Subordinated loans	-	-	-	-	-	37.7	-	37.7
Total financial liabilities	**5,138.2**	**2,606.4**	**75.3**	**30.6**	**61.0**	**224.6**	**-**	**8,136.1**
Financial assets	-	3.0	6.6	1.6	18.8	3.1	-	33.1
Financial liabilities	-	0.5	6.4	57.7	210.2	174.8	-	449.6
Gross-settled derivatives	**-**	**2.5**	**0.2**	**-56.1**	**-191.4**	**-171.7**	**-**	**-416.5**
Commitments and guarantees	642.5	-	-	-	-	-	-	642.5
Net financial assets/liabilities	**-5,450.5**	**-2,406.2**	**345.9**	**1,253.9**	**4,149.8**	**2,013.0**	**579.0**	**484.9**

At 31 December 2009 In millions of euro	On demand	Up to 1 month	1-3 months	3-12 months	1-5 years	Over 5 years	No maturity	Total
Cash / balances central banks	163.8	-	-	-	-	-	-	163.8
Due from banks	358.7	162.7	25.5	33.7	-	-	-	580.6
Financial assets:								
- held for trading	-	-	-	0.4	150.5	71.2	475.3	697.4
- at FV through profit or loss	-	-	10.0	106.4	518.5	889.0	1.0	1,524.9
- loans and advances	1.1	130.3	39.3	172.7	804.2	1,229.5	4.9	2,382.0
- available-for-sale	-	136.6	257.2	696.9	2,437.6	157.7	31.7	3,717.7
- held-to-maturity	-	53.5	-	122.8	244.5	-	-	420.8
Other assets	6.0	94.0	43.7	178.1	536.6	200.6	-	1,059.0
Total financial assets	**529.6**	**577.1**	**375.7**	**1.311.0**	**4,691.9**	**2,548.0**	**512.9**	**10,546.2**
Due to banks	9.0	1,052.7	-	-	-	-	-	1,061.7
Fin. liabilities held for trading	-	-	-	-	-	-	6.2	6.2
Due to customers	4,917.6	1,874.5	350.5	10.6	1.0	25.9	-	7,180.1
Issued securities	-	-	-	67.3	153.6	165.9	-	386.8
Other liabilities	-	179.5	13.6	1.8	-	-	-	194.9
Subordinated loans	-	-	-	-	-	37.7	-	37.7
Total financial liabilities	**4,926.6**	**3,106.7**	**364.1**	**79.7**	**154.6**	**229.5**	**6.2**	**8,867.4**
Financial assets	0.4	0.9	-	9.6	15.8	9.8	-	36.5
Financial liabilities	0.1	2.0	2.5	33.9	219.6	204.0	-	462.1
Gross-settled derivatives	**0.3**	**-1.1**	**-2.5**	**-24.3**	**-203.8**	**-194.2**	**-**	**-425.6**
Commitments and guarantees	658.2	-	-	-	-	-	-	658.2
Net financial assets/liabilities	**-5,054.9**	**-2,530.7**	**9.1**	**1,207.0**	**4,333.5**	**2,124.3**	**506.7**	**595.0**

Currency risk
The Bank is exposed to the impact of movements in prevailing foreign currency rates on its financial position and cash flows. The Management Board sets limits on the exposure level by currency and in total, which limits are monitored daily for trading financial instruments or monthly for non-trading currency exposures as part of managing translation risks. The net exposure to foreign currencies is not significant and the capital requirements for currency risk total EUR 3.3 million as of 31 December 2010 (2009: EUR 3.2 million).

Market risk
Market risk is governed through market risk policies approved by the Asset & Liability Committee. The purpose of these policies is to protect the Bank's capital and to allow market risk exposures without compromising the Bank's capital or the stability of its earnings. The Bank's use of market risk capacity is primarily oriented to the facilitation of seeding requests (to build track records or provide initial or temporary capital), secondary market support and the hedging of structured products issued by the Group.

Market risk is calculated using Value-at-Risk engines in Rabobank International's Global Market Risk infrastructure. In line with the Rabobank's methodology for trading portfolios, the Company's Value at Risk figure is calculated using the historical simulation method with a sample period of twelve months of unweighted daily data (approx. 260 daily scenarios for the risk factors). For each instrument, individual risk factors are defined and taken into account. Historical scenarios with the market risk factors are obtained from different suppliers and stored in a database. Data are evaluated and diagnosed for data outliers on a daily basis. New regulations with regard to market risk management have been announced and will be implemented before the end of 2011.

