# Annual Report 2008

**Robeco Direct N.V.**

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The Shareholder's Meeting of 17 January 2005 decided Robeco Direct's annual report will be drafted in English.

# General information

## Supervisory Board Robeco Direct N.V.

George A. Möller, chairman
Constant Th. L. Korthout
Niek F. Molenaar till 1 December 2008
Sander van Eijkern as from 5 March 2009

## Management Board Robeco Direct N.V.

Leni M.T. Boeren, Chairman
Peter T.N. Bruin
Jean-Louis Laurens as from 5 March 2009
Sander van Eijkern till 1 December 2008

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# Report of the Supervisory Board

### Composition of the Supervisory Board
Effective 1 December 2008, Mr. Niek F. Molenaar resigned as member of the Supervisory Board following his resignation as member of Robeco Groep N.V.'s Management Board. Upon approval by DNB on 5 March 2009, Mr. Sander Van Eijkern was appointed as the new Supervisory Board member.

### Meetings of the Supervisory Board
In 2008, the Supervisory Board met 4 times. The Board paid considerable attention to Robeco Direct's investment policy in relation to the financial crisis and the product development activities. Another important issue related to the measures proposed by the Management Board is to increase Robeco Direct's cost effectiveness. The objective of these measures endorsed by the Supervisory Board is to create a more efficient organization. The targeted cost reduction will have a considerable impact on the headcount. Also, an issue frequently discussed regards the return of outsourced back-office activities. Furthermore, audit findings and the Audit Engagement Letter have been discussed.

After careful deliberation it has been decided that next to the daily management also involvement of independent members was desired. Consequently an Audit Committee has been installed for Robeco Direct. With this step, Robeco Direct fulfils not only the internal governance but also meets the requirement by new legislation for entities with financials instruments, issued by the company and traded on a public market. The Audit Committee has the responsibility to monitor the financial reporting process and the effectiveness of the internal control framework.

### Composition of the Management Board
Mr. Sander van Eijkern resigned from the Management Board as from 1 December 2008. Mr. Jean-Louis Laurens was appointed as member of the Management Board as from 5 March 2009 following the approval by DNB.

### Financial Statements 2008
We herewith present the Robeco Direct N.V. financial statements for the financial year 2008 together with the report of the Management Board.

We have taken note of the contents of the 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 deduct the 2008 result from retained earnings.

Rotterdam, 28 April 2009
On behalf of the Supervisory Board of Robeco Direct N.V.

George A. Möller, chairman

# Report of the Management Board

**General**
We are pleased to present the annual report of the financial year 2008 of Robeco Direct N.V. The financial statements have been prepared in accordance with the International Financial Reporting Standards as adopted by the European Union.

The bank's mission is to provide financial products and services enabling the creation of 'customer success' for its retail clientele. The bank positions itself as an online financial fund coach providing tailor-made advice to its clients and offering creative financial solutions at a low cost to achieve optimal results while experiencing an excellent service.

Furthermore, the bank employs its banking infrastructure to invest the entrusted savings and to support other entities of Robeco Group.

**Market environment**
After years of economic growth and low interest rates, economic activity plummeted in 2008. In 2007, the decline in US housing prices sent a shockwave through the financial sector which spread to the real economy in the course of 2008. All of a sudden, liquidity in the banking sector dried up and banks dramatically scaled back their lending activities, making it hard for companies to attract capital. In the second half of 2008, a real global economic crisis erupted.

As rates on exotic mortgages were adjusted in the United States, the number of delinquencies and foreclosures rose. This affected investors across the globe, as people everywhere had invested in structured products in which these mortgages were repackaged. There was a considerable appetite for such products worldwide, as they offered a combination of high credit ratings and attractive yields. As a result, global investors had a broad exposure to the US housing market. When banks realized that, despite this securitization, they were still heavily exposed to the US housing market, they were forced to sell. This, in turn, put severe pressure on other structured products, such as CDOs and asset-backed securities. The crisis started in the financial sector but soon started to hurt all credit-related assets.

After the collapse of Lehman, the only safe investments were government bonds, gold and cash. Investors steered clear of anything remotely risky, such as equities, emerging markets, corporate bonds and commodities. As trust between financial institutions and investors vanished, yields on four-week and three-month US Treasury bills were even sometimes negative, indicating that investors were more concerned about safety than yield. Yields for two and 30-year US Treasuries dropped to their lowest levels since regular issuance began in the 1970s. Ten-year German bond yields fell to 2.95%. The yield differential between emerging-market bonds and US Treasuries jumped to 694 basis points, from 239 basis points at the start of the year.

Central banks around the world cut interest rates. At the end of 2008, US official rates were in the 0% to 0.25% range and the Federal Reserve indicated that it would keep rates close to zero for a prolonged period. In December, the European Central Bank made its biggest-ever rate cut, lowering its key lending rate by 75 basis points to 2.50%. Japanese official short-term rates were also close to zero.

Bond-market volatility soared to all-time highs as fixed-income trading outside the government-bond market, in areas such as corporate bonds, mortgages and interest-rate swaps, was severely compromised by the breakdown in bank lending.

<u>Developments in the savings market in the Netherlands</u>
Uncertainty continued to be the main theme in 2008 resulting into a further increase of appetite in savings products. Consumer interest groups intensified clients' awareness of interest rates, enabling new entrants to seize part of the sizable and even growing savings pool in the Netherlands.

In the aftermath of the various bank defaults and nationalizations, the Dutch government decided to increase the minimum level of coverage under the guarantee scheme from EUR 20,000 to EUR 100,000, further reducing client's risks with regard to depositing savings with a bank. A considerable amount of savings came to drift, resulting into stubbornly high interest rates across the board by banks defending their funding base.

As mentioned above, Dutch households continued to see their total savings increase, while showing increased demand for fixed-term savings solutions. Despite the new market dynamics, the bank was able to defend its share of the market.

| (EUR x billion) | 2008 | 2007 | 2006 | 2005 | 2004 | 2003 | 2002 | 2001 |
|---|---|---|---|---|---|---|---|---|
| Saving deposits in the Netherlands | 251 | 237 | 222 | 210 | 200 | 185 | 168 | 153 |
| Source: CBS | | | | | | | | |

**Key figures**

Operating results
Returns on the investment portfolio performed in line with expectations during the first half of the year. In the second half however, this changed considerably and more of our entrusted savings were kept at bay. Liquidity of financial markets came to a standstill and the credit quality of even the most prestigious market participants was questioned. The sharp decrease of interest rates and hence investment yields partly eroded the interest results. Competition on the Dutch retail savings market further intensified as banks reassessed the relevance of savings as core funding, allowing retail clients to benefit from the opportunities that emerged. The interest margin from the traditional banking activities amounts to EUR 61 million. Notwithstanding the increased competition in the market for savings products, this result proved to be better than anticipated.

Fee and commission income decreased considerably. Management fees were under pressure due to the adverse developments in the various equity markets. Conditions for structuring innovative products were difficult again in a year in which retail as well as institutional clients focused on capital preservation and money market solutions. Robeco Direct has been able to accommodate these needs and saw our structuring income increase, albeit it from a low level.

The landscape of the Dutch residential mortgage market changed drastically. Smaller, mainly foreign mortgage providers withdrew from the market, since their ability to securitize loans came abruptly to a halt. Robeco Direct continued to find its place in the market. Sales of insurance products, predominantly via Banque Robeco, the French subsidiary, came under pressure: insurance fees decreased by 25 percent to EUR 2.9 million. The cost control measures resulted in a decrease of operating expenses by 7.0%.

The turmoil in the financial markets had led to a further reduction in liquidity in some areas, resulting in an illiquid market and a reduction in the fair value of the instruments. In some cases, it was concluded that – due to unfavorable ratings changes, worsening macro-economic indicators and decreasing excess spreads – impairment was inevitable. This resulted in an impairment loss of EUR 52.8 million. The negative result was additionally affected by a strong decline in the fair value of the seeding and co-investment positions, including recognized impairment losses of EUR 14.6 million.

Overall, the result for the year 2008 was negative: a net loss of EUR -44.8 million versus a net profit of EUR 50.3 million in the year before.

Composition of the balance sheet
Saving deposits available on demand decreased by EUR 1.0 billion during 2008. Time deposits however increased by EUR 1.5 billion in the same year. The net cash inflow of entrusted savings therefore amounted to EUR 0.5 billion, or 7.0%, to a total savings balance of over EUR 7.5 billion.

In April 2008, the bank introduced Roparco Last Minute, Robeco Direct's answer to the increased demand for a longer term, high yielding 'fixed-term' savings proposition. This also enabled smaller depositors to benefit from the elevated interest rates. Retail clients switched actively to this product, encouraged by the attractive yield and maturity. The persistent uncertainty in the various financial markets contributed to this success. The investment books have been adjusted to the dynamics of the financial markets and the composition of the entrusted savings.

Capital base
At year end, the total equity amounts to EUR 260.4 million. The BIS ratio, the bank's solvency ratio, is 14.13%. The minimum required statutory norm is 8% as set by DNB, the Dutch central bank.

**Strategy**
Robeco Direct continued to strengthen its proposition as *the* online bank in the Netherlands. In 2008, the introduction of third-party fund distribution was an important step forward. Next to the mutual funds of Robeco, now clients have a broader choice of investment funds available in the Dutch market.

Robeco Direct further optimized the personal advice module. A new release gives the bank the opportunity to monitor the portfolio of active investors and provide them with dynamic advice. In this new version, Robeco Direct translates actual investments trends to concrete investment opportunities. With these new services, Robeco direct has made a huge step forward in helping clients realize their wealth accumulation.

Furthermore, mass customization of the discretionary mandates have migrated into more dynamic and active trend mandates, enabling higher return on investment opportunities.

The banking infrastructure of Robeco Direct continued to play a pivotal role as a facilitator for Robeco to introduce investment products for private and professional clients. To stay in control in the future, it has been decided to step up investments in robust pricing, risk monitoring and position-keeping systems. The bank continued its financial engineering activities despite the financial market unrest, requiring seeding and/or co-investments for building up track records and giving proof of its commitment. Robeco Direct provides secondary market support for structured products where pricing is complex and liquidity is limited.

**Risk Management and Compliance**
The credit crisis that erupted in 2008 also had an impact on Robeco. This chapter will address a number of topics related to the credit crisis from a risk management perspective. In addition to elaborating on the credit crisis, this chapter also discusses Robeco's risk management and compliance functions.

<u>2008, a turbulent year</u>
The financial crisis that engulfed the global markets in the summer of 2007 persisted in full force throughout 2008. Initially, the problems in the US subprime mortgage market triggered a price decline in asset-backed securities for which subprime mortgages served as collateral. The confidence crisis, which developed between banks and other parties in the financial markets partly as a result of this market's lack of transparency, meant that many investment banks and private banks experienced financing problems and a number of markets for financial instruments were effectively closed in the sense that virtually no trading occurred. This affected mainly the markets for asset-backed securities, money-market instruments and corporate bonds. Particularly in the final months of the year, the banking sector saw a number of unprecedented events including bankruptcies, takeovers, different degrees of nationalization and the effective disappearance of Wall Street's investment banks. In the last quarter, the effects of the crisis, as it spread to the real economy, became more apparent and many industrialized countries entered in a recession. Overall, financial markets were characterized by plummeting stock prices and sharply widening credit spreads in anticipation of more bankruptcies. The volatility of virtually all markets increased significantly.

The positions for Robeco Direct's own account and risk derive from several activities: asset-liability management (ALM), retail mortgages and retail lending, seeding and co-investments, secondary market support and structuring. The regular results from the ALM activities aside, Robeco was not able to escape the general market movements. In particular, the ABS portfolio experienced significant declines in value, leading to IFRS impairments. Credit spreads widened substantially and prices at which positions could be liquidated sometimes differed significantly from model prices. Over the year, it became increasingly clear that it was very difficult for investors, as well as rating-agencies and regulators, to make accurate estimates of the creditworthiness of counterparties and/or instruments. The seeding and co-investment activities of Robeco Group serve to support the introduction and maintenance of existing and new products in the market. These activities generally result in stock market exposures that are difficult to hedge. The dramatic price declines in these markets have negatively affected the results of this activity. The results on secondary-market-support and structuring activities (exclusive of structuring fees) were slightly positive in the reporting period.

Particular attention was paid to communication with and visits of regulators and the valuation of assets. The operational consequences of Lehman's bankruptcy and other credit events were also analyzed. Lessons learned as emerged from this analysis will be taken into account for 2009.

<u>Risk Management</u>
Robeco Direct is firmly committed to the development of quality products and services, and to the careful compliance with agreements made with clients. In addition, Robeco Direct strives to achieve efficient use of shareholder capital. Next to actively stimulating entrepreneurship throughout the organization and encouraging its people to identify and seize opportunities, Robeco Direct recognizes that the risks inherent to

entrepreneurship must be assessed and controlled. Robeco Direct aims for maximum transparency in terms of those risks that might influence the results of the organization. Risk oversight is a combination of compliance, internal audit and risk management functions.

Risk Governance

Risk management is one of the responsibilities of the bank's management. The following functions contribute to this. The Global Risk Management (GRM) department of Robeco Group supports the management of Robeco Direct in developing and implementing policies, methodologies and infrastructures for measuring and reporting different types of risk inherent in the banking activities. In addition, GRM provides assistance in performing risk and control self-assessments and is responsible for incident management and the documentation of business processes. The Corporate Compliance department is responsible for ensuring compliance with the rules and regulations, whereas the Internal Audit department monitors the effectiveness of the management control framework.

Several committees are in place to ensure that there is comprehensive and consistent risk oversight throughout the different business lines and entities within the Group

- The Group Risk & Compliance Committee within Robeco is responsible for non-financial risk types (operational risk and business risk). This committee evaluates and ratifies group-wide policies relating to compliance and risk-management topics. Meetings are held quarterly. The Risk Management Committee of Robeco Direct is responsible for monitoring the quality and comprehensiveness of risk oversight within the bank. Meetings are held monthly.
- The Asset & Liability Committee is responsible for setting limits to and monitoring financial risk types (credit risk, interest rate risk and market risk), for monitoring economic and regulatory capital and RAROC figures for internal steering purposes and to ensure that entities under regulatory supervision comply with the capital and solvency requirements. Meetings are held on a monthly basis.
- The Valuation Committee is responsible for establishing the accounting and risk classifications and the valuation of illiquid instruments in Robeco Direct's trading and investment books. More specifically, the Valuation Committee approves trading book/investment book classifications as well as the use of specific models and parameters to determine economic and regulatory capital. The Committee convenes monthly.
- An Audit Committee was installed early 2009. Members of the Audit Committee for Robeco Direct are Messrs. Izeboud (chairman), Van Schijndel (succeeded by Mr. Bruggink as from 1 April 2009) and Verbeek; they are also member of the Supervisory Board of Robeco Groep N.V., the parent of Robeco Direct N.V. Within the meaning of the Dutch Corporate Governance Code, two of the members of the Audit Committee are independent. On behalf of the Management Board of Robeco Direct N.V., Mrs. Boeren is represented in this Committee. She is accompanied by Messrs. Möller and Korthout, both Supervisory Board members of Robeco Direct N.V. The Head Internal Audit attends should audit-related matters be addressed. For compliance-related subjects, the Head of Corporate Compliance will attend the meetings. The Audit Committee will fulfill the responsibility to monitor the financial reporting process and the effectiveness of the internal control framework.