The Value at Risk of a trading portfolio is the maximum loss in that trading portfolio in a given holding period at a particular confidence level, assuming that positions cannot be adjusted during the holding period. At a confidence level of 97.5%, the daily Value-at-Risk figure represents the threshold for the potential trading loss that will not be exceeded in 195 out of 200 trading days. The main objective of Value-at-Risk calculations is to provide senior management with insight in this loss threshold and the probability (5 out of 200 days) of exceeding it. To attain this objective, the Value-at-Risk methodology is able to represent risk in equivalent units across products traded, permitting consolidation, and effective comparison of risk factors across the various trading activities. Several Value-at-Risk figures are calculated: a Value at Risk at a 97.5% confidence interval and a 1-day close-out period for limit setting and daily monitoring purposes. To demonstrate model integrity, a 1-day 99% Value at Risk is back-tested against hypothetical and actual results on a daily basis. The Value at Risk at 31 December 2010 (with a 97.5% confidence level and a 1-day holding period) amounts to EUR -0.5 million (2009: EUR -0.7 million) versus a limit of EUR 1.2 million.

The main benefit of the historical simulation approach is that it does not rely on statistical assumptions, known as a normal distribution for daily returns of the trading portfolio assets. The main disadvantages are the relative importance of the defined sample period and the implicit assumption that 260 historical scenarios are representative for the next holding period. Therefore, Value-at-Risk calculations are complemented by trading controls and operational restrictions, designed to directly control behavior in trading areas and risk factors. Trading controls aim to prevent concentrations of exposure in risk factors and serve to influence the portfolio structure. Besides, under the latest market risk limit and control structure, two new limits have been introduced (former trading controls); the concentration limit framework and the notional delta limits per activity. Note that limits are more important in terms of the excess/change procedure than trading controls. Dealings may only be undertaken in authorized products to secure correct processing through front, mid and back office systems.

Limits and trading controls are monitored for excesses on a daily basis. Changes in limits, trading controls and excesses require approval from the Head of Global Risk Management, the Asset & Liability Committee or risk committees on Rabobank Group level, depending on scope or severity. The Asset & Liability Committee discusses the monthly market risk reports containing a market risk monitor focusing on the Value-at-Risk development and backtest results for actual and hypothetical results. Additionally, the report contains requests for limits and trading control changes and a summary of excesses over the reporting period. Additionally, a monthly seeding and co-investment report is discussed in the Asset & Liability Committee.

Fair values of financial assets and liabilities
The table hereafter reflects the fair value of financial instruments, including those not reflected in the financial statements at fair value. Fair value is the amount for which an asset could be exchanged or a liability settled between knowledgeable, willing parties in an at arm's length transaction.

In millions of euro	31 December 2010		31 December 2009	
	Carrying amount	**Fair value**	**Carrying amount**	**Fair value**
Cash and balances with central banks	134.5	134.5	163.8	163.8
Due from banks	267.5	267.5	580.6	580.6
Derivative financial instruments	25.5	25.5	17.2	17.2
Financial assets held for trading	722.2	722.2	702.8	702.8
Financial assets at FV thr. profit or loss	1,760.6	1,760.6	1,607.2	1,607.2
Loans and advances	2,213.9	2,237.6	2,330.9	2,343.9
Financial assets available-for-sale	3,469.9	3,469.9	3,544.9	3,544.9
Financial assets held-to-maturity	222.2	225.2	425.8	431.4
Financial assets	**8,816.3**	**8,843.0**	**9,373.2**	**9,391.8**
Due to banks	1,106.5	1,106.5	1,061.7	1,061.7
Derivative financial instruments	401.8	401.8	379.1	379.1
Financial liabilities held for trading	-	-	6.2	6.2
Due to customers	6,569.8	6,566.5	7,180.1	7,181.4
Issued securities	271.7	270.7	360.9	360.9
Subordinated loans	37.7	37.7	37.7	37.7
Financial liabilities	**8,387.5**	**8,383.2**	**9,025.7**	**9,027.0**

The tables below present the valuation methods used to determine the fair values of financial instruments carried at fair value:

At 31 December 2010 In millions of euro	**Quoted market prices in active markets (Level 1)**	**Valuation techniques** market observable inputs (Level 2)	**non-market observable inputs (Level 3)**	**Total**
Financial assets:				
- available-for-sale	2,692.2	662.7	115.0	3,469.9
- government bonds	*1,345.9*	-	-	*1,345.9*
- bank bonds	*1,030.3*	-	-	*1,030.3*
- asset-backed securities	*96.7*	*662.7*	*49.9*	*809.3*
- other debt securities	*219.3*	-	*1.8*	*221.1*
- equity securities	-	-	*63.3*	*63.3*
- fair value through profit or loss	1,060.1	700.5	-	1,760.6
- mortgage portfolio	-	*662.9*	-	*662.9*
- government bonds	*441.7*	-	-	*441.7*
- bank bonds	*444.9*	-	-	*444.9*
- other debt securities	*168.6*	*24.5*	-	*193.1*
- equity securities	*4.9*	*13.1*	-	*18.0*
- held for trading	70.7	490.9	160.6	722.2
- debt securities	*25.6*	*203.2*	-	*228.8*
- equity securities	*45.1*	*287.7*	*160.6*	*493.4*
- derivative financial instruments	-	25.5	-	25.5
- funded total return swaps	-	*0.7*	-	*0.7*
- interest rate swaps	-	*18.3*	-	*18.3*
- other derivatives	-	*6.5*	-	*6.5*
Financial liabilities:				
- derivative financial instruments	-	401.8	-	401.8
- funded total return swaps	-	*256.3*	-	*256.3*
- interest rate swaps	-	*125.5*	-	*125.5*
- other derivatives	-	*20.0*	-	*20.0*
- issued securities	-	172.4	97.2	269.6
- fair value through profit or loss	-	*172.4*	*97.2*	*269.6*

At 31 December 2009 In millions of euro	**Quoted market prices in active markets (Level 1)**	**Valuation techniques** **market-observable inputs (Level 2)**	 **non-market-observable inputs (Level 3)**	**Total**
Financial assets:				
- available-for-sale	3,023.2	429.4	92.3	3,544.9
- government bonds	*1,625.2*	-	-	*1,625.2*
- bank bonds	*993.1*	-	-	*993.1*
- asset-backed securities	*201.2*	*426.6*	*36.6*	*664.4*
- other debt securities	*203.7*	*2.8*	*4.3*	*210.8*
- equity securities	-	-	*51.4*	*51.4*
- fair value through profit or loss	939.4	667.8	-	1,607.2
- mortgage portfolio	-	*663.0*	-	*663.0*
- government bonds	*439.5*	-	-	*439.5*
- bank bonds	*367.2*	*4.8*	-	*372.0*
- other debt securities	*131.8*	-	-	*131.8*
- equity securities	*0.9*	-	-	*0.9*
- held for trading	75.9	501.4	125.5	702.8
- debt securities	*24.7*	*202.8*	-	*227.5*
- equity securities	*51.2*	*298.6*	*125.5*	*475.3*
- derivative financial instruments	-	17.2	-	17.2
- funded total return swaps	-	*4.0*	-	*4.0*
- interest rate swaps	-	*8.6*	-	*8.6*
- other derivatives	-	*4.6*	-	*4.6*
Financial liabilities:				
- held for trading	6.2	-	-	6.2
- derivative financial instruments	-	379.1	-	379.1
- funded total return swaps	-	*243.4*	-	*243.4*
- interest rate swaps	-	*112.0*	-	*112.0*
- other derivatives	-	*23.7*	-	*23.7*
- issued securities	-	264.3	94.4	358.7
- fair value through profit or loss	-	*264.3*	*94.4*	*358.7*

For financial instruments stated at fair value, market prices or rates are used to determine the fair value if an active market exists (such as a recognized stock exchange), as it is the best evidence of a financial instrument's fair value. If no active market prices or rates are available, fair values are estimated through present value or other valuation techniques using input based on market conditions at reporting date. The values derived from these techniques are significantly affected by the choice of valuation model and underlying assumptions made concerning factors such as the amounts and timing of future cash flows, discount rates, volatility and credit risk.

For the valuation of options in structured products, a (standard) option valuation model is used combined with a volatility-observing rule that allows for a differentiation of volatilities for different option maturities. The Volatility Rule methodology is set by the Valuation Committee.

The following methods and assumptions are applied in determining the fair values of financial instruments presented before, both for financial instruments stated at fair value and at amortized cost (for which fair values have been provided for comparison purposes):

1. Financial assets held for trading, designated at fair value through profit or loss or available-for-sale as well as derivative financial instruments are measured at quoted market prices. If those are not available, the fair value is estimated through appropriate discounted cash flow and option valuation models;
2. Fair values of on-demand deposits and savings accounts with no specific maturity are assumed to equal the amounts payable on demand at reporting date (i.e., their carrying amounts);
3. Carrying amount of cash and cash equivalents, short-term portions of other financial instruments and other assets maturing within 12 months are assumed to approximate their fair values;

4. Fair values of floating-rate financial assets are based on the carrying amounts until maturity. Changes in the credit quality of these loans are not taken into account in determining their fair value. The impact of credit risk is recognized separately through an allowance determined by individual assessment of impairment. The fair values of these loans are reduced for this allowance;
5. Fair values of fixed-rate loans and mortgages stated at amortized cost are estimated through appropriate discounted cash flow models based on current market rates offered for similar loans. Changes in the credit quality of these loans are not taken into account in determining their fair value. The impact of credit risk is recognized separately through an allowance determined by individual assessment of impairment. The fair values of the loans are reduced for this allowance.