Before the appointment of an Audit Committee for Robeco Direct N.V., relevant subjects for Robeco Direct were addressed on a consolidated Robeco Group level and discussed from that responsibility in the Audit & Compliance Committee of Robeco Groep N.V. During 2008, as an example of subjects related to the activities of Robeco Direct, this committee discussed the effects of the financial crisis on Robeco Direct 's business, financials and risks, the audits reports and the status the outsourcing of various business processes to Ordina.

Internal Control Framework

Robeco Direct considers it essential to maintain stakeholder confidence and to ensure compliance with relevant regulations which is why this topic has been on the corporate agenda for a number of years at Robeco. In order to give stakeholders confidence in its operational management, Robeco Direct has been building and strengthening its internal control framework for some years.

Robeco Direct has developed a sound management control framework, which is mainly based on COSO, Basel II, Sarbanes-Oxley and Robeco Group's corporate policies regarding IT security, compliance and business continuity management. This framework sets the standards for the management controls in place and is assessed on a regular basis. Besides the management control framework, several projects aim to enhance control of internal processes throughout the organization. One major project focuses on documenting processes, procedures, risks and internal control measures throughout the Robeco Direct organization.

Centralized and appropriate process documentation within Robeco, including risk and control reporting, is essential for maintaining and extending the internal control framework and implementing the processes specified in the different control areas. In 2008, significant progress was made in documenting Robeco Direct's business processes. A link was established between processes, risks, controls and control areas, providing more detailed insight into the underlying dependencies and relationships and ensuring a greater degree of efficiency in control-monitoring activities. Such monitoring activities are regularly carried out via internal control procedures, control self-assessments, compliance reviews and internal audits. Defined measures of improvement are monitored on implementation.

Robeco Direct for the first time issued a SAS 70 report regarding Robeco's Pension Providers. The contribution to the Rabobank Sarbanes-Oxley 404 effort was completed successfully.

Risk types

Robeco Group recognizes several types of risks that are actively managed throughout the Robeco organization, of which Robeco Direct N.V. forms an integral part. The risks described in this chapter are those risks that are currently considered to be significant within Robeco. The risks mentioned are not exhaustive. There may be other significant risks that Robeco 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. Our systems for controlling risks are designed to provide timely insight into such risks.

Strategic risk

Robeco Direct's ambition level for 2009 and onwards is to strengthen its proposition as *the* online fund bank in the Netherlands. Additionally, Robeco Direct aims at playing a pivotal role as a facilitator for Robeco to introduce investment solutions for private and institutional clients.

The financial result of the bank is under pressure due to a decrease in assets under management as a result of stock-market developments combined with impaired assets and the existing cost levels. High costs reduce Robeco Direct's ultimate effectiveness due to their effect on the pricing of products and services and the constraints on investments in new products to meet our clients' requirements and expectations.

A cost-reduction program was initiated in 2008. In addition to reducing costs, this program also aims to reduce complexity and to streamline the organization. This will improve Robeco Direct's ability to anticipate market developments and to foresee client needs. It is expected that this will eventually restore the balance in Robeco Direct's profitability. This reorganization will have a substantial impact on employees, organizational structure and business operations, and changes can clearly not be implemented overnight. Realizing the goals set by this program will have high priority throughout 2009.

Operational risk

Robeco defines operational risk as the risk of losses resulting from inadequate or failed processes, people and systems, or from external events. Operational risk is recognized as a risk category for which appropriate control is necessary and as such is managed on an ongoing and structural basis throughout the organization. A qualitative operational risk appetite is established and used to determine the degree of risk that Robeco Direct is willing to accept in pursuit of its commercial targets and in terms of the cost of control: "Finding a healthy balance in becoming a leader in online fund solutions, gaining revenues and lowering costs while preventing material fraud and avoiding the occurrence of operational risks which could cause serious damage to Robeco Direct, its clients and Robeco's reputation".

Robeco Direct's main operational risks are described below, together with the mitigating measures that can be applied. If possible, the potential impact on the organization is mentioned. Risks concerning the investment management process, transaction processing, outsourcing of business activities and IT risks are considered significant operational risks.

Investment selection process

In order for Robeco Direct to be a key player in its market, it is essential to strongly focus on the needs of its clients in terms of the products and services it provides. An inherent risk to Robeco's key activities is the possibility that clients have misinterpreted the nature or design of a product or proposition, resulting in negative effects for our clients and for Robeco's reputation.

To prevent this risk from occurring, Robeco Direct is committed to developing and offering high-quality products that are transparent and that meet compliance and integrity standards. To assure this, a formal approval process is in place.

Transaction processing
Several trading desks and transaction departments within Robeco Direct process a large number of transactions on a daily basis. A key operational risk for Robeco lies in possible deficiencies that occur in the daily processing and settlement of transactions with clients or other parties, e.g. incorrectly executed transactions due to entry mistakes, processing failures or mistakes, resulting in financial losses for Robeco.

Robeco Direct mitigates this risk with an extensive set of controls that are embedded in business processes for transaction processing. The automated registration and execution of transactions with relevant audit trails is in place, in addition to the four-eyes principle and the segregation of duties within the transaction processing departments.

Outsourcing of activities
In several areas of Robeco Direct's business, activities are outsourced to third parties. The decision to outsource activities creates a long-term relationship with a third-party service provider. This is critical, as Robeco remains responsible for all outsourced activities. Robeco has established an outsourcing policy that provides a framework to support the decision-making process regarding the outsourcing of activities, and contains a number of prerequisites that are conditional to the decision. An In Control report (i.e. SAS70), as well as the right to audit, are considered prerequisites. These prerequisites do not provide an absolute guarantee of the success in outsourcing to third parties.

In 2007, Robeco Direct outsourced the back-office activities for retail investments and savings to Ordina BPO. In 2008, Robeco decided to end this outsourcing relationship due to differences of opinion with Ordina on the new target platform for the handling of the back-office processes in the future. As a result, the outsourced activities, including the IT systems and some of the staff, returned to Robeco Direct in the third quarter of 2008. Robeco set up a project organization to manage this complex transition and ensure its success. The project handling the return of activities from Ordina to Robeco closely monitored the proper execution of the affected processes and instituted additional monitoring on execution of key controls within these processes. Robeco Direct successfully completed the transition in 2008 and the parties financially settled in March 2009.

IT-related risks
Given the nature of trading and transaction processes, the investment-management industry is heavily dependent on IT systems. This also applies to Robeco and results in a high dependency on the reliability of systems and data, and on the availability of such systems. Deficiencies in these areas might result in a significant threat to Robeco Direct's continuity assurance and financial position. To further strengthen the control framework within the IT organization, Robeco Direct has executed several projects to further improve information security. In 2009, Robeco will integrate the information-security-management function, responsible for policy setting and overall monitoring, within the Global Risk Management department. By doing so, Robeco aims to achieve maximum alignment between both operational-risk management and information-security management.

Business risk
Business risk can be defined as: "The risk of loss due to changes in the competitive environment or events which damage the franchise or operating economics of a business". Typically, fluctuation results from variations in revenues and costs. Business risk is inherent in any line of business and can have a significant impact on the income statement (P&L) and the required capitalization of a business.

Together with Rabobank, Robeco developed an advanced bottom-up capital model which aims to simulate Robeco's earnings and cost distribution. Based on a Monte Carlo simulation approach, the model calculates the probability distribution of future earnings and costs. It provides an estimate of earnings risk and its sources and performs 'what if' and stress analyses by introducing particular assumptions on future developments in the market or internally within Robeco Direct.

Financial risk
In terms of financial risk types, Robeco Direct makes a distinction between credit risk, market risk and interest rate risk, all of which are actively managed and monitored by Robeco's Global Risk Management department.

IFRS 7 has been in effect since 1 January 2007. This accounting standard focuses on ensuring insight into financial instruments and their effects on the financial positions and results of a company. 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.

Compliance risk
Robeco Direct defines compliance risk as the risk of harm to its reputation and/or financial position as a result of legislation, policies or contractual obligations not being observed.

As a result of the diversity and complexity of the rules and regulations, the risk of non-compliance is increasing. This could have a negative impact on Robeco Direct’s reputation as well as its financial results due to penalties imposed by authorities. To control this risk, Robeco's Corporate Compliance department employs specialists for designated compliance areas. The Corporate Compliance department ensures that Robeco Direct's conduct is in line with the expectations of stakeholders, and initiates, implements and monitors global compliance policies which define the minimum compliance standards for activities within Robeco Direct.

Monitoring adherence and enforcing compliance policies
Monitoring adherence is the domain of the Local Compliance Officers (LCOs). The LCOs and their teams perform the day-to-day compliance activities (e.g. checks on know-your-customer, anti-money-laundering and investment restrictions).

Senior Management Assessment
In 2008, Robeco considered its risk management and internal control practices on a regular basis. This provided insight into the significant risks applicable to Robeco. All related significant aspects are discussed with senior management and the Audit and Compliance Committee. Regular reports on these aspects are submitted to the Supervisory Board.

Robeco Direct finds it 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 error; control processes being deliberately circumvented by employees and others; management overriding controls; and the occurrence of unforeseeable circumstances.

Another limiting factor 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, but not absolute assurance that a company 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 to 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 Direct policies, procedures and instructions may deteriorate.

Based on Robeco’s review of its risk management and internal control systems, and aware of their inherent limitations described above, Robeco Direct concluded that there is reasonable assurance that:

- Robeco Direct has sufficient insight into the extent to which Robeco Direct’s targets will be realized;
- Robeco Direct’s internal and external (financial) reporting is reliable;
- the applicable laws and regulations are being complied with.

**Outlook 2009**
The Management Board of Robeco Direct expects 2009 to be another difficult year for investors, however has confidence that the financial markets may start to recover in 2010 at the latest. Once the world economy picks up, investors will again be confronted with a number of structural developments with far-reaching consequences. These include global population and wealth growth and migration towards cities (especially in emerging countries), which all result in a rapidly increasing demand for commodities, energy, water and infrastructure. Another development is the climate change. The increasing demand for energy, particularly from emerging economies such as China and India, plays a key role in the climate debate. Technical innovations should lead to a situation where increased energy demands can be met whilst still reducing the emission of greenhouse gases.

Robeco Direct expects sustainable or responsible investing to become a major investment theme as a result of these developments but also because of the financial crisis, which after all was caused by irresponsible behavior. Recent developments in the financial markets and the resulting negative consequences for the global economy could mean that a complete shift from niche to mainstream responsible investing may occur in the coming years.

Robeco Direct is committed to these themes and has enriched its proposition with authentic, responsible products from within the Robeco Group and third parties, be it in open-end funds or Private Equity propositions.

In 2009, Robeco Direct will continue to offer a suite of savings products and will strengthen its proposition as *the* online bank in the Netherlands. Additionally, the bank will offer capital-guaranteed investment products enabling clients to weather the financial storms. Given the ongoing turbulence in financial markets, the bank withholds to forecast the income and costs for 2009.

Rotterdam, 28 April 2009

Management Board Robeco Direct N.V.

Leni M.T. Boeren, chairman
Peter T.N. Bruin
Jean-Louis Laurens

# **CONSOLIDATED INCOME STATEMENT** for the years ended 31 December

| *(EUR x 1,000)* | Notes | **2008** | **2007** |
|---|---|---|---|
| Interest income | 5 | 393,561 | 368,551 |
| Interest expense | 6 | 315,834 | 318,598 |
| Net interest income | | **77,727** | **49,953** |
| Fee and commission income | 7 | 58,071 | 72,350 |
| Fee and commission expense | 8 | 9,332 | 7,077 |
| Net fee and commission income | | **48,739** | **65,273** |
| Results on financial assets at fair value through profit or loss | 9 | 11,542 | -9,529 |
| Results on financial assets available-for-sale | 10 | -820 | 16,581 |
| Results on financial assets held for trading | 11 | -40,727 | 43,059 |
| Other income | 12 | 9,133 | 7,660 |
| **Net operating income** | | **105,594** | **172,997** |
| Employee benefits | 13 | 15,479 | 18,587 |
| Administrative expenses | 14 | 82,116 | 86,331 |
| Depreciation and amortization expenses | 15 | 368 | 421 |
| Impairment result | 16 | 69,144 | 67 |
| **Total operating expenses** | | **167,107** | **105,406** |
| **Operating result before tax** | | **-61,513** | **67,591** |
| Income tax | 17 | -16,715 | 17,309 |
| **Result for the year** | | **-44,798** | **50,282** |
| Attributable to: | | | |
| Equity holders of the parent | | -41,379 | 50,385 |
| Minority interest | 38 | -3,419 | -103 |
| | | **-44,798** | **50,282** |

# CONSOLIDATED BALANCE SHEET at 31 December

| *(EUR x 1,000)* | Notes | **2008** | **2007** |
|---|---|---|---|
| **ASSETS** | | | |
| Cash and balances at central banks | 18 | 154,382 | 169,448 |
| Due from other banks | 19 | 1,490,519 | 738,763 |
| Derivatives | 20 | 80,492 | 41,797 |
| Financial assets held for trading | 21 | 1,096,148 | 872,450 |
| Financial assets designated at fair value through profit or loss | 22 | 1,168,019 | 1,089,237 |
| Loans and advances | 23 | 1,232,752 | 1,182,584 |
| Financial assets available-for-sale | 24 | 3,762,232 | 3,930,036 |
| Financial assets held-to-maturity | 25 | 504,849 | 934,730 |
| Property and equipment | 26 | 781 | 810 |
| Intangible assets | 27 | 392 | 136 |
| Other assets | 28 | 158,544 | 206,010 |
| **Total assets** | | **9,649,110** | **9,166,001** |

| *(EUR x 1,000)* | Notes | **2008** | **2007** |
|---|---|---|---|
| **EQUITY AND LIABILITIES** | | | |
| Due to other banks | 29 | 684,193 | 735,030 |
| Derivatives | 20 | 707,181 | 528,820 |
| Financial liabilities trading | 30 | 726 | 3,696 |
| Due to customers | 31 | 7,567,775 | 7,069,813 |
| Issued securities | 32 | 167,417 | 162,009 |
| Deferred tax liabilities | 33 | - | 8,341 |
| Other liabilities | 34 | 223,360 | 219,646 |
| Provisions | 35 | 341 | 634 |
| Subordinated loans | 36 | 37,664 | 37,664 |
| **Total liabilities** | | **9,388,657** | **8,765,653** |
| **Equity attributable to equity holders of the parent** | 37 | | |
| Issued capital | | 340 | 340 |
| Share premium | | 195,323 | 145,323 |
| Reserve net unrealized results | | -160,577 | -39,894 |
| Foreign currency translation reserve | | 8 | -3,734 |
| Retained earnings | | 204,436 | 296,200 |
| | | 239,530 | 398,235 |
| Minority interest | 38 | 20,923 | 2,113 |
| **Total equity** | | **260,453** | **400,348** |
| **Total equity and liabilities** | | **9,649,110** | **9,166,001** |

# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the years ended 31 December 2008 and 2007

| (EUR x 1,000) | Attributable to equity holders of the parent | | | | | | Minority | Total |
|---|---|---|---|---|---|---|---|---|
| | Issued capital | Share premium | Reserve net unrealized results | Foreign currency translation reserve | Retained earnings | Total | interest | equity |
| **At 1 January 2008** | **340** | **145,323** | **-39,894** | **-3,734** | **296,200** | **398,235** | **2,113** | **400,348** |
| Net unrealized results on financial assets available-for-sale | - | - | -228,249 | - | - | -228,249 | - | -228,249 |
| Realized results on financial assets available-for-sale reclassified to the income statement: | | | | | | | | |
| - on disposal | - | - | 820 | - | - | 820 | - | 820 |
| - due to impairment | - | - | 67,413 | - | - | 67,413 | - | 67,413 |
| Tax effect of net result on financial assets available-for-sale | - | - | 39,333 | - | - | 39,333 | - | 39,333 |
| Foreign currency translation | - | - | - | 3,742 | - | 3,742 | - | 3,742 |
| **Total income and expense for the year recognized directly in equity** | **-** | **-** | **-120,683** | **3,742** | **-** | **-116,941** | **-** | **-116,941** |
| Result for the year | - | - | - | - | -41,379 | -41,379 | -3,419 | -44,798 |
| Dividend payment | - | - | - | - | -50,385 | -50,385 | - | -50,385 |
| **Total income and expense for the year** | **-** | **-** | **-120,683** | **3,742** | **-91,764** | **-208,705** | **-3,419** | **-212,124** |
| Capital increase | - | 50,000 | - | - | - | 50,000 | - | 50,000 |
| Movements in minority interest | - | - | - | - | - | - | 22,229 | 22,229 |
| **At 31 December 2008** | **340** | **195,323** | **-160,577** | **8** | **204,436** | **239,530** | **20,923** | **260,453** |

| (EUR x 1,000) | Attributable to equity holders of the parent | | | | | | Minority interest | Total equity |
|---|---|---|---|---|---|---|---|---|
| | Issued capital | Share premium | Reserve net unrealized results | Foreign currency translation reserve | Retained earnings | Total | | |
| **At 1 January 2007** | **340** | **145,323** | **1,068** | **-184** | **291,127** | **437,674** | **6,962** | **444,636** |
| Net unrealized results on financial assets available-for-sale | - | - | -38,389 | - | - | -38,389 | - | -38,389 |
| Realized results on financial assets available-for-sale reclassified to the income statement on disposal | - | - | -16,581 | - | - | -16,581 | - | -16,581 |
| Tax effect of net result on financial assets available-for-sale | - | - | 14,008 | - | - | 14,008 | - | 14,008 |
| Foreign currency translation | - | - | - | -3,550 | - | -3,550 | - | -3,550 |
| **Total income and expense for the year recognized directly in equity** | **-** | **-** | **-40,962** | **-3,550** | **-** | **-44,512** | **-** | **-44,512** |
| Result for the year | - | - | - | - | 50,385 | 50,385 | -103 | 50,282 |
| Dividend payment | - | - | - | - | -45,312 | -45,312 | - | -45,312 |
| **Total income and expense for the year** | **-** | **-** | **-40,962** | **-3,550** | **5,073** | **-39,439** | **-** | **39,542** |
| Movements in minority interest | - | - | - | - | - | - | -4,746 | -4,746 |
| **At 31 December 2007** | **340** | **145,323** | **-39,894** | **-3,734** | **296,200** | **398,235** | **2,113** | **400,348** |

# CONSOLIDATED CASH FLOW STATEMENT

for the years ended 31 December

| (EUR x 1.000) | Notes | **2008** | **2007** |
|---|---|---|---|
| **Operating activities** | 43 | | |
| Operating result before tax | | -61,513 | 67,591 |
| | | | |
| Adjustments to operating result: | | | |
| Depreciation and amortization | | 368 | 421 |
| Impairments * | | 69,144 | 67 |
| Result financial assets (excluding dividend income) | | 73,840 | 11,030 |
| Movements in provisions | | -293 | -161 |
| Other movements from operations: | | | |
| Current assets and liabilities * | | 186,917 | -616,846 |
| **Net cash flows from operating activities** | | **268,463** | **-537,898** |
| | | | |
| **Investing activities** | 44 | | |
| Purchase of property and equipment | | -289 | -424 |
| Purchase of financial assets available-for-sale | | -1,211,190 | -1,764,329 |
| Purchase of financial assets held-to-maturity | | -304,046 | -20,247 |
| Purchase of financial assets fair value through profit or loss | | -302,424 | -91,944 |
| Purchase of loans and advances | | -157,953 | -13,444 |
| Purchase of intangible assets | | -440 | -112 |
| Proceeds from sale of property and equipment | | 71 | 138 |
| Proceeds from sale of financial assets available-for-sale | | 1,140,207 | 1,517,450 |
| Proceeds from redemptions of financial assets held-to-maturity | | 732,046 | 647,050 |
| Proceeds from sale of financial assets fair value through profit or loss | | 233,393 | 393,102 |
| Proceeds from redemptions of loans and advances and deposits with banks | | 108,236 | 246,612 |
| Proceeds from sale of intangible assets | | 63 | 52 |
| **Net cash flows used in investing activities** | | **237,674** | **913,904** |
| | | | |
| **Financing activities** | 45 | | |
| Capital increase | | 50,000 | - |
| Dividends paid to the parent | | -50,385 | -45,312 |
| **Net cash flows used in financing activities** | | **-385** | **-45,312** |
| | | | |
| Net increase/decrease in cash and cash equivalents | | 505,752 | 330,694 |
| Cash and cash equivalents at 1 January * | | 640,666 | 309,644 |
| **Cash and cash equivalents at 31 December *** | 46 | **1,146,418** | **640,338** |
| | | | |
| **Cash flows from interest and dividends** | | | |
| Interest paid | | 310,329 | 315,492 |
| Interest received | | 426,509 | 368,551 |
| Dividend paid | | 50,385 | 45,312 |

* The 2007 figures are restated to reflect the adjusted definition – currently including balances with other banks available on demand – of Cash and cash equivalents (net increase of EUR 261.1 million), the changed treatment of Movements bonds and funds entrusted for EUR 888.1 million – considered to be operating activities rather than financing activities – and the separate disclosure of EUR 0.1 million in impairments. The balance of the aforementioned items, totaling to a cash outflow of EUR 627.1 million, is added to Current assets and liabilities.

# ACCOUNTING POLICIES FOR THE CONSOLIDATED FINANCIAL STATEMENTS

## 1. Corporate information

Robeco Direct N.V. is a company established in the Netherlands. Robeco Direct N.V. 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 2008 concern Robeco Direct N.V. and its subsidiaries (together referred to as the 'Company'), as well as the Company's investment in associates.

All shares of Robeco Direct N.V. are owned by Robeco Groep N.V. 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 28 April 2009. The shareholder has a right to amend these financial statements after issuance.

## 2. Accounting policies

**Statement of compliance**
The financial statements of Robeco Direct N.V. have been prepared in accordance with International Financial Reporting Standards (IFRS) 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 the Company. The financial statements have been prepared on a fair value or amortized cost basis, except for property and equipment and 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 balance sheet, the consolidated profit and loss account, consolidated statement of cash flows, consolidated statement of equity and certain notes has been changed to provide additional and more relevant information.

**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.

*IAS 1 Presentation of Financial Statements*
In 2007, the IASB issued the revised IAS 1 "Presentation of Financial Statements". The revisions to IAS 1 represent the first step in the IASB's comprehensive project on reporting financial information. The revised IAS 1 is effective for financial years beginning on or after 1 January 2009. The Company did not elect early adoption of the revised standard. IAS 1 changes will affect the headings of the financial statements. The impact of the revised IAS 1 is minor and only relates to presentation adjustments on the following statements.

- 'balance sheet' will become 'statement of financial position'
- 'income statement' will become 'statement of comprehensive income'
- 'cash flow statement' will become 'statement of cash flows'.

*IFRS 8 Operating segments*
IFRS 8 Operating segments requires listed entities to disclose information to enable users of its financial statements to evaluate the nature and financial effects of the business activities in which it engages and the economic environments in which it operates. IFRS 8 introduces new disclosures regarding segments. Generally, financial information is required to be reported on the same basis as is used internally for evaluating operating segment performance and deciding how to allocate resources to operating segments. This standard has no impact on the classification and measurement of the Company's assets and liabilities.

**Interest in investment funds**
Interests in investment funds managed by the Company are recognized as equity securities and stated at fair value. Depending on the IFRS classification, results are taken to equity or the income statement. For interests in investment funds for which the control criteria are met, the Company consolidates the underlying interests in full.

**Basis of consolidation**
The consolidated financial statements include the financial statements of 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 Company. Control exists when the Company 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 Company has more than 50% of the voting rights.

The financial statements of 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 the disclosure Related parties. The subsidiaries are accounted for by integral consolidation showing a minority interest in the statement of changes 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 Company's interest in the entity. Unrealized losses are eliminated in the same way as unrealized gains

## 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. 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 have a significant impact on the financial statements are:

**Financial instruments**
For financial assets and liabilities classified as available-for-Sale, fair value through profit or loss and held for trading as well as derivatives, the determination of the fair values is based on quoted market prices, if 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 balance sheet 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 balance sheet 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 balance sheet.

## 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 have been applied consistently to all periods presented in the consolidated financial statements.

The Company 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 Company's functional currency. Each entity of the Company 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 balance sheet date. Non-monetary items measured at historical cost are translated using exchange rates prevailing at the dates of the initial transactions. Non-monetary items measured at fair value 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 balance sheet 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 balance sheet 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 equity in the revaluation reserve. Exchange rate differences for non-monetary items classified as fair value through profit or loss are taken to the income statement. Changes in the valuation of investments in foreign operations are recorded in the foreign currency translation reserve.

### 4.2 Determination of fair value

For financial assets and liabilities classified as available-for-sale, fair value through profit or loss and held for trading as well as derivatives, the determination of the fair values is based on quoted market prices, if 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 balance sheet 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 balance sheet dates by assessing additional required information from underlying independent fund managers. These valuation adjustments are necessary and appropriate to fairly state the values of financial instruments carried at fair value on the balance sheet.

### 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 derivatives.

### 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 derivatives.

### 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 the 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 Company.

### 4.8 Minority interests

Minority 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 Company.

### 4.9 Cash and balance at central bank

Cash comprises cash in hand and deposits at the central bank. 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 other banks

This item represents short-term deposits and other loans and advances to banks (not being financial assets), 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 Derivatives

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

Parts of the derivatives are total return swaps. The Company entered into structured transactions, resulting in total return swaps and certain financial instruments being recognized on the Company's balance sheet. 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 balance sheet 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. Interest earned or incurred on these assets is reported as Interest income. All other realized and unrealized gains and losses on remeasurement of these financial instruments at fair value are included in Result on financial assets held for trading. These financial assets are recorded on a trading date basis.

### 4.13 Financial assets designated at fair value through profit or loss

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

The Company's management chooses to designate non-trading financial assets at fair value through profit or loss on initial recognition when the following criteria are 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; or
- 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; or
- 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.

### 4.14 Loans and advances

Loans and advances are non-derivative financial assets with fixed or determinable payments that are not quoted on 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, (c) financial assets designated at fair value through profit or loss and (d) held for trading. They 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 bonds, asset-backed securities, money market paper, other debt instruments and equity instruments.

Financial assets available-for-sale are initially recognized at fair value and recorded on a trading date basis. Unrealized gains or losses of financial assets available-for-sale are reported in equity, 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 equity is transferred to the Income statement. Gains and losses on disposal are determined using the average cost method. 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 difference between its cost (net of any principal payment and amortization) and current fair value less any impairment previously recognized in the Income statement, is transferred from equity to the Income statement. For fixed-income financial assets available-for-sale, reversal of impairments are recognized in the Income statement, if an increase in fair value of instruments can objectively be related to an event occurring after recognition of the impairment. For available-for-sale equity securities however, reversal of impairments are not recognized in the Income statement but in equity.

### 4.16 Financial assets held-to-maturity

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

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 Property and equipment

Property and equipment are stated at cost less accumulated depreciation and any recognized accumulated impairments. The carrying values of property and equipment are reviewed for impairment once a year. If an indication of impairment exists, the items are impaired to their recoverable amount and the impairment 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 and are recognized as an expense in the Income statement under Depreciation and amortization expenses. The assets' residual values, useful lives and methods of depreciation are reviewed and adjusted, if appropriate, at each financial year end.

| **Category of property and equipment** | **Useful economic life *(years)*** | **Depreciation rate** |
|---|---|---|
| Computer equipment | 5 | 20% |
| Office equipment | 5 | 20% |

### 4.18 Intangible assets

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

All intangible assets of the Company are finite and acquired. Amortization is recognized on a straight-line basis for the period of 3 years.

### 4.19 Other assets

Other assets are valued at face value. Other assets are mainly accounts carried at the original invoice amount less an allowance for uncollectible amounts and mainly comprise interest receivable, accrued income and capitalized structuring fees.

### 4.20 Due to other banks

This item represents short-term loans from other banks and other loans and advances from banks.

### 4.21 Due to customers

Due to customers represent saving accounts and deposits of private and non-private customers.

### 4.22 Taxes

Income tax on the result for the year comprises current and deferred taxes. Income tax is recognized in the Income statement except for items recognized directly in equity, in which cases it is recognized in equity.

#### 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 fiscal authorities. The tax rates and laws used in computing the taxable amounts are those enacted or substantially enacted at balance sheet date.

#### Deferred tax

Deferred tax is accounted for using the balance sheet liability method on temporary differences between carrying amounts of assets and liabilities for financial reporting purposes and the amounts for fiscal 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 balance sheet 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 profit 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 balance sheet date and are recognized to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

### 4.23 Other liabilities

Other liabilities are initially recognized at nominal value.

### 4.24 Provisions

A provision is recognized in the balance sheet if the Company has a legal or constructive obligation as a result of a past event for which it is probable, that an outflow of economic benefits will be required to settle the obligation and that a reliable estimate of the amount of the obligation can be made. If the effect of time value is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market rates and, where appropriate, the risks specific to the liability.

### 4.25 Subordinated loans

Subordinated loans are initially recognized at nominal value.

### 4.26 Equity attributable to equity holders of the parent

Equity is accounted for as the residual interest of the Company after deducting all its liabilities. The amount at which equity is shown in the balance sheet 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 balance sheet date are not retroactively reflected in the financial statements of the period just ended.

Minority interests are presented in the consolidated balance sheet as a part of total equity, separately from the Company's equity.

### 4.27 Impairment of financial assets

The bank assesses at each balance sheet date whether there is any objective evidence that a financial asset or a group of financial assets has to be 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 defaults or delinquencies 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;
- observable data indicating a measurable decrease in 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. For a quoted financial instrument available-for-sale, the recoverable amount is determined by reference to the market price. It is considered impaired if objective evidence indicates that the decline in market price has reached such a level that recovery of the cost value can not be reasonably expected within the foreseeable future. For non-quoted financial instruments, the recoverable amount is determined by applying recognized valuation techniques. Management may adjust valuations determined in this way based on its judgment.

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 Company considers a decline of 25% as 'significant' and a period of longer than 6 months as 'prolonged'.

For loans and advances to customers carried at amortised cost, the Company 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 Company. In determining the extent of the impairment, management evaluates the risk in the portfolio, current economic conditions, loss experiences 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.