The following transfers between Level 1 and Level 2 were made:

In millions of euro	**2010**	**2009**
Transfers from Level 1 to Level 2		
Financial assets available-for-sale:		
- asset-backed securities	173.9	426.6
- other debt securities	-	2.8
Transfers from Level 2 to Level 1		
Financial assets held for trading:		
- equity securities	8.0	-
Financial liabilities held for trading	-	6.2

The abovementioned financial assets are transferred from Level 1 to Level 2 due to their values being obtained applying valuation techniques with market-observable inputs as the asset-backed securities were not actively traded during the year in which they were transferred.

Certain asset-backed securities transferred from Level 1 to Level 3 as they ceased to be actively traded and their valuation incorporated non-market-observable inputs (carrying amounts 2010: EUR 3.9 million; 2009: EUR 53.7 million). Moreover, certain asset-backed securities (carrying amount 2010: EUR 23.3 million) and equity securities (carrying amount 2009: EUR 62.2 million) transferred from Level 2 to Level 3 because the effect of non-market observable inputs on prices calculated by the valuation models increased from minor to significant. Other asset-backed securities (carrying amount 2010: EUR 20.5 million) transferred from Level 3 to Level 2, as the effect of non-market observable inputs on their prices calculated by valuation models decreased to minor.

For Level-3 financial instruments held for trading, the Bank adjusts the latest valuations to reduce the time lag between the moment of valuation and the availability of information at reporting date by assessing additional required information from underlying independent fund managers. The fair value sensitivity of Level-3 financial instruments mainly consists of held-for-trading and co-investment securities. The sensitivity analysis results in a fair value variance of 5.9%, representing an unhedged income of EUR 4.9 million in the first quarter of 2011.

Movements of Level-3 financial instruments are as follows:

In millions of euro		**Available-for-sale**		**Held for trading**	**Issued securities**
	Equity securities	**Asset-backed securities**	**Other debt securities**	**Equity securities**	**At FV through profit or loss**
At 1 January 2010	**51.4**	**36.6**	**4.3**	**125.5**	**-94.4**
Fair value results:					
- income statement	-	-1.8	-2.2	17.9	-9.3
- other comprehensive income	10.1	11.3	-0.3	-	-
Purchases	3.6	-	-	31.0	8.0
Sales / redemptions	-1.8	-2.9	-	-13.8	-1.5
Transfer to Level 2	-	-20.5	-	-	-
Transfer from Level 1 and 2	-	27.2	-	-	-
At 31 December 2010	**63.3**	**49.9**	**1.8**	**160.6**	**-97.2**

Results on Level-3 financial instruments in the income statement comprise:

In millions of euro	2010		2009	
	Realized results	Unrealized results	Realized results	Unrealized results
Fair value gains and losses	-	8.6	-	-1.4
Impairment loss	-10.3	-	-7.9	-
Impairment reversal	6.3	-	-	-
Total	**-4.0**	**8.6**	**-7.9**	**-1.4**

Capital

At 31 December 2010, the total equity amounts to EUR 411.0 million (2009: 355.7 million), while the BIS II ratio is 15.9% (2009: 16.2%). The minimum required statutory ratio set by the Dutch central bank is 8%. As prescribed by the Dutch central bank, certain adjustments were made to the IFRS-based results and reserves.

In millions of euro	2010	2009
Issued share capital	0.3	0.3
Share premium	245.4	245.4
Retained earnings	169.7	170.3
Non-controlling interests	0.6	16.6
Core Tier 1 capital *	**416.0**	**432.6**
Available-for-sale reserve (equity securities with positive fair value changes)	14.6	6.6
Available-for-sale reserve (exchange differences)	-0.7	-
Subordinated loans	37.7	37.7
Deduction securitizations	-22.9	-13.4
Other adjustments	-3.3	-0.2
Tier 2 capital *	**25.2**	**30.7**
Total available capital	**441.2**	**463.3**
Regulatory capital	221.9	228.3
Risk-weighted assets *	1,350.0	1,434.9
Core Tier 1 capital ratio	15.0%	15.2%
BIS II ratio	15.9%	16.2%

* Figures as of 31 December 2010 and 2009 as reported to the Dutch central bank.

42. Related parties

The following subsidiaries are included in the consolidated financial statements of Robeco Direct N.V.:

Subsidiaries	Country of incorporation	Equity interest 2010	Equity interest 2009
Banque Robeco S.A.	France	100%	100%
Rabobank Opbouwhypotheek & ToekomstRekening *	Netherlands	-	100%
Robeco 130/30 Emerging Markets Equities *	Luxemburg	-	70%
Robeco 130/30 European Equities *	Luxemburg	-	64%
Robeco European Dividend Extension *	Luxemburg	-	88%
Robeco Indian Equities *	Luxembourg	97%	-
Robeco Multi Alternatives *	France	-	66%
Robeco-Sage Long/Short Equity Fund, Ltd. *	USA	100%	-
SAM Sustainable Multi-Theme *	Switzerland	90%	100%
VCM Emerging Managers Fund *	Luxemburg	-	99%

* These entities regard funds temporarily controlled by the Bank due to seed capital activities.

Robeco Groep N.V. (the Shareholder) and Rabobank (comprising Rabobank Nederland, Robeco Groep N.V.'s parent, and the entities under its common control) can be distinguished as related parties in addition to the abovementioned subsidiaries.

Operating income and expenses and balance sheet positions from related party transactions are as follows:

in millions of euro	2010	2009
Income statement regarding related parties		
Operating income	-63.9	159.7
Operating expenses	57.4	58.7
Operating result before tax regarding related parties	**-121.3**	**101.0**
Statement of financial position regarding related parties		
Assets	914.7	742.6
Liabilities	1,797.3	1,429.7

Transactions with related parties relate to distribution income received from and operating costs charged by Robeco Groep entities. In addition, interest result and result on derivative financial instruments are realized on transactions with Rabobank. Interest expense related to Rabobank regards amongst other things interest paid on subordinated loans. The assets mainly comprise investments, derivative financial instruments, cash and short-term deposits, for which the Bank has relationships with Rabobank.

Terms and conditions
Sales to and purchases from related parties are made at arm's length market prices. Outstanding receivables and payables at year-end are unsecured and interest free, with settlement being in cash. The Bank has not created a provision for doubtful debts relating to amounts owed by related parties (2009: EUR nil), because the risks involved are not considered to be material. This assessment is made each year by examining the financial position of the related party and the market in which the party operates.

Remuneration of key management personnel
Both the Management Board and Supervisory Board are acknowledged as key management personnel having authority and responsibility for planning, directing and controlling activities of the Bank. The Management Board is not entitled to salaries and benefits from the Bank, as the Management Board is employed by Robeco Nederland B.V., which is part of Robeco Groep N.V. The total basis remuneration of the Management Board of Robeco Direct amounts to EUR 1.9 million (2009: EUR 0.9 million). Members of the Supervisory Board do not receive any remuneration from the Bank. The remuneration of the Management Board is set by the Supervisory Board of Robeco Groep N.V. on recommendation of the Nomination, Remuneration & Corporate Governance Committee. The total remuneration package is compared with external market conditions every two years and adjusted accordingly, if necessary.

43. Segment information

The Bank's segment reporting is determined based on operating segments; these segments are organized and managed separately to the nature of the products and services provided. The below segmentation represents the financial information in line with the way the Robeco Direct Management Board assesses the performance of the operating segments and reviews their results in relation to making decisions on the allocation of resources to those segments.

The Bank's current operating segments are:
- Retail Banking: Banking activities and distribution services;
- Structured Finance: Structuring, co-investment and seeding activities.

Segmentation 2010 In millions of euro	Note	Retail Banking	Structured Finance	Total
Income statement				
Interest income	5	258.6	3.6	262.2
Interest expense	6	-195.4	0.1	-195.3
Fee and commission income	7	46.0	2.8	48.8
Fee and commission expense	8	-2.9	-2.8	-5.7
Results on financial assets at FV through profit or loss	9	-0.2	1.3	1.1
Results on financial assets available-for-sale	10	3.2	1.2	4.4
Results on financial assets held for trading	11	2.0	7.2	9.2
Results on financial assets held-to-maturity	12	-0.4	-	-0.4
Other income	13	5.1	-	5.1
Net operating income		**116.0**	**13.4**	**129.4**
Operating expenses				-75.2
Result from group companies	18			-10.6
Operating result before tax				**43.6**
Income tax	19			-13.0
Result for the year				**30.6**
Statement of financial position				
Segment assets		8,431.6	511.2	8,942.8
Total assets		**8,431.6**	**511.2**	**8,942.8**
Segment liabilities		8,045.8	486.0	8,531.8
Total equity				411.0
Total equity and liabilities		**8,016.6**	**486.0**	**8,942.8**
Other segmental information				
Interest, fee and commission income:				
- External		304.6	6.4	311.0
- Domestic		*289.1*	*6.5*	*295.6*
- Foreign		*15.5*	*-0.1*	*15.4*
Capital expenditures:				
- Property and equipment	28	0.3	-	0.3
- Intangible assets	29	0.2	-	0.2
Other material non-cash items:				
- Depreciation and amortization expenses	16	0.5	-	0.5
- Impairment loss / reversal	17	-4.1	2.2	-1.9
- Result from group companies	18	-10.6	-	-10.6