# NOTES TO THE CONSOLIDATED INCOME STATEMENT

## 5. Interest income

Interest income breaks down as follows:

| (EUR x 1,000) | 2008 | 2007 |
|---|---|---|
| Financial assets available-for-sale | 170,238 | 140,977 |
| Loans and advances | 54,540 | 52,425 |
| Financial assets held-to-maturity | 24,336 | 43,658 |
| Financial assets designated at fair value through profit or loss | 47,732 | 52,951 |
| Financial assets held for trading | 16,895 | 9,884 |
| Derivatives | 26,586 | 18,946 |
| Cash and balances with central banks | 6,564 | 6,123 |
| Due from other banks | 46,670 | 43,587 |
| **Total** | **393,561** | **368,551** |

## 6. Interest expense

Interest expense breaks down as follows:

| (EUR x 1,000) | 2008 | 2007 |
|---|---|---|
| Due to customers | 287,040 | 254,105 |
| Due to other banks | 2,784 | 15,917 |
| Derivatives | 23,966 | 46,820 |
| Subordinated loans | 1,948 | 1,753 |
| Other | 96 | 3 |
| **Total** | **315,834** | **318,598** |

## 7. Fee and commission income

Fee and commission income breaks down as follows:

| (EUR x 1,000) | 2008 | 2007 |
|---|---|---|
| Management fees | 46,938 | 56,251 |
| Securities transactions | 3,539 | 7,457 |
| Insurance fees | 2,853 | 3,961 |
| Other | 4,741 | 4,681 |
| **Total** | **58,071** | **72,350** |

## 8. Fee and commission expense

The expense breaks down as follows:

| (EUR x 1,000) | 2008 | 2007 |
|---|---|---|
| Distribution and maintenance fees | 8,070 | 5,051 |
| Securities transactions | 84 | 218 |
| Payment services | 391 | 946 |
| Other | 787 | 862 |
| **Total** | **9,332** | **7,077** |

## 9. Results of 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:

| (EUR x 1,000) | 2008 | 2007 |
|---|---|---|
| Gains and losses on debt securities | 11,546 | -15,201 |
| Gains and losses on equities | -4 | 5,672 |
| **Total** | **11,542** | **-9,529** |

## 10. Results on financial assets available-for-sale

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

| (EUR x 1,000) | 2008 | 2007 |
|---|---|---|
| Realized results on equities | 1,230 | 18,967 |
| Realized results on debt instruments | -2,050 | -2,386 |
| **Total** | **-820** | **16,581** |

## 11. Results on financial assets held for trading

Results on financial assets held for trading are as follows:

| (EUR x 1,000) | 2008 | 2007 |
|---|---|---|
| Derivatives | -18,287 | 13,058 |
| Equities | -76,606 | 20,556 |
| Debt securities | 43,695 | 8,102 |
| Foreign currencies | -3,186 | 2,650 |
| Other | 13,657 | -1,307 |
| **Total** | **-40,727** | **43,059** |

## 12. Other income

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

## 13. Employee benefits

Employee benefits break down as follows:

| (EUR x 1,000) | 2008 | 2007 |
|---|---|---|
| Wages and salaries | 9,383 | 10,044 |
| Social security costs | 2,042 | 3,337 |
| Pension costs | 1,741 | 1,826 |
| Temporary staff | 2,155 | 2,081 |
| Other staff costs | 158 | 1,299 |
| **Total** | **15,479** | **18,587** |

In the Netherlands, Robeco Direct N.V. does not employ personnel itself. Robeco Netherlands B.V. is the actual employer that charges personnel-related costs to the Company. On average, the recharged costs – classified as Administrative expenses – concern 295 FTE's in 2008 (2007: 301 FTE's). In other countries, employees are directly employed by Robeco Direct N.V. On average, the Company had in those countries a workforce of 117 employees in 2008 (2007: 145 employees), which are distributed as follows:

| Average employed number of employees (FTE's) | 2008 | 2007 |
|---|---|---|
| Belgium | 3 | 33 |
| France | 114 | 112 |
| **Total** | **117** | **145** |

## 14. Administrative expenses

Administrative expenses break down as follows:

| (EUR x 1,000) | 2008 | 2007 |
|---|---|---|
| Rental bank premises and equipment | 1,604 | 2,033 |
| Other office expenses | 533 | 948 |
| Travel and accommodation | 231 | 199 |
| Training | 138 | 197 |
| Information technology | 706 | 1,737 |
| Marketing | 1,455 | 2,360 |
| Advice | 833 | 2,698 |
| Charged costs | 71,977 | 72,346 |
| Other administrative expenses | 4,639 | 3,813 |
| **Total** | **82,116** | **86,331** |

Charged costs comprise recharges from Robeco Nederland B.V. for personnel, housing and ICT expenses. They include recharges for the remuneration of the Management Board amounting to EUR 540,000 (2007: EUR 534,000).

## 15. Depreciation and amortization expenses

Depreciation and amortization expenses break down as follows:

| (EUR x 1,000) | 2008 | 2007 |
|---|---|---|
| Property and equipment | 247 | 308 |
| Intangible assets | 121 | 113 |
| **Total** | **368** | **421** |

For the separate movements, reference is made to Note 26, Property and equipment and Note 27, Intangible assets.

## 16. Impairment result

The impairment result breaks down as follows:

| (EUR x 1,000) | 2008 | 2007 |
|---|---|---|
| Impairment of financial assets | 67,414 | - |
| Value adjustment on credit to customers | 1,730 | 67 |
| **Total** | **69,144** | **67** |

The impairment of financial assets relates to asset-backed securities (ABSs) and investments in private equity funds, a collateralized debt obligation and a real estate obligation. Based on the market circumstances in 2008, the Company made an assessment of its ABS portfolio, which is part of the financial assets available-for-Sale. The outcome of the in-depth analysis resulted in an impairment of eight individual ABS titles. A sharp decline in the fair value of the other investments gave cause to recognize an impairment of these investments.

## 17. Income tax

Income tax recognized in the income statement breaks down as follows:

| (EUR x 1,000) | 2008 | 2007 |
|---|---|---|
| Current year | -14,694 | 17,087 |
| Prior-year adjustment | -2,021 | 222 |
| **Total** | **-16,715** | **17,309** |

The reconciliation between the tax expense and the result for the years 2008 and 2007 is as follows:

| (EUR x 1,000) | 2008 | 2007 |
|---|---|---|
| Accounting profit before tax | -61,513 | 67,591 |
| Non-deductible expenses | 77 | 34 |
| Result of unconsolidated entities | 3,419 | 103 |
| Other | 486 | -28 |
| **Taxable income** | **-57,531** | **67,700** |
| **Tax at statutory tax rate (25.5%)** | **-14,671** | **17,263** |
| Adjustments for tax assessments previous years | -2,021 | 222 |
| Effect of different statutory tax rates foreign operations | -23 | 115 |
| Other | - | -291 |
| **Income tax expense as reported in income statement** | **-16,715** | **17,309** |
| **Effective tax rate** | **29.1%** | **25.6%** |

Due to a tax covenant with the Dutch fiscal authorities, future tax returns will to a large extent be drawn up in compliance with IFRS with retrospective effect to 1 January 2005. As a consequence, the 2008 effective tax rate is adversely affected for EUR 2.0 million, or 3.5 percentage points.

# NOTES TO THE CONSOLIDATED BALANCE SHEET

## 18. Cash and balances at central banks

Cash and balances at central banks break down as follows:

| (EUR x 1,000) | 2008 | 2007 |
|---|---|---|
| Mandatory reserve central banks | 154,381 | 169,447 |
| Cash in hand | 1 | 1 |
| **Total** | **154,382** | **169,448** |

During the period 10 December 2008 to 21 January 2009, EUR 154.6 million (2007: EUR 169.1 million) was held on average to meet regulatory liquidity requirements set by DNB and was therefore restricted.

## 19. Due from other banks

Due from other banks breaks down as follows:

| (EUR x 1,000) | 2008 | 2007 |
|---|---|---|
| Other banks available on demand | 992,036 | 471,218 |
| Other banks not available on demand | 372,872 | 136,032 |
| Cash receivables securities | 70,477 | 129,993 |
| Loans to banks | 55,134 | 1,520 |
| **Total** | **1,490,519** | **738,763** |

Cash receivables securities are broker positions at year-end due to differences between trading and settlement dates.

## 20. Derivatives

Notional amounts or contract sizes of derivatives provide the basis for comparison with instruments recognized in the balance sheet, but do not necessarily indicate the value of future cash flows involved or the current fair value of these derivatives and therefore do not indicate the Company's exposure to credit or price risks. The notional amount represents the value of a derivative's underlying asset, reference rate or index and forms the basis for measurement of the derivative's value. It provides an indication of the volume of the Company's transactions but not any measure of risk. Some derivatives are standardized in terms of notional amount and settlement date and are designed to be traded in 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).

| (EUR x 1,000) | 2008 | | | 2007 | | |
|---|---|---|---|---|---|---|
| | Contract/ | Fair values | | Contract/ | Fair values | |
| | Notional | Assets | Liabilities | Notional | Assets | Liabilities |
| Funded total return swaps | 563,803 | 56,290 | 620,093 | 504,418 | - | 504,418 |
| Equity swaps | 8,634 | 8,689 | 55 | 31,662 | 31,662 | - |
| Interest rate swaps | 1,882,437 | 6,958 | 80,616 | 1,315,778 | 5,896 | 23,312 |
| Swaptions | 85,345 | 2,119 | 2,119 | 112,200 | - | - |
| Credit default swaps | 69,628 | 2,590 | 194 | 11,031 | - | - |
| Foreign currency forwards | 184,796 | 1,915 | 2,804 | 155,700 | 3,284 | 144 |
| Other derivatives | - | 1,931 | 1,300 | - | 955 | 946 |
| **Total recognized derivatives** | | **80,492** | **707,181** | | **41,797** | **528,820** |

Positive fair values represent the cost to the Company to replace all transactions, if all counterparties were to default. Negative fair values represent the cost incurred by counterparties to replace all transactions, if the Company were to default. Positive and negative fair values are separately shown on the balance sheet. Derivatives become favorable (assets) or unfavorable (liabilities) due to 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 derivatives held, the degree to which they are favorable or unfavorable and hence their total fair value may fluctuate significantly.

Derivatives include an interest rate swap designated as an element of a package of instruments, to which the Company applies the "fair value option". These instruments are disclosed under financial assets designated at fair value through profit or loss.

## 21. Financial assets held for trading

Financial assets held for trading include EUR 620.1 million (2007: EUR 504.4 million) held to back total return swaps entered into with Rabobank and Deutsche Bank in order to meet specific investment objectives of note holders bearing the investment risk arising from trading financial assets. The fair values of financial assets held for trading break down as follows:

| | 2008 | | | 2007 | | |
|---|---|---|---|---|---|---|
| (EUR x 1,000) | **Listed** | **Unlisted** | **Total** | **Listed** | **Unlisted** | **Total** |
| Debt securities | 402,199 | 2,676 | 404,875 | 162,280 | 1,302 | 163,582 |
| Equity securities | 80,168 | 611,105 | 691,273 | 166,974 | 541,894 | 708,868 |
| **Total** | **482,367** | **613,781** | **1,096,148** | **329,254** | **543,196** | **872,450** |

The distinction between Listed and Unlisted may vary from the way Active markets and Non-active markets are distinguished. For the latter distinction, refer to the Valuation Methodology table in Note 40.

## 22. Financial assets designated at fair value through profit or loss

Government bonds, bankers 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 Company decided not to apply hedge accounting. The non-trading financial assets designated at fair value through profit and loss break down as follows:

| | 2008 | | | 2007 | | |
|---|---|---|---|---|---|---|
| (EUR x 1,000) | **Listed** | **Unlisted** | **Total** | **Listed** | **Unlisted** | **Total** |
| Government bonds | 129,281 | - | 129,281 | 221,510 | - | 221,510 |
| Bankers bonds | 311,531 | 4,778 | 316,309 | 321,164 | 4,784 | 325,948 |
| Other debt securities | 68,995 | - | 68,995 | 100,624 | - | 100,624 |
| Mortgages | - | 652,250 | 652,250 | - | 413,211 | 413,211 |
| Purchased loans | - | - | - | - | 27,232 | 27,232 |
| Equity securities | 1,184 | - | 1,184 | 712 | - | 712 |
| **Total** | **510,991** | **657,028** | **1,168,019** | **644,010** | **445,227** | **1,089,237** |

The distinction between Listed and Unlisted may vary from the way Active markets and Non-active markets are distinguished. For the latter distinction, refer to the Valuation Methodology table in Note 40.

To the existing mortgage portfolio with a nominal value of EUR 400 million, the bank added a EUR 200 million tranche in 2008. The mortgage portfolio is bought 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 Company can apply as it manages the financial assets and liabilities in the package as a group and evaluates its performance on a fair value basis. From an interest rate perspective, there is no accounting mismatch. The package's total nominal value equaled the total fair value on all of the above dates. Hence, there are no revaluation results. The fair value of this particular package at year-end amounts to:

| (EUR x 1,000) | **2008** | **2007** |
|---|---|---|
| Mortgage portfolio | 652,250 | 413,211 |
| Less: Saving deposits | -24,779 | -19,205 |
| Less: Interest rate swaps | -41,863 | -6,861 |
| **Total** | **585,608** | **387,145** |

The maximum credit exposure of purchased loans and mortgages was EUR 657.0 million (2007: EUR 445.2 million). The change in fair value of purchased loans and mortgages attributable to changes in credit risk was EUR -0.2 million (2007: EUR +0.1 million).

## 23. Loans and advances

Loans and advances break down as follows:

| (EUR x 1,000) | 2008 | 2007 |
|---|---|---|
| Mortgages | 1,011,031 | 1,069,589 |
| Private sector commercial loans | 90,310 | 37,361 |
| Private sector overdrafts | 55,476 | 21,864 |
| Public sector loans | 54,523 | 23,234 |
| Credits collateralized by securities | 21,295 | 14,531 |
| Other | 117 | 16,005 |
| **Total** | **1,232,752** | **1,182,584** |

In relation to private sector loans, the Company holds collateral, consisting of securities and properties. No interest is accrued for impaired loans at 31 December 2008 (2007: EUR 0 million).

## 24. Financial assets available-for-sale

The fair values of the Company's financial assets available-for-sale break down as follows:

| | 2008 | | | 2007 | | |
|---|---|---|---|---|---|---|
| (EUR x 1,000) | Listed | Unlisted | Total | Listed | Unlisted | Total |
| Government bonds | 1,762,137 | - | 1,762,137 | 1,860,986 | - | 1,860,986 |
| Bankers bonds | 981,741 | - | 981,741 | 730,718 | - | 730,718 |
| Asset-backed securities | 633,688 | - | 633,688 | 883,123 | - | 883,123 |
| Commercial deposits/commercial paper | - | 36,936 | 36,936 | - | 29,966 | 29,966 |
| Other debt securities | 292,847 | 4,631 | 297,478 | 357,776 | 11,680 | 369,456 |
| Equity securities | - | 50,252 | 50,252 | - | 55,787 | 55,787 |
| **Total** | **3,670,413** | **91,819** | **3,762,232** | **3,832,603** | **97,433** | **3,930,036** |

The distinction between Listed and Unlisted may vary from the way Active markets and Non-active markets are distinguished. For the latter distinction, refer to the Valuation Methodology table in Note 40.

## 25. Financial assets held-to-maturity

The Company's financial assets held-to-maturity break down as follows:

| | 2008 | | | 2007 | | |
|---|---|---|---|---|---|---|
| (EUR x 1,000) | Listed | Unlisted | Total | Listed | Unlisted | Total |
| Government bonds | 463,356 | - | 463,356 | 820,599 | - | 820,599 |
| Bankers bonds | 41,493 | - | 41,493 | 114,131 | - | 114,131 |
| **Total** | **504,849** | **-** | **504,849** | **934,730** | **-** | **934,730** |

The distinction between Listed and Unlisted may vary from the way Active markets and Non-active markets are distinguished. For the latter distinction, refer to the Valuation Methodology table in Note 40.

## 26. Property and equipment

Movements in property and equipment are as follows:

| (EUR x 1,000) | 2008 | 2007 |
|---|---|---|
| Cost | 3,750 | 4,081 |
| Accumulated depreciation and impairment | -2,940 | -3,249 |
| **Net carrying amount at 1 January** | **810** | **832** |
| Additions | 289 | 424 |
| Disposal/Acquisitions of subsidiaries | -71 | -138 |
| Depreciation | -247 | -308 |
| **Net carrying amount at 31 December** | **781** | **810** |
| Cost | 3,939 | 3,750 |
| Accumulated depreciation and impairment | -3,158 | -2,940 |
| **Net carrying amount at 31 December** | **781** | **810** |

## 27. Intangible assets

Movements in the intangible assets are as follows:

| (EUR x 1,000) | 2008 | 2007 |
|---|---|---|
| Cost | 4,868 | 5,768 |
| Accumulated amortization and impairment | -4,732 | -5,579 |
| **Net carrying amount at 1 January** | **136** | **189** |
| Additions | 440 | 113 |
| Disposal/Acquisitions of subsidiaries | -63 | -53 |
| Amortization | -121 | -113 |
| **Net carrying amount at 31 December** | **392** | **136** |
| Cost | 5,163 | 4,868 |
| Accumulated amortization and impairment | -4,771 | -4,732 |
| **Net carrying amount at 31 December** | **392** | **136** |

## 28. Other assets

Other assets break down as follows:

| (EUR x 1,000) | 2008 | 2007 |
|---|---|---|
| Interest receivable and accrued income | 114,144 | 129,449 |
| Capitalized structuring fee | 20,448 | 30,134 |
| Others | 23,952 | 46,427 |
| **Total** | **158,544** | **206,010** |

## 29. Due to other banks

Due to other banks breaks down as follows:

| (EUR x 1,000) | 2008 | 2007 |
|---|---|---|
| Call money/balances available on demand | 666,521 | 615,130 |
| Overdrafts | - | 328 |
| Liability securities transactions | 17,672 | 81,345 |
| Time deposits | - | 38,227 |
| **Total** | **684,193** | **735,030** |

Call money/balances available on demand refer to saving accounts via third-party distributors. The 2007 figures were adjusted to reflect a reclassification of fiduciary deposits (EUR 367.8 million) from Call money/balances available on demand to Due to customers, as the counterparty was not a bank.

## 30. Financial liabilities trading

Financial liabilities trading comprise short-position shares held by the consolidated investment funds.

## 31. Due to customers

Due to customers breaks down as follows:

| (EUR x 1,000) | **2008** | **2007** |
|---|---|---|
| Saving deposits available on demand | 4,501,714 | 5,546,458 |
| Time deposits | 3,055,388 | 1,514,813 |
| Current accounts/settlement accounts | 10,512 | 6,905 |
| Other | 161 | 1,637 |
| **Total** | **7,567,775** | **7,069,813** |

Saving deposits available on demand refer to clients' saving accounts. The 2007 figures were adjusted to reflect a reclassification of fiduciary deposits (EUR 367.8 million) from Due to other banks to Saving deposits available on demand. Time deposits are fixed-term savings and deposits provided by clients and funds managed by Robeco Group.

## 32. Issued securities

Issued securities are certificates issued to investors and are mainly stated at fair value. Revaluation for a drop in the Company's creditworthiness was unnecessary, as its creditworthiness did not change during 2008.

## 33. Deferred tax liabilities

Deferred tax liabilities are attributable to the following items:

| (EUR x 1,000) | **Balance sheet** | | **Income statement** | |
|---|---|---|---|---|
| | **2008** | **2007** | **2008** | **2007** |
| Temporary differences regarding financial assets held-to-maturity | - | 1,505 | - | - |
| Revaluation of interest-rate swaps to fair value | - | 345 | - | - |
| Revaluation of financial assets fair value through profit or loss | - | 17 | - | - |
| Unrealized results of available-for-sale portfolio | - | 6,474 | 942 | - |
| **Total deferred tax liabilities** | **-** | **8,341** | | |
| **Deferred income tax** | | | **942** | **-** |

Due to a new covenant with the Dutch fiscal authorities, future tax returns will up to a large extent be drawn up in compliance with IFRS, retrospectively till 1 January 2005. Therefore, no deferred tax liabilities are recognized in 2008. Movements in the deferred tax liabilities are as follows:

| (EUR x 1,000) | **2008** | **2007** |
|---|---|---|
| **Balance at 1 January** | **8,341** | **8,436** |
| Change value financial assets available-for-sale | - | -14,008 |
| Change in value investment portfolio | - | 332 |
| Change in previous years | -842 | - |
| Income statement charge due to changed fiscal accounting principle | 942 | - |
| Release to current income tax | -8,441 | 13,581 |
| **Balance at 31 December** | **-** | **8,341** |

No deferred taxes are recognized for operating losses of Banque Robeco S.A. (EUR 0.9 million; 2007: 0 million). The 2007 deferred tax liabilities were to be realized after more than 1 year.

## 34. Other liabilities

Other liabilities break down as follows:

| (EUR x 1,000) | **2008** | **2007** |
|---|---|---|
| Accrued interest payable | 197,214 | 194,911 |
| Creditors | 18,253 | 18,036 |
| Accruals | 7,892 | 6,355 |
| Company tax payable | 1 | 344 |
| **Total** | **223,360** | **219,646** |

## 35. Provisions

The provisions, mostly of a current nature, break down as follows:

| (EUR x 1,000) | **2008** | **2007** |
|---|---|---|
| Onerous contracts | - | 282 |
| Legal and fiscal claims | 341 | 352 |
| **Total** | **341** | **634** |

Movements in provisions are as follows:

| (EUR x 1,000) | **Onerous contracts** | | **Legal and fiscal** | |
|---|---|---|---|---|
| | **2008** | **2007** | **2008** | **2007** |
| **Balance at 1 January** | **282** | **282** | **352** | **513** |
| Additions | - | - | 5 | - |
| Disposals | -282 | - | -16 | -161 |
| **Balance at 31 December** | **-** | **282** | **341** | **352** |

## 36. Subordinated loans

Two loans totaling EUR 37.7 million (2007: EUR 37.7 million), granted by Rabobank Nederland at variable interest rates (Euribor + 40 basis points), are subordinated to all other present and future liabilities of Robeco Direct N.V. The term is indefinite and subject to a five-year notice period. The loans were granted due to solvency rules set by DNB and can only be repaid after approval from DNB.

The average variable interest rates paid on the loans are as follows:

| (EUR x million) | **Nominal value** | **Average interest rate** | |
|---|---|---|---|
| | | **2008** | **2007** |
| Rabobank Nederland | 26.3 | 5.02% | 4.50% |
| Rabobank Nederland | 11.4 | 5.08% | 4.58% |

## 37. Equity attributable to equity holders of the parent

Movements in equity attributable to equity holders of the parent are as follows:

| (EUR x 1,000) | Attributable to equity holders of the parent | | | | | |
|---|---|---|---|---|---|---|
| | **Issued capital** | **Share premium** | **Reserve net unrealized results** | **Foreign currency translation reserve** | **Retained earnings** | **Total** |
| **At 1 January 2008** | **340** | **145,323** | **-39,894** | **-3,734** | **293,504** | **395,539** |
| Net unrealized results on financial assets available-for-sale | - | - | -228,249 | - | - | -228,249 |
| Realized results on financial assets available-for-sale reclassified to the income statement: | | | | | | |
| - on disposal | - | - | 820 | - | - | 820 |
| - due to impairment | - | - | 67,413 | - | - | 67,413 |
| Tax effect of net result on financial assets available-for-sale | - | - | 39,333 | - | - | 39,333 |
| Foreign currency translation | - | - | - | 3,742 | - | 3,742 |
| **Total income and expense for the year recognized directly in equity** | **-** | **-** | **-120,683** | **3,742** | **-** | **-116,941** |
| Result for the year | - | - | - | - | -41,379 | -41,379 |
| Dividend payment | - | - | - | - | -50,385 | -50,385 |
| **Total income and expense for the year** | **-** | **-** | **-120,683** | **3,742** | **-91,764** | **-208,705** |
| Capital increase | - | 50,000 | - | - | - | 50,000 |
| **At 31 December 2008** | **340** | **195,323** | **-160,577** | **8** | **204,436** | **239,530** |

In 2008, the shareholder provided the Company with an additional EUR 50 million share premium to assure that, despite the negatively developing result for the year, the solvency ratio would not decrease.

| (EUR x 1,000) | Attributable to equity holders of the parent | | | | | |
|---|---|---|---|---|---|---|
| | **Issued capital** | **Share premium** | **Reserve net unrealized results** | **Foreign currency translation reserve** | **Retained earnings** | **Total** |
| **At 1 January 2007** | **340** | **145,323** | **1,068** | **-184** | **291,127** | **437,674** |
| Net unrealized results on financial assets available-for-sale | - | - | -38,389 | - | - | -38,389 |
| Realized results on financial assets available-for-sale reclassified to the income statement on disposal | - | - | -16,581 | - | - | -16,581 |
| Tax effect of net result on financial assets available-for-sale | - | - | 14,008 | - | - | 14,008 |
| Foreign currency translation | - | - | - | -3,550 | - | -3,550 |
| **Total income and expense for the year recognized directly in equity** | **-** | **-** | **-40,962** | **-3,550** | **-** | **-44,512** |
| Result for the year | - | - | - | - | 50,385 | 50,385 |
| Dividend payment | - | - | - | - | -45,312 | -45,312 |
| **Total income and expense for the year** | **-** | **-** | **-40,962** | **-3,550** | **5,073** | **-39,439** |
| **At 31 December 2007** | **340** | **145,323** | **-39,894** | **-3,734** | **296,200** | **398,235** |

The authorized share capital amounts to EUR 1.0 million (2007: EUR 1.0 million), consisting of 200,000 shares with a nominal value of EUR 5 each, of which EUR 340,340 is paid in full. Shareholders are entitled to receive dividends when declared and to vote on a one vote per share basis at the Company's shareholders meetings.

## 38. Minority interests

This relates to interests in Robeco Structured Finance Fund Listed Private Equity (15%), VCM Emerging Managers Fund (1%), Robeco Multi Alternatives (41%), Robeco 130/30 Emerging Markets (15%), Hermes Investment Fund (41%), Robeco Infrastructure Equities (20%), SAM Sustainable Long short Global Fund (17%), Robeco All Weather Global (17%) and Rabobank Opbouwhypotheek & ToekomstRekening (1%). In 2007, minority interest related to interests in the equity of Robeco CGF Robeco US Midcap Equities (5%), Robeco Structured Finance Fund Listed Private Equity (1%), VCM Emerging Managers Fund (2%) and WPG Event-Driven Multi Strategy Overseas L.P (7%).

Movements in this item are as follows:

| (EUR x 1,000) | 2008 | 2007 |
|---|---|---|
| **Balance at 1 January** | **2,113** | **6,962** |
| Net profit or loss for the financial year | -3,419 | -103 |
| Change of assets and liabilities third parties | 22,229 | -4,746 |
| **Balance at 31 December** | **20,923** | **2,113** |

## 39. Contingent liabilities

**Rental commitments**
The Company has rental commitments totaling EUR 4.8 million with regard to buildings. These rental agreements have remaining terms of between 4 and 7 years.

**Capital commitments**
The Company has a commitment to repurchase specific bonds when requested by bondholders; these securities with nominal amount of EUR 503.7 million (2007: EUR 1,067.6 million) can be unwound without a loss. At 31 December 2008, the Company had EUR 525.6 million in irrevocable credit facilities related to mortgages, credits and guarantees (2007: EUR 507.5 million). These are all secured by customers' assets. The Company has capital commitments of EUR 99.5 million with regard to co-investments in private equity funds (2007: EUR 113.1 million).

**Pledged assets**

| (EUR x 1,000) | Carrying amount | | Notional amount | |
|---|---|---|---|---|
| | 2008 | 2007 | 2008 | 2007 |
| Financial assets available-for-sale | 295,956 | 155,348 | 290,000 | 155,000 |
| Financial assets designated fair value through profit or loss | - | 9,197 | - | 9,076 |
| **Total** | **295,956** | **164,545** | **290,000** | **164,076** |

The assets pledged by the Company are strictly for the purpose of providing collateral to counterparties.

## 40. Financial risk management objectives and policies

The Company applies various indicators for the assessment of financial performance. The use of these indicators is part of the strategic capital allocation process that has been developed over the last few years and that will be further refined as part of the ongoing effort 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 units and activities. Economic capital is determined by the Company's risk appetite, available capital and portfolio of activities. In determining economic capital, the Company distinguishes between financial risk types (credit risk, market risk and interest rate risk) and non-financial risk types (operational risk 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.

Allocation of capital to financial risk types (notably market risk and credit risk) is influenced by the requirements for seed capital and co-investments, secondary market support and (dynamic) hedging of structured products issued by Robeco. Providing 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 the 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 Company's Asset and Liability Management (ALM) activities is geared towards optimizing interest rate risk results within the risk and other boundaries set by the Asset and Liability Committee (ALCO). These boundaries and the allocation of capital to credit risk and interest rate risk depend on availability of risk capital and on the opportunities in the markets.

The credit crisis that erupted in 2008 also had an impact on Robeco. In the last quarter, the effects of the crisis, as it spread to the real economy, became more apparent and many industrialized countries landed in a recession. Close monitoring of the risks was enabled by the creation of a crisis consultation committee consisting of members of the board of the Robeco Group's different companies, supported by representatives of several departments, like Corporate Compliance and Risk Management.

**Credit risk**

Credit risk, governed by the credit risk policies approved by ALCO and the Management Board, relates mainly to the ALM activities in which entrusted funds 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 bank's trading and investment books and co-investment positions. The bank significantly revised its credit risk monitoring process over the last years. It received a conditional approval for the use of the Advanced Internal Rating Based ('IRB-A') approach to calculate regulatory capital requirements for credit risk as from 1 January 2009.

An overall limit in terms of economic capital is applicable. For most credit exposures, the calculation of capital requirements is based on the use of internal models for Probability of Default, Loss Given Default, Exposure At Default and Maturity. For securitizations, the bank applies the Rating Based Approach capital requirement methodology of the Basel II Securitization Framework. For equity exposures in the bank's books, the Simple Risk Weight Approach applies. For the immaterial portfolios (loans collateralized by securities, non-retail mortgages and corporate bonds in the banking portfolio), the Standardized Approach applies. 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 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.