Segmentation 2009 In millions of euro	Note	Retail Banking	Structured Finance	Total
Income statement				
Interest income	5	298.4	8.4	306.8
Interest expense	6	-279.0	-1.2	-280.2
Fee and commission income	7	42.7	4.5	47.2
Fee and commission expense	8	-2.5	-3.6	-6.1
Results on financial assets designated at FVPL	9	10.8	0.1	10.9
Results on financial assets available-for-sale	11	-2.5	-0.3	-2.8
Results on financial assets held for trading	12	-3.5	1.8	-1.7
Other income	13	8.1	-	8.1
Net operating income		**72.5**	**9.7**	**82.2**
Operating expenses				125.6
Operating result before tax				**-43.4**
Income tax	19			11.6
Result for the year				**-31.8**
Statement of financial position				
Segment assets		9,097.3	475.6	9,572.9
Total assets		**9,097.3**	**475.6**	**9,572.9**
Segment liabilities		8,745.0	472.2	9,217.2
Total equity				355.7
Total equity and liabilities		**8,745.0**	**472.2**	**9,572.9**
Other segmental information				
Interest, fee and commission income:				
- External		341.1	12.9	354.0
- Domestic		*326.9*	*15.2*	*342.1*
- Foreign		*14.2*	*-2.3*	*11.9*
Capital expenditures:				
- Property and equipment	28	0.3	-	0.3
- Intangible assets	29	0.5	-	0.5
Other material non-cash items:				
- Depreciation and amortization expenses	16	0.6	-	0.6
- Impairment loss	17	30.7	3.4	34.1

NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

44. Net cash flows (used in)/from operating activities

Adjustments to the operating result are made for the depreciation of property and equipment and amortization of intangible assets. The results of financial assets are related to the gains and losses from financial assets available-for-sale, designated at fair value through profit or loss and held-for-trading (excluding dividends).

45. Net cash flows from/(used in) investing activities

Purchases and sales of property and equipment and financial assets are based on the consolidated purchase and selling prices. Deferred payments of purchases and sales are reported as movements in working capital (short-term payments) or under long-term liabilities for payment obligations due after more than one year. Intangible assets consist of purchased capitalized software.

46. Net cash flows from financing activities

These cash flows mainly comprise the movements in the Bank's equity and subordinated loans, other than those resulting from operating activities.

47. Cash and cash equivalents

The cash and cash equivalents can be broken down as follows:

In millions of euro	2010	2009
Cash and balances with central banks	133.7	163.8
Due from other banks (available on demand)	192.7	358.7
Total	**326.4**	**522.5**

COMPANY FINANCIAL STATEMENTS 2010
Robeco Direct N.V.

COMPANY INCOME STATEMENT
for the year ended 31 December

In millions of euro	Notes	2010	2009
Operating income		107.9	62.2
Operating expenses		67.4	113.3
Operating result before tax		**40.5**	**-51.1**
Income tax expense	19	-14.0	11.6
Income from investments in subsidiaries and associates after tax	52	0.1	-9.7
Result for the year		**26.6**	**-49.2**

COMPANY STATEMENT OF COMPREHENSIVE INCOME
for the year ended 31 December

In millions of euro	Notes	2010	2009
Result for the year		**26.6**	**-49.2**
Net unrealized results on financial assets available-for-sale		63.0	80.9
Realized gains and losses on financial assets available-for-sale reclassified to the income statement on disposal	10	-4.4	2.8
Impairment of financial assets available-for-sale	17	-2.9	28.6
Income tax effect	19	-13.7	-28.6
Other comprehensive income		**42.0**	**83.7**
Exchange differences on translation of foreign operations		-0.7	-
Other items		-0.6	-
Other comprehensive income for the year, net of taxes		**40.7**	**83.7**
Total comprehensive income for the year, net of taxes		**67.3**	**34.5**

COMPANY STATEMENT OF FINANCIAL POSITION

at 31 December (after appropriation of net result)

In millions of euro	Notes	2010	2009
ASSETS			
Cash and balances with central banks		133.8	163.2
Due from banks		264.2	536.3
Derivative financial instruments		25.5	16.2
Financial assets held for trading		704.8	651.6
Financial assets designated at fair value through profit or loss		1,749.2	1,607.2
Loans and advances		2,183.2	2,302.0
Financial assets available-for-sale		3,469.9	3,544.9
Financial assets held-to-maturity		222.2	425.8
Investments in subsidiaries	51	28.1	84.2
Deferred tax assets		0.7	1.5
Other assets		118.4	184.1
Assets classified as held for sale	52	12.3	-
Total assets		**8,912.3**	**9,517.0**

In millions of euro	Notes	2010	2009
EQUITY AND LIABILITIES			
Due to banks		1,140.4	1,073.1
Derivative financial instruments		401.8	378.6
Due to customers		6,524.0	7,140.7
Issued securities		271.7	360.9
Other liabilities		126.8	183.4
Subordinated loans		37.7	37.7
Total liabilities		**8,502.4**	**9,174.4**
Issued share capital		0.3	0.3
Share premium		245.4	245.4
Available-for-sale reserve		-34.9	-76.9
Foreign currency translation reserve		-0.7	-
Retained earnings		199.8	173.8
Total equity	54	**409.9**	**342.6**
Total equity and liabilities		**8,912.3**	**9,517.0**

COMPANY STATEMENT OF CHANGES IN EQUITY

for the year ended 31 December 2010 and 2009

In millions of euro	Issued share capital	Share premium	Available-for-sale reserve	Foreign currency translation reserve	Retained earnings	Total
At 1 January 2010	**0.3**	**245.4**	**-76.9**	**-**	**173.8**	**342.6**
Result for the year	-	-	-	-	26.6	26.6
Other comprehensive income	-	-	42.0	-0.7	-0.6	40.7
Total comprehensive income	**-**	**-**	**42.0**	**-0.7**	**26.0**	**67.3**
At 31 December 2010 (in company statements)	**0.3**	**245.4**	**-34.9**	**-0.7**	**199.8**	**409.9**
Adjustment (net of tax): Income from investments in subsidiaries:						
- 2010	-	-	-	-	4.0	4.0
- previous years	-	-	-	-	-3.5	-3.5
At 31 December 2010 (consolidated statements)	**0.3**	**245.4**	**-34.9**	**-0.7**	**200.3**	**410.4**

In millions of euro	Issued share capital	Share premium	Available-for-sale reserve	Foreign currency translation reserve	Retained earnings	Total
At 1 January 2009	**0.3**	**195.4**	**-160.6**	**-**	**223.0**	**258.1**
Result for the year	-	-	-	-	-49.2	-49.2
Other comprehensive income	-	-	83.7	-	-	83.7
Total comprehensive income	**-**	**-**	**83.7**	**-**	**-49.2**	**34.5**
Capital increase	-	50.0	-	-	-	50.0
At 31 December 2009 (in company statements)	**0.3**	**245.4**	**-76.9**	**-**	**173.8**	**342.6**
Adjustment (net of tax): Income from investments in subsidiaries:						
- 2009	-	-	-	-	15.1	15.1
- previous years	-	-	-	-	-18.6	-18.6
At 31 December 2009 (consolidated statements)	**0.3**	**245.4**	**-76.9**	**-**	**170.3**	**339.1**

NOTES TO THE COMPANY FINANCIAL STATEMENTS

48. General accounting policies

The accounting policies used in the company financial statements are in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union (EU), which comprise standards and interpretations approved by the International Accounting Standards Board (IASB).

As the Bank's income statement is included in the consolidated financial statements, a summary income statement is sufficient to comply with the provisions of Article 402, Book 2 of the Netherlands Civil Code. For more detailed information, please refer to the section Basis of consolidation drawn up for the consolidated statement of financial position and income statement.

For cash flow information reference is made to the consolidated statement of cash flows, as the company financial statements to a large extent correspond with the consolidated financial statements.

The accounting policies applied in the company financial statements are similar to those described in Notes 2 and 4, except for investments in subsidiaries.

48.1 Investments in subsidiaries

Subsidiaries are entities under control of the Bank. Control exists when the Bank has the power, directly or indirectly, to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, potential voting rights that are exercisable or convertible are taken into account to determine if the Bank has more than 50% of the voting rights. Subsidiaries are accounted for at cost. On acquisition of an investment, any difference between the cost of an investment and the Bank’s share in the net fair value of an associate’s identifiable assets, liabilities and contingent liabilities is accounted for as goodwill, which is included in the carrying value of an associate.

49. Income statement

For disclosures on the following items, reference is made to the consolidated financial statements:

– Interest income and expense
– Fee and commission income and expense
– Results on financial assets designated at fair value through profit or loss
– Results on financial assets available-for-sale
– Results on financial assets held for trading
– Results on financial assets held-to-maturity
– Other income
– Employee benefits expense
– Administrative expenses
– Depreciation and amortization expenses
– Impairment loss / reversal
– Result from group companies
– Income tax

50. Assets

For disclosures on the following assets, reference is made to the consolidated financial statements:

– Cash and balances with central banks
– Due from banks
– Derivative financial instruments
– Financial assets held for trading
– Financial assets designated at fair value through profit or loss
– Loans and advances
– Financial assets available-for-sale
– Financial assets held-to-maturity
– Property and equipment
– Intangible assets

- Deferred tax assets and liabilities
- Other assets

51. Investments in subsidiaries

Movements in investments in subsidiaries are as follows:

In millions of euro	2010	2009
At 1 January	**84.2**	**109.4**
Acquisitions of seedings and co-investments	48.3	34.1
Divestments of seedings and co-investments	-81.6	-49.6
Reclassification as non-current assets held for sale	-22.9	-
Income from investments in subsidiaries and associates	0.1	-9.7
At 31 December	**28.1**	**84.2**

Seedings and co-investments regard the share in funds in which the Bank exerts temporarily control in order to build up track records and prove its commitment.