The bank's management receives credit risk reports on a weekly basis. ALCO receives monthly credit risk reports, containing detailed overviews of the different exposure types, corresponding capital requirements and an analysis of changes in credit risk exposures. The report also describes market developments. In the below table, the maximum exposure to credit risk for the balance sheet components including derivatives is shown gross before mitigation through the use of master netting and collateral agreements.

| (EUR x 1,000) | **2008** | **2007** |
|---|---|---|
| Cash and balance central bank | 154,382 | 169,448 |
| Due from other banks | 1,490,519 | 738,763 |
| Derivatives | 80,492 | 41,797 |
| Financial assets designated at fair value through profit or loss | 1,168,019 | 1,089,237 |
| Loans and advances | 1,232,752 | 1,182,584 |
| Financial assets available-for-sale | 3,762,232 | 3,930,036 |
| Financial assets held-to-maturity | 504,849 | 934,730 |
| **Total** | **8,393,245** | **8,086,595** |
| | | |
| Off-balance sheet items – credit-related obligations | 625,147 | 620,646 |
| **Total maximum credit risk exposure** | **9,018,392** | **8,707,241** |

Where financial instruments are recorded at fair value, the amounts shown above represent the current credit risk exposure but not the maximum risk exposure that could arise in the future as a result of changes in values. The credit-related obligations comprise irrevocable credit facilities related to mortgages, credits and guarantees of EUR 625.1 million at December 31, 2008 (2007: EUR 620.6 million). Most of the unused portion of irrevocable credit facilities is secured by customers' assets.

**Risk concentrations of the maximum exposure to credit risk**

The concentration of risk is managed by the counterparty. The maximum credit exposure to any client or counterparty at 31 December 2008 amounted to EUR 1,492 million (2007: EUR 801 million) in the category Institutional investors.

| (EUR x 1,000) | 2008 | | 2007 | |
|---|---|---|---|---|
| | **EUR** | **%** | **EUR** | **%** |
| Central governments and central banks | 2,662,824 | 29.5% | 3,152,283 | 36.2% |
| Institutional investors | 2,931,650 | 32.6% | 1,988,301 | 22.8% |
| Corporates | 362,973 | 4.0% | 495,558 | 5.7% |
| Retail | 2,186,293 | 24.2% | 1,957,784 | 22.5% |
| Equity | 159,666 | 1.8% | 112,779 | 1.3% |
| Securitizations | 714,986 | 7.9% | 1,000,536 | 11.5% |
| **Total maximum credit risk exposure** | **9,018,392** | **100.0%** | **8,707,241** | **100.0%** |

**Collateral and other credit enhancements**

The amount and type of collateral required depends on the assessment of the counterparty's credit risk. Guidelines are implemented 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 mostly internal and in certain cases external credit ratings. The table below shows the credit quality by class of asset, based on the rating methodology applied:

| (EUR x million) | **Financial assets neither past due nor impaired** | | | **Past due or individually impaired** | **Total** |
|---|---|---|---|---|---|
| **At 31 December 2008** | **High grade** | **Standard grade** | **Sub-standard grade** | | |
| Financial assets: | | | | | |
| - available-for-sale | 3,462.9 | 193.7 | 38.1 | 17.3 | 3,712.0 |
| *- government bonds* | *1,702.9* | *25.0* | *34.2* | - | *1,762.1* |
| *- bankers bonds* | *905.9* | *75.8* | - | - | *981.7* |
| *- asset-backed securities* | *561.2* | *55.8* | - | *16.7* | *633.7* |
| *- other securities* | *292.9* | *37.1* | *3.9* | *0.6* | *334.5* |
| - held-to-maturity | 479.9 | - | 24.9 | - | 504.8 |
| - fair value through profit or loss | 601.8 | 548.1 | 0.2 | 17.3 | 1,167.4 |
| - loans and advances | 485.8 | 715.7 | 6.0 | 26.8 | 1,234.3 |
| Due from other banks | 1,484.4 | 6.1 | - | - | 1,490.5 |
| Cash and cash equivalents | 154.4 | - | - | - | 154.4 |
| **Total** | **6,669.2** | **1,463.6** | **69.2** | **61.4** | **8,263.4** |

| (EUR x million) | **Financial assets neither past due nor impaired** | | | **Past due or individually impaired** | **Total** |
|---|---|---|---|---|---|
| **At 31 December 2007** | **High grade** | **Standard grade** | **Sub-standard grade** | | |
| Financial assets: | | | | | |
| - available-for-sale | 3,597.4 | 320.9 | 11.7 | - | 3,930.0 |
| *- government bonds* | *1,800.9* | *60.1* | - | - | *1,861.0* |
| *- bankers bonds* | *682.0* | *48.7* | - | - | *730.7* |
| *- asset-backed securities* | *747.1* | *136.0* | - | - | *883.1* |
| *- other securities* | *367.4* | *76.1* | *11.7* | - | *455.2* |
| - held-to-maturity | 934.7 | - | - | - | 934.7 |
| - fair value through profit or loss | 722.6 | 356.3 | 0.3 | 10.4 | 1,089.6 |
| - loans and advances | 347.3 | 719.6 | 8.6 | 107.1 | 1,182.6 |
| Due from other banks | 728.8 | 10.0 | - | - | 738.8 |

| | | | | | |
|---|---|---|---|---|---|
| Cash and cash equivalents | 169.5 | - | - | - | 169.5 |
| **Total** | **6,500.3** | **1,406.8** | **20.6** | **117.5** | **8,045.2** |

**Loan loss allowance**
The movements in the loan loss allowance during the year are as follows:

| (EUR x 1,000) | 2008 | | | 2007 | | |
|---|---|---|---|---|---|---|
| | Loans and advances | Fair value through profit or loss | Total | Loans and advances | Fair value through profit or loss | Total |
| **Balance at 1 January** | **22** | **394** | **416** | **6** | **343** | **349** |
| Additions | 1,600 | 130 | 1,730 | 16 | 51 | 67 |
| Written off and other charges | -16 | - | -16 | - | - | - |
| **Balance at 31 December** | **1,606** | **524** | **2,130** | **22** | **394** | **416** |

**Aging analysis of past due but not impaired loans per class of financial assets**
Of the gross amount of loans and advances to customers past due but not impaired, the fair value of collateral held by the Company amounted to EUR 51.7 million on 31 December 2008 (2007: EUR 129.2 million). See 'Collateral and other credit enhancements' for details on the types of collateral held.

| (EUR x million) | Days past due | | | | Total |
|---|---|---|---|---|---|
| | <30 | 31-60 | 61-90 | >90 | |
| **At 31 December 2008** | | | | | |
| Financial assets fair value through profit or loss | 12.4 | 1.8 | 1.5 | 1.6 | 17.3 |
| Loans and advances | 7.2 | 3.7 | 1.3 | 14.7 | 26.9 |
| **Total** | **19.6** | **5.5** | **2.8** | **16.3** | **44.2** |

| (EUR x million) | Days past due | | | | Total |
|---|---|---|---|---|---|
| | <30 | 31-60 | 61-90 | >90 | |
| **At 31 December 2007** | | | | | |
| Financial assets fair value through profit or loss | 7.8 | 1.5 | 0.5 | 0.6 | 10.4 |
| Loans and advances | 48.5 | 6.4 | 1.1 | 7.5 | 63.5 |
| **Total** | **56.3** | **7.9** | **1.6** | **8.1** | **73.9** |

**Interest rate risk**
Interest rate risk is governed by interest rate risk policies approved by the Asset and Liability Committee and the Management Board of Robeco Direct N.V. Interest rate risk relates to the Company's ALM activities. The sensitivity of trading book positions to interest rate changes is measured, monitored and controlled as integral part of market risk. Interest rate risk in the bank's books is part of the Pillar II Capital Adequacy assessment. It 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, a 99% one-tailed confidence level and a 1 month holding period. The Value at Risk at year end (at a 99% confidence level and a 1 month holding period) is EUR 6.4 million (2007: EUR 3.4 million) versus a EUR 15 million limit, excluding trading positions in the market risk Value at Risk.

Given the positions in the investment books, the Value at Risk calculations provide senior management insight into a potential loss threshold (EUR 6.4 million at year end) and the (inverse) probability (1%) that 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 the price/interest rate changes. The main disadvantage is the relative importance of the definition of the sample period and the implicit assumption that the 7 years of history are representative for the next holding period. Therefore, from 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 is a control on the overall level of deltas. Curvature control is in place to detect positions having an extreme barbell character. Barbell positions tend to be duration-neutral. Finally, steepness control limits unequal distribution of positive and negative deltas over time buckets.

Additional risk measures applied by the Company are:

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

Robeco Direct's management receives weekly interest rate risk reports. ALCO receives interest rate risk reports, containing an extensive analysis of interest rate risk exposures and changes therein, each month. The reports include a description of market and cash flow developments, an explanation of changed values of different risk measures and activities related to portfolio maintenance. It also contains an outlook for the next period.

The table hereafter, summarizing the exposure to interest rate risk, includes the Company's assets and liabilities at carrying amounts categorized by the earlier of contractual repricing and maturity dates. The off-balance sheet gap represents the net notional amounts of all interest-rate sensitive derivatives. Expected repricing and maturity dates do not differ significantly from contractual dates except for EUR 476.8 million (2007: EUR 413.6 million) in 'Loans and advances' and EUR 5,126 million (2007: EUR 6,673 million) in 'Due to customers and banks' up to one month, of which 86.1% (2007: 66.7%) represent balances on current accounts considered by the Company to be a relatively stable core source of funding of its operations.

| (EUR x million) | **Up to 1 month** | **1-3 months** | **3-12 months** | **1-5 years** | **>5 years** | **Non-interest-bearing** | **Total** |
|---|---|---|---|---|---|---|---|
| **At 31 December 2008** | | | | | | | |
| Cash and balance central bank | 154.4 | - | - | - | - | - | 154.4 |
| Due from other banks | 1,204.2 | 115.4 | 50.0 | 50.4 | - | 70.5 | 1,490.5 |
| Derivatives | 0.3 | 2.3 | 24.2 | - | 36.0 | 17.7 | 80.5 |
| Financial assets held for trading | - | 19.2 | 11.8 | 207.8 | 166.0 | 691.3 | 1,096,1 |
| Financial assets at fair value through profit or loss | 70.7 | 10.3 | 63.4 | 373.7 | 649.5 | 0.4 | 1,168.0 |
| Loans and advances | 563.3 | 15.0 | - | 305.8 | 330.8 | 17.9 | 1,232.8 |
| Financial assets available-for-sale | 638.2 | 759.4 | 431.6 | 1,796.6 | 86.1 | 50.3 | 3,762.2 |
| Financial assets held-to-maturity | - | - | 185.0 | 319.9 | - | - | 504.9 |
| Other assets | 16.3 | - | - | - | - | 142.2 | 158.5 |
| **Total assets** | **2,647.4** | **921.6** | **766.0** | **3,054.2** | **1,268.4** | **990.3** | **9,647.9** |
| | | | | | | | |
| Due to other banks | 681.5 | - | - | - | - | 2.7 | 684.2 |
| Derivatives | 20.1 | 52.8 | 6.2 | - | - | 628.1 | 707.2 |
| Financial liabilities trading | - | - | - | - | - | 0.7 | 0.7 |
| Due to customers | 5,098.4 | 922.7 | 1,483.0 | 1.1 | 23.6 | 39.0 | 7,567.8 |
| Issued securities | - | - | - | - | - | 167.4 | 167.4 |
| Other liabilities | 6.9 | - | - | - | - | 216.4 | 223.3 |
| Subordinated loans | - | 37.7 | - | - | - | - | 37.7 |
| **Total liabilities** | **5,806.9** | **1,013.2** | **1,489.2** | **1.1** | **23.6** | **1,054.3** | **9,388.3** |
| | | | | | | | |
| **Interest sensitivity gap** | | | | | | | |
| - on-balance sheet | -3,159.5 | -91.6 | -723.2 | 3,053.1 | 1,244.8 | -64.0 | 259.6 |
| - off-balance sheet | -51.7 | - | -137.9 | -820.3 | -858.7 | - | -1,868.6 |
| **Total interest sensitivity gap** | **-3,211.2** | **-91.6** | **-861.1** | **2,232.8** | **386.1** | **-64.0** | **-1,609.0** |

| (EUR x million) | Up to 1 month | 1-3 months | 3-12 months | 1-5 years | >5 years | Non-interest-bearing | Total |
|---|---|---|---|---|---|---|---|
| **At 31 December 2007** | | | | | | | |
| Cash and balance central bank | 169.5 | - | - | - | - | - | 169.5 |
| Due from other banks | 511.6 | 50.0 | 46.5 | - | - | 130.7 | 738.8 |
| Derivatives | 31.1 | - | - | - | - | 10.7 | 41.8 |
| Financial assets held for trading | 4.9 | - | 32.0 | 53.0 | 74.2 | 708.4 | 872.5 |
| Financial assets at fair value through profit or loss | 5.1 | 27.8 | 206.5 | 256.6 | 593.1 | 0.1 | 1,089.2 |
| Loans and advances | 597.5 | 30.0 | 7.1 | 250.4 | 269.3 | 28.3 | 1,182.6 |
| Financial assets available-for-sale | 616.7 | 735.7 | 379.7 | 2,055.4 | 86.7 | 55.8 | 3,930.0 |
| Financial assets held-to-maturity | 150.0 | 40.0 | 542.9 | 197.1 | 4.7 | - | 934.7 |
| Other assets | - | - | - | - | - | 206.0 | 206.0 |
| **Total assets** | **2,086.4** | **883.5** | **1,214.7** | **2,812.5** | **1,028.0** | **1,140.0** | **9,165.1** |
| | | | | | | | |
| Liabilities | | | | | | | |
| Due to other banks | 653.7 | - | - | - | - | 81.3 | 735.0 |
| Derivatives | 6.6 | 7.4 | - | - | - | 514.8 | 528.8 |
| Financial liabilities trading | - | - | - | - | - | 3.7 | 3.7 |
| Due to customers | 5,883.2 | 741.0 | 407.9 | - | 19.2 | 18.5 | 7,069.8 |
| Issued securities | - | - | 2.5 | - | - | 159.5 | 162.0 |
| Other liabilities | - | - | - | - | - | 219.7 | 219.7 |
| Subordinated loans | - | 37.7 | - | - | | - | 37.7 |
| **Total liabilities** | **6,543.5** | **786.1** | **410.4** | **-** | **19.2** | **997.5** | **8,756.7** |
| | | | | | | | |
| **Interest sensitivity gap** | | | | | | | |
| - on-balance sheet | -4,457.1 | 97.4 | 804.3 | 2,812.5 | 1,008.8 | 142.5 | |
| - off-balance sheet | -5.9 | -68.5 | -169.0 | -484.8 | -604.3 | -6.8 | |
| **Total interest sensitivity gap** | **-4,463.0** | **28.9** | **635.3** | **2,327.7** | **404.5** | **135.7** | |

The following liability items are part of IAS 39 category Other liabilities: Due to other banks, Due to customers, Other liabilities and Subordinated loans.