52. Assets classified as held for sale

This item regards the participation in Banque Robeco S.A. In December 2010, Robeco signed a binding sale and purchase agreement with Oddo & Cie to sell Banque Robeco. Ownership was transferred to Oddo & Cie on 31 March 2011. The asset is stated at fair value less costs to sell.

53. Liabilities

For disclosures on the following liabilities, reference is made to the consolidated financial statements:
- Due to banks
- Derivative financial instruments
- Due to customers
- Issued securities
- Other liabilities
- Provisions
- Subordinated loans

54. Equity

The authorized share capital amounts to EUR 1.0 million (2009: EUR 1.0 million), consisting of 200,000 shares with a par value of EUR 5 each, of which EUR 340,340 is paid in full. The number of shares has not been changed.

The Shareholder is entitled to receive dividends when declared and to vote on a one-vote-per-share basis at the Shareholder's Meetings. In 2009, the Shareholder provided the Bank with EUR 50 million in share premium to assure that the solvency ratio would not decrease despite the adverse results in that year. The available-for-sale reserve concerns fair value changes on available-for-sale investments. The foreign currency translation reserve includes exchange rate differences arising on translation of the financial statements of foreign subsidiaries. Movements in retained earnings result from the addition (2009: deduction) of the result for the year.

Rotterdam, 12 April 2011

Supervisory Board Robeco Direct N.V.

Management Board Robeco Direct N.V.

OTHER INFORMATION

Articles of Association rules governing the appropriation of result
Under Article 22 of the Articles of Association, the result available for distribution shall be at the disposal of the General Shareholder's Meeting.

Result appropriation
It is proposed to add the result for the year 2010 (EUR 26.6 million) to retained earnings.

RESPONSIBILITY STATEMENT

The Management Board of Robeco Direct N.V. confirms to the best of its knowledge that:

- the consolidated financial statements, prepared in accordance with International Financial Reporting Standards as adopted by the European Union, give a true and fair view of the Bank's consolidated assets, liabilities, financial position and result.

- the Report of the Management Board includes a fair review of the developments and performance of the Bank's business and the position in the financial year, together with a description of the principal risks and uncertainties that it faces.

Rotterdam, 12 April 2011

Management Board Robeco Direct N.V.

Leni M.T. Boeren, Chairman

Hester W.D.G. Borrie

Peter T.N. Bruin

To: the Shareholder, the Supervisory Board and the Management Board of Robeco Direct N.V.

INDEPENDENT AUDITOR'S REPORT

Report on the financial statements

We have audited the accompanying financial statements 2010 of Robeco Direct N.V., Rotterdam (as set out on pages 17 to 68). The financial statements consist of the consolidated financial statements and the company financial statements. The consolidated financial statements comprise the consolidated statement of financial position as at 31 December 2010, the income statement, the statements of comprehensive income, changes in equity and cash flows for the year then ended and notes, comprising a summary of significant accounting policies and other explanatory information. The company financial statements comprise the company statement of financial position as at 31 December 2010, the company income statement, the company statement of comprehensive income for the year then ended and the notes.

Management's responsibility

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards as adopted by the European Union and with Part 9 of Book 2 of the Dutch Civil Code, and for the preparation of the management board report in accordance with Part 9 of Book 2 of the Dutch Civil Code. Furthermore, management is responsible for such internal control as it determines is necessary to enable the preparation of the financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Dutch law, including the Dutch Standards on Auditing. This requires that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion with respect to the financial statements

In our opinion, the financial statements give a true and fair view of the financial position of Robeco Direct N.V. as at 31 December 2010 and of its result for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union and with Part 9 of Book 2 of the Dutch Civil Code.

Report on other legal and regulatory requirements

Pursuant to the legal requirement under Section 2:393 sub 5 at e and f of the Dutch Civil Code, we have no deficiencies to report as a result of our examination whether the management board 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 under Section 2:392 sub 1 at b-h has been annexed. Further, we report that the management board report, to the extent we can assess, is consistent with the financial statements as required by Section 2:391 sub 4 of the Dutch Civil Code.

Amsterdam, 12 April 2011

Ernst & Young Accountants LLP

signed by Kees de Lange