**Liquidity risk**

The bank is exposed to daily calls on its available cash resources from overnight deposits, current accounts, maturing deposits, loan draw-downs, guarantees and margin and other calls on cash-settled derivatives. It does not maintain cash resources to meet all of these needs as experience shows a minimum reinvestment level of maturing funds can be predicted with a high level of certainty. The Group Risk & Compliance Committee sets limits on the minimum proportion of maturing funds available to meet such calls and the marketability of assets needed to cover withdrawals at unexpected demand levels. The table categorizes the liabilities in relevant groups for the remaining period to the contractual maturity date at balance sheet date.

| (EUR x million) | On demand | Up to 1 month | 1-3 months | 3-12 months | 1-5 years | >5 years | No maturity | Total |
|---|---|---|---|---|---|---|---|---|
| **At 31 December 2008** | | | | | | | | |
| Due to other banks | 666.5 | 17.7 | - | - | - | - | - | 684.2 |
| Derivatives | - | 4.0 | 3.9 | 24.0 | 12.3 | 288.3 | 374.7 | 707.2 |
| Financial liabilities trading | - | - | 0.7 | - | - | - | - | 0.7 |
| Due to customers | 4,480.2 | 505.6 | 1,055.2 | 1,502.0 | - | 24.8 | - | 7,567.8 |
| Issued securities | - | - | - | - | - | - | 167.4 | 167.4 |
| Other liabilities | 10.7 | 171.3 | 26.5 | 14.8 | - | - | - | 223.3 |
| Subordinated loans | - | - | - | - | - | 37.7 | - | 37.7 |
| **Total liabilities** | **5,157.4** | **698.6** | **1,086.3** | **1,540.8** | **12.3** | **350.8** | **542.1** | **9,388.3** |
| | | | | | | | | |
| Commitments | 625.3 | - | - | - | - | - | - | 625.3 |
| **Total** | **5,782.7** | **698.6** | **1,086.3** | **1,540.8** | **12.3** | **350.8** | **542.1** | **10,013.6** |
| | | | | | | | | |
| **At 31 December 2007** | | | | | | | | |
| Total liabilities | 6,188.8 | 646.4 | 766.2 | 420.1 | 123.3 | 449.6 | 162.3 | 8,756.7 |
| Commitments | 620.6 | - | - | - | - | - | - | 620.6 |
| **Total** | **6,809.4** | **646.4** | **766.2** | **420.1** | **123.3** | **449.6** | **162.3** | **9,377.3** |

The total amounts presented above reconcile with the consolidated balance sheet due to the recognition of discounted cash flows. Liabilities in the trading portfolio are not analyzed on contractual maturity dates because trading liabilities are typically held on a short-term basis.

**Currency risk**
The Company is exposed to fluctuations in prevailing foreign currency rates on its financial position and cash flows. The Management Board sets limits on the level of exposure by currency and in total which currencies are monitored on a daily basis (trading financial assets and liabilities) or a monthly basis. The currency risk as of 31 December 2008 is EUR 2.0 million (2007: EUR 1.1 million).

**Market Risk**
Market risk is governed by market risk policies approved by the Asset and Liability Committee. The purpose of these policies is to protect the Company's capital and to allow market risk exposures without compromising the Company's capital or the stability of its earnings. The Company's use of market risk capacity is primarily oriented to facilitate seeding requests (to build track records or provide initial or temporary capital) and the hedging of structured products issued by Robeco Group. The Value at Risk of a portfolio is the maximum loss in the portfolio over a given holding period, at a particular confidence level, assuming that positions can not be adjusted during the holding period. The Value at Risk methodology represents risk in equivalent units across products traded, permitting consolidation, and effective comparison of risk factors across the various trading activities. Market risk is calculated using the Value-at-Risk engines in Rabobank International's Global Market Risk infrastructure. Value at Risk is calculated using historical simulation with a sample period of 12 months of non-weighted daily data. For each equity instrument, interest rate and foreign exchange rate, individual risk factors are defined. The history of market risk factors is obtained from different suppliers and stored in a historical database. Data are evaluated and diagnosed for data outliers on a daily basis.

The Company uses simulation models to assess possible changes in the market value of the trading portfolio based on historical data from the past year. The historically simulated Value at Risk is designed to measure market risk in a normal market environment. In general, the use of a historically simulated Value at Risk has limitations because it assumes that the development of market prices (volatilities and correlations) of the various assets in the trading portfolio as captured in historical scenarios (last 260 days) is representative for the near future. Value at Risk may also be underestimated or overestimated due to assumptions placed on risk factors and the relationship between such factors for specific instruments. Even though positions may change through the day, the Value at Risk only represents the risk of the portfolios at the close of each business day. It does not account for any losses that may occur beyond the 97.5% confidence level.

Three Value-at-Risk types are calculated: (1) a 97.5% confidence interval (1 day close-out period for limit setting and daily monitoring purposes), (2) a 99% confidence interval (1 day close-out period to demonstrate model integrity to the national supervisor) and (3) a 99% confidence interval (10 day close-out period to determine the regulatory capital; the Company calculates regulatory capital for market risk using the Standard Approach). To demonstrate model integrity, a 1-day 99% Value at Risk is back tested against hypothetical and actual gains and losses on a daily basis. The main benefit of the historical simulation approach is that it does not prescribe specific distribution of price shocks through time. The main disadvantage is the relative importance of the definition of the sample period. To complement Value-at-Risk calculations, Rabobank has an extensive stress program in place.

Value-at-Risk calculations are complemented by trading controls, operational restrictions, designed to control behavior in trading areas and risk factors directly. Trading controls aim to prevent concentrations of exposures in risk factors and serve to influence the portfolio structure. 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 and Liability Committee or risk committees at Rabobank Group level, depending on scope or severity. The Asset and Liability Committee receives monthly market risk reports. These reports contain a market risk monitor, focusing on the development of Value at Risk and back test results for the actual and hypothetical gains and losses. Additionally, the report contains requests for limit and trading control changes and a summary of excesses over the reporting period.

The Value at Risk at 31 December 2008 (with a 97.5% confidence level and a 1-day holding period) amounts to EUR -0.7 million (2007: EUR -0.9 million) versus a limit of EUR -1.5 million.

**Fair values of financial assets and liabilities**

| ( EUR x million) | 2008 | | 2007 | |
|---|---|---|---|---|
| **At 31 December** | **Carrying amount** | **Fair value** | **Carrying amount** | **Fair value** |
| **Financial assets** | | | | |
| Cash and balance central bank | 154.4 | 154.4 | 169.4 | 169.4 |
| Due from other banks | 1,490.5 | 1,490.5 | 738.8 | 738.8 |
| Derivatives | 80.5 | 80.5 | 41.8 | 41.8 |
| Financial assets held for trading | 1,096.1 | 1,096.1 | 872.5 | 872.5 |
| Financial assets fair value through profit or loss | 1,168.0 | 1,168.0 | 1,089.2 | 1,089.2 |
| Loans and advances | 1,232.8 | 1,271.5 | 1,182.6 | 1,221.1 |
| Financial assets available-for-sale | 3,762.2 | 3,762.2 | 3,930.0 | 3,930.0 |
| Financial assets held-to-maturity | 504.8 | 508.9 | 934.7 | 930.7 |
| | | | | |
| **Financial liabilities** | | | | |
| Due to other banks | 684.2 | 684.2 | 735.0 | 735.0 |
| Derivatives | 707.2 | 707.2 | 528.8 | 528.8 |
| Other liabilities trading | 0.7 | 0.7 | 3.7 | 3.7 |
| Due to customers | 7,567.8 | 7,582.6 | 7069.8 | 7069.8 |
| Issued securities | 167.4 | 167.4 | 162.0 | 162.0 |
| Other liabilities | 223.3 | 223.3 | 219.6 | 219.6 |
| Subordinated loans | 37.7 | 37.7 | 37.7 | 37.7 |

The above table represents 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 arm's length transaction.

For financial instruments carried at fair value, market prices or rates are used to determine the fair values if an active market exists (such as a recognized stock exchange), as it is the best evidence of a financial instrument's fair value. However, market prices are not available for a significant number of financial assets and liabilities held by the Company. If no active market prices or rates are available, the fair values are estimated through present value or other valuation techniques using input based on market conditions at balance sheet date. The values derived from applying such techniques are significantly affected by the chosen model and the underlying assumptions made, such as the amounts and timing of future cash flows, discount rates, volatility and credit risk.

The following methods and assumptions were made in determining the fair values of the financial instruments presented in the table above, both for financial instruments carried at fair value and those carried at cost (for which fair values are provided for comparison purposes):

1. Trading financial assets, financial assets designated at fair value through profit or loss and derivatives are measured at quoted market prices. If these are not available, fair values are estimated through appropriate discounted cash-flow and option valuation models;
2. Financial assets available-for-sale are measured at quoted market prices, if available. If these are not available, fair values are estimated via appropriate discounted cash-flow and option valuation models;
3. Fair values of on-demand deposits and savings accounts with no specific maturity are assumed to be the amounts payable on demand at the balance sheet date (i.e. their carrying values);
4. Carrying amounts 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;
5. Fair values of variable-rate financial assets are based on the carrying amount until maturity. Changes in the credit quality of loans in portfolio are not taken into account in determining fair values, as the impact of credit risk is recognized separately by deducting impairments from both carrying amounts and fair values;
6. Fair values of fixed-rate loans and mortgages carried at amortized cost are estimated through appropriate discounted cash flow models, based upon current market rates offered on similar loans. Changes in the credit quality of loans in portfolio are not taken into account in determining the gross fair value, as the impact of credit risk is recognized separately by deducting impairments from both carrying and fair values.

The table below presents the valuation methods applied for financial instruments carried at fair value:

| **Valuation methodology** (EUR x million) | | **2008** Fair value | % | **2007** Fair value | % |
|---|---|---|---|---|---|
| | **Quoted market prices** | | | | |
| **Assets** | Financial assets available-for-sale | 3,707.3 | 99% | 3,859.6 | 98% |
| | Financial assets at fair value through profit or loss | 455.8 | 39% | 673.9 | 62% |
| | Financial assets held for trading | 38.7 | 3% | 68.8 | 8% |
| | **Valuation techniques – market observable inputs** | | | | |
| **Assets** | Financial assets available-for-sale | 50.3 | 1% | 58.4 | 1% |
| | Financial assets at fair value through profit or loss | 712.2 | 61% | 415.3 | 38% |
| | Financial assets held for trading | 970.9 | 89% | 803.7 | 92% |
| | Derivatives | 80.5 | 100% | 41.8 | 100% |
| **Liabilities** | Financial liabilities held for trading | 0.7 | 100% | - | - |
| | Derivatives | 707.2 | 100% | 528.8 | 100% |
| | **Valuation techniques – non-market observable inputs** | | | | |
| **Assets** | Financial assets available-for-sale | 4.6 | 0% | 12.0 | 1% |
| | Financial assets held for trading | 86.5 | 8% | - | - |

For the non-market observable instruments held for trading, the Company adjusted the latest valuation in order to reduce the time lag between the moment of valuation and the availability of information at balance sheet dates by assessing additional required information from underlying independent fund managers. After balance sheet date, the sensitivity analysis results in a fair value variance of less than 1%.

**Capital**

On 31 December 2008, total equity amounted to EUR 260.4 million (2007: 400.3 million). The BIS II ratio, the bank's solvency ratio, was 14.1%. The minimum required statutory norm amounts to 8% set by DNB. In 2007, the solvency ratio (12.3%) was computed applying BIS I; the comparative ratio for 2008 is 12.7%. Regulatory capital consists of Tier 1 capital (share capital, share premium, retained earnings including current year's profit, foreign currency translation differences, minority interests less accrued dividends, net long positions in own shares and goodwill) and Tier 2 capital (subordinated loans, preference shares and revaluation reserves). Certain adjustments are made to the IFRS-based results and reserves as prescribed by DNB, the Dutch central bank.

| (EUR x 1,000) | **2008** | **2007** |
|---|---|---|
| Tier 1 capital * | 420,585 | 393,592 |
| Tier 2 capital * | 40,493 | 37,664 |
| **Total actual capital** | **461,078** | **431,256** |
| **Regulatory capital** | **261,071** | **280,031** |
| **Risk-weighted assets *** | **2,902,288** | **3,033,047** |
| Tier 1 capital ratio | 12.9% | 11.2% |
| Total capital ratio ** | 14.1% | 12.3% |

* Figures as of 31 December 2008 and 2007 as reported to DNB.

** The 2008 ratio is based on BIS II; the comparative ratio was computed applying BIS I.

## 41. Related party disclosure

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

| Subsidiary | Country of incorporation | Equity interest 2008 | 2007 |
|---|---|---|---|
| Aequitrend * | Luxembourg | - | 100% |
| Banque Robeco S.A. | France | 100% | 100% |
| Cumulent B.V. ** | Netherlands | - | 100% |
| Hermes Investment Fund * | Luxemburg | 59% | - |
| Rabobank Opbouwhypotheek & ToekomstRekening * | Netherlands | 99% | - |
| Robeco US Midcap Equities * | Luxemburg | - | 95% |
| Robeco US Value Equities * | Luxemburg | - | 100% |
| Robeco MBS Income Plus * | Luxemburg | - | 100% |
| Robeco Structured Finance Fund Listed Private Equity L.P. * | Luxemburg | 85% | 99% |
| Robeco Multi Alternatives * | France | 59% | - |
| Robeco 130/30 Emerging Markets Equities * | Luxemburg | 85% | - |
| Robeco European Dividend Extension * | Luxemburg | 100% | - |
| Robeco Life Cycle Funds * | Netherlands | 100% | - |
| Robeco Infrastructure Equities * | Luxemburg | 80% | - |
| Robeco All Weather Equities * | Luxemburg | 83% | - |
| SAM Sustainable Long Short Global Fund * | Switzerland | 83% | |
| VCM Emerging Managers Fund * | Luxemburg | 99% | 98% |
| WPG Event-Driven Multi Strategy Overseas L.P. * | United States | - | 93% |

* These entities are funds temporarily controlled by the Company due to seed capital activities.
** Effectively 1 January 2008, Cumulent B.V. legally merged into Robeco Direct N.V.

In addition to these subsidiaries, the following related parties can be distinguished:

- Robeco Groep N.V., the parent entity of Robeco Direct N.V.; and
- Rabobank group, consisting of Rabobank Nederland (Robeco Groep N.V.'s parent) as well as entities under the common control of Rabobank Nederland.

The table below shows the operating income and expenses as well as the balance sheet positions resulting from transactions with the aforementioned related parties:

| (EUR x 1,000) | Total related parties 2008 | 2007 |
|---|---|---|
| **Income statement regarding related parties** | | |
| Operating income | -179,609 | 26,038 |
| Operating expenses | 72,368 | 72,456 |
| **Operating result before tax regarding related parties** | **-251,977** | **-46,418** |
| | | |
| **Balance sheet regarding related parties** | | |
| Total assets | 1,530,602 | 819,481 |
| Total liabilities | 1,355,160 | 1,000,455 |

The transactions with related parties relate to management fees received from the funds as well as maintenance fees paid. In addition, interest results are realized on transactions with Rabobank. Interest expense and interest income related to Rabobank comprise amongst other things interest paid on the subordinated loans. The assets shown mainly comprise investments, derivatives, cash and short-term deposits, for which the Company has relationships with Rabobank.

**Terms and conditions**

Sales to and purchases from related parties are made at arm's length market prices. Outstanding receivables or payables at year-end are unsecured, and interest free, with settlement being in cash. The Company has not formed a provision for doubtful debts relating to amounts owed by related parties (2007: nil), because the risks involved are not considered 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 the Supervisory Board are acknowledged as key management personnel having authority and responsibility for planning, directing and controlling activities of the Company. The Management Board is not entitled to salaries and benefits from the Company since the Management Board is employed by Robeco Nederland B.V. Robeco Nederland B.V is part of Robeco Groep N.V. The total basis remuneration of the Robeco Direct Management Board amounts to EUR 1.3 million (2007: EUR 1.4 million). Members of the Supervisory Board do not receive any remuneration from the Company.

Remuneration of the Management Board is set by the Supervisory Board 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.

## 42. Segment information

The primary segment reporting format is determined to be business segments. The operating business are organized and managed separately according to the nature of the products and services provided, with each segment representing different business units. For management purposes, the bank is organized into three business segments:

| | |
|---|---|
| Retail Banking | - Distribution services |
| Asset and Liability Management | - Banking activities, mainly individual client deposits and client loans |
| Other | - Investment activities and supporting activities to retail and banking |

The Business of Robeco Direct N.V. is almost entirely generated in the Netherlands and is not geographically driven. Therefore, a geographic segmentation is not presented.

| **Segmentation 2008** (EUR x 1,000) | **Retail Banking** | **Asset & Liability Management** | **Other** | **Total** |
|---|---|---|---|---|
| **Income statement** | | | | |
| Interest income | 856 | 373,539 | 19,166 | 393,561 |
| Interest expense | -2 | -312,121 | -3,711 | -315,834 |
| Fee and commission income | 35,540 | 14,582 | 7,949 | 58,071 |
| Fee and commission expense | -2,624 | -1,682 | -5,026 | -9,332 |
| Results on financial assets designated at fair value through profit or loss | - | 11,542 | - | 11,542 |
| Results on financial assets available-for-sale | - | -2,050 | 1,230 | -820 |
| Results on financial assets held for trading | 399 | -13,317 | -27,809 | -40,727 |
| Other income | 1,212 | 7,491 | 430 | 9,133 |
| **Net operating income** | **35,381** | **77,984** | **-7,771** | **105,594** |
| | | | | |
| Total operating expenses | | | | -163,688 |
| **Operating result before tax** | | | | **-58,094** |
| | | | | |
| Income tax | | | | 16,715 |
| **Result for the year** | | | | **-41,379** |
| | | | | |
| **Balance sheet** | | | | |
| Segment Assets | 25,109 | 8,204,412 | 1,419,589 | 9,649,110 |
| **Total assets** | **25,109** | **8,204,412** | **1,419,589** | **9,649,110** |
| | | | | |
| Segment Liabilities | 15,126 | 8,529,826 | 843,705 | 9,388,657 |
| Equity | | | | 260,453 |
| **Total equity and liabilities** | **15,126** | **8,529,826** | **843,703** | **9,649,110** |
| | | | | |
| **Other segment information** | | | | |
| Capital expenditure: | | | | |
| - Property and equipment | - | 218 | - | 218 |
| - Intangible assets | - | 378 | - | 378 |
| Depreciation and amortization expenses | - | 368 | - | 368 |
| Impairment result | - | 54,522 | 14,622 | 69,144 |

| **Segmentation 2007**<br>(EUR x 1,000) | **Retail Banking** | **Asset and Liability Management** | **Other** | **Total** |
|---|---|---|---|---|
| **Income Statement** | | | | |
| Interest income | 1,065 | 354,895 | 12,591 | 368,551 |
| Interest expense | - | -292,212 | -26,386 | -318,598 |
| Fee and commission income | 45,913 | 22,702 | 3,735 | 72,350 |
| Fee and commission expense | -3,826 | -1,432 | -1,819 | -7,077 |
| Results on financial assets designated at fair value through profit or loss | - | -9,529 | - | -9,529 |
| Results on financial assets available-for-sale | - | 15,018 | 1,563 | 16,581 |
| Results on financial assets held for trading | -957 | 13,063 | 30,953 | 43,059 |
| Other income | - | 7,660 | - | 7,660 |
| **Net Operating Income** | **42,195** | **110,165** | **20,637** | **172,997** |
| | | | | |
| Total operating expenses | | | | 105,406 |
| **Operating Profit before Tax** | | | | **67,591** |
| | | | | |
| Income Tax | | | | 17,309 |
| **Result for the year** | | | | **50,282** |
| | | | | |
| **Balance Sheet** | | | | |
| Segment Assets | 26,783 | 7,962,600 | 1,176,618 | 9,166,001 |
| **Total assets** | **26,783** | **7,962,600** | **1,176,617** | **9,166,001** |
| | | | | |
| Segment Liabilities | 11,100 | 7,948,733 | 805,820 | 8,765,653 |
| Equity | | | | 400,348 |
| **Total equity and liabilities** | **11,100** | **7,948,733** | **805,820** | **9,166,001** |
| | | | | |
| **Other segment information** | | | | |
| Capital expenditure: | | | | |
| - Property and equipment | - | 424 | - | 424 |
| - Intangible assets | - | 113 | - | 113 |
| Depreciation and amortization expenses | - | 421 | - | 421 |
| Impairment result | - | 67 | - | 67 |

# NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT

## 43. Cash flow from operating activities

An adjustment to the operating result is made for the depreciation of property and equipment and amortization of intangible assets. The results of financial assets are related to the amortization and results of the financial assets.

## 44. Cash flow from investing activities

Interest received is the accumulation of amounts received on the Company's current accounts and the interest received from banking operations.

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

Intangible assets consist of purchased capitalized software.

## 45. Cash flow from financing activities

Interest paid is the accumulation of amounts paid on the current accounts and the long-term liabilities of the Company and the interest paid from banking operations.

## 46. Cash and cash equivalents – Cash flow statement

The cash and cash equivalents break down as follows:

| (EUR x 1,000) | **2008** | **2007** |
|---|---|---|
| Cash and balances at central bank | 154,382 | 169,448 |
| Due from other banks available on demand | 992,036 | 471,218 |
| Bank overdrafts | - | -328 |
| **Total** | **1,146,418** | **640,338** |

# Company Financial statements
# Robeco Direct N.V. 2008

## **COMPANY INCOME STATEMENT** for the years ended 31 December

| *(EUR x 1,000)* | **2008** | **2007** |
|---|---|---|
| Operating income | 104,905 | 153,386 |
| Operating expenses | 144,586 | 85,204 |
| **Operating result before tax** | **-39,681** | **68,182** |
| Income tax expense | 16,555 | 16,948 |
| Income from investments in subsidiaries and associates after tax | 3,098 | 524 |
| **Result for the year** | **-20,028** | **51,758** |

## COMPANY BALANCE SHEET at 31 December

| *(EUR x 1,000)* | Notes | 2008 | 2007 |
|---|---|---|---|
| **ASSETS** | | | |
| Cash and balance central bank | | 153,934 | 169,053 |
| Due from other banks | | 1,425,780 | 679,858 |
| Derivatives | | 78,561 | 40,842 |
| Financial assets held for trading | | 1,050,260 | 830,455 |
| Financial assets designated at fair value through profit or loss | | 1,168,019 | 1,089,237 |
| Loans and advances | | 1,211,424 | 1,170,798 |
| Financial assets available-for-sale | | 3,762,232 | 3,930,036 |
| Financial assets held-to-maturity | | 504,849 | 934,730 |
| Investments in subsidiaries and associates | 51 | 109,451 | 88,266 |
| Property and equipment | | 62 | - |
| Intangible assets | | 17 | - |
| Other assets | | 149,370 | 190,226 |
| **Total assets** | | **9,613,959** | **9,123,501** |

| *(EUR x 1,000)* | Notes | **2008** | **2007** |
|---|---|---|---|
| **EQUITY AND LIABILITIES** | | | |
| Due to other banks | | 697,035 | 750,802 |
| Derivatives | | 705,881 | 527,874 |
| Due to customers | | 7,536,748 | 7,037,710 |
| Issued securities | | 167,417 | 162,009 |
| Deferred income tax liabilities | | - | 8,341 |
| Other liabilities | | 211,029 | 203,562 |
| Subordinated loans | | 37,664 | 37,664 |
| **Total liabilities** | | **9,355,774** | **8,727,962** |
| **Equity attributable to equity holders of the parent** | 53 | | |
| Issued capital | | 340 | 340 |
| Share premium | | 195,323 | 145,323 |
| Retained earnings | | 223,091 | 293,504 |
| Reserve net unrealized results | | -160,577 | -39,894 |
| Foreign currency translation reserve | | 8 | -3,734 |
| **Total equity** | | **258,185** | **395,539** |
| **Total equity and liabilities** | | **9,613,959** | **9,123,501** |

# COMPANY STATEMENT OF CHANGES IN EQUITY

for the years ended 31 December 2008 and 2007

| (EUR x 1,000) | Attributable to equity holders of the parent | | | | | |
|---|---|---|---|---|---|---|
| | **Issued capital** | **Share premium** | **Reserve net unrealized results** | **Foreign currency translation reserve** | **Retained earnings** | **Total** |
| **At 1 January 2008** | **340** | **145,323** | **-39,894** | **-3,734** | **293,504** | **395,539** |
| Net unrealized results on financial assets available-for-sale | - | - | -228,249 | - | - | -228,249 |
| Realized results on financial assets available-for-sale reclassified to the income statement: | | | | | | |
| - on disposal | - | - | 820 | - | - | 820 |
| - due to impairment | - | - | 67,413 | - | - | 67,413 |
| Tax effect of net result on financial assets available-for-sale | - | - | 39,333 | - | - | 39,333 |
| Foreign currency translation | - | - | - | 3,742 | - | 3,742 |
| **Total income and expense for the year recognized directly in equity** | **-** | **-** | **-120,683** | **3,742** | **-** | **-116,941** |
| Result for the year | - | - | - | - | -20,028 | -20,028 |
| Dividend payment | - | - | - | - | -50,385 | -50,385 |
| **Total income and expense for the year** | **-** | **-** | **-120,683** | **3,742** | **-70,413** | **-187,354** |
| Capital increase | - | 50,000 | - | - | - | 50,000 |
| **At 31 December 2008** | **340** | **195,323** | **-160,577** | **8** | **223,091** | **258,185** |
| Adjustment income from investments in subsidiaries and associates after tax: | | | | | | |
| - 2008 | - | - | - | - | -21,351 | -21,351 |
| - previous years | - | - | - | - | 2,696 | 2,696 |
| **At 31 December 2008 in consolidated statements** | **340** | **195,323** | **-160,577** | **8** | **204,436** | **239,530** |

| (EUR x 1,000) | Attributable to equity holders of the parent | | | | | |
|---|---|---|---|---|---|---|
| | Issued capital | Share premium | Reserve net unrealized results | Foreign currency translation reserve | Retained earnings | Total |
| **At 1 January 2007** | **340** | **145,323** | **1,068** | **-184** | **287,058** | **433,605** |
| Net unrealized results on financial assets available-for-sale | - | - | -38,389 | - | - | -38,389 |
| Realized results on financial assets available-for-sale reclassified to the income statement on disposal | - | - | -16,581 | - | - | -16,581 |
| Tax effect of net result on financial assets available-for-sale | - | - | 14,008 | - | - | 14,008 |
| Foreign currency translation | - | - | - | -3,550 | - | -3,550 |
| **Total income and expense for the year recognized directly in equity** | **-** | **-** | **-40,962** | **-3,550** | **-** | **-44,512** |
| Result for the year | - | - | - | - | 51,758 | 51,758 |
| Dividend payment | - | - | - | - | -45,312 | -45,312 |
| **Total income and expense for the year** | **-** | **-** | **-40,962** | **-3,550** | **6,446** | **-38,066** |
| **At 31 December 2007** | **340** | **145,323** | **-39,894** | **-3,734** | **293,504** | **395,539** |
| Adjustment income from investments in subsidiaries and associates after tax: | | | | | | |
| - 2007 | - | - | - | - | -1,373 | -1,373 |
| - previous years | - | - | - | - | 4,069 | 4,069 |
| **At 31 December 2007 in consolidated statements** | **340** | **145,323** | **-39,894** | **-3,734** | **296,200** | **398,235** |

**Issued capital**

The authorized share capital amounts to EUR 1.0 million (2007: EUR 1.0 million) consisting of 200.000 shares with a nominal value of EUR 1 each, of which EUR 340,340 is paid in full. Shareholders are entitled to receive dividends when declared and to vote on a one vote per share basis at the Company's shareholder meetings.

**Share premium**

The share premium reserve was set at the time of the sale of the shares at a price above the par value.
In 2008, the shareholder provided the Company with an additional EUR 50 million share premium to assure that, despite the negatively developing result for the year, the solvency ratio would not decrease.

**Reserve net unrealized results**

The reserve net unrealized results concern the fair value changes on the available-for-sale investments.

**Foreign currency translation reserve**

The foreign currency translation reserve includes the exchange rate differences arising from the translation of the financial statements of foreign subsidiaries. It also includes the effect of hedging the net investments in the foreign subsidiaries.

**Retained earnings**

Movements result from the deduction for (2007: addition of) the result for the year.

# ACCOUNTING POLICIES FOR THE COMPANY FINANCIAL STATEMENTS

## 47. General accounting policies

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

As the Company's income statement for 2008 is included in the consolidated financial statements, a summary income statement is sufficient to comply with the provisions of article 402 of Book 2 of the Netherlands Civil Code. For more detailed information, please refer to the section Basis of consolidation drawn up for the consolidated balance sheet and income statement of Robeco Direct N.V.

The accounting policies applied are those described in note 2 and 4 except for investment in subsidiaries and associates.

## 48. Investment in subsidiaries and associates

Subsidiaries are entities controlled by the Company. Control exists when the Company 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 if the Company has more than 50% of the voting rights.

An associate is an entity over which the Company has significant influence (normally 20%-50% of the voting rights) and which is neither a subsidiary nor a joint venture. The financial statements of the associate are used by the Company to apply the equity method. The reporting dates of the associate and the Company are identical and both use uniform accounting policies. The income statement reflects the Company's share of the associate's operating profit. Where a change has been recognized directly in the associate's equity, the Company recognizes its share of that change and discloses this in the statement of changes in equity.

On acquisition of an investment any difference between the cost of an investment and the investor's share of the net fair value of the associate's identifiable assets, liabilities and contingent liabilities is accounted for as goodwill, which is included in the carrying value of the associate.

Subsidiaries are accounted for in the company financial statements at their cost value.

# NOTES TO THE COMPANY INCOME STATEMENT

## 49. Income statement

For disclosures on the following income statement items, reference is made to the consolidated statements:
- Interest income
- Interest expense
- Fee and commission income
- Fee and commission 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
- Other income
- Employee benefits
- Administrative expenses
- Depreciation and amortization expenses
- Impairment result
- Other operating expenses
- Income tax

# NOTES TO THE COMPANY BALANCE SHEET

## 50. Assets

For disclosures on the following asset categories, reference is made to the consolidated statements:
- Cash and balances at central banks
- Due from other banks
- Derivatives
- 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
- Other assets

## 51. Investments in subsidiaries and associates

Movements in Investments in group and associated companies were as follows:

| (EUR x 1,000) | **2008** | **2007** |
|---|---|---|
| **Value of subsidiaries and associates at 1 January** | **88,266** | **68,063** |
| Acquisition of group companies | 59,878 | 62,710 |
| Divestment of group companies | -40,234 | -38,957 |
| Revaluation of subsidiaries | 1,541 | -3,550 |
| **Investment in subsidiaries and associates at 31 December** | **109,451** | **88,266** |

## 52. Liabilities

For disclosures on the following liability categories, reference is made to the consolidated annual report:
- Due to other banks
- Derivatives
- Financial liabilities trading
- Due to customers
- Issued securities
- Deferred tax liabilities
- Other liabilities
- Provisions
- Subordinated loans

## 53. Equity attributable to equity holders of the parent

For disclosures on Equity attributable to equity holders of the parent reference is made to Equity attributable to equity holders of the parent in the consolidated annual report and Company statement of changes in equity in the Company Financial statements.

Rotterdam, 28 April 2009

The Management Board
The Supervisory Board

# OTHER INFORMATION

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

**Result appropriation**
It is proposed to deduct the result for the year 2008 of EUR -20.0 million from retained earnings.

# RESPONSIBILITY STATEMENT

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

- the financial statements, prepared in accordance with IFRS as adopted by the EU, give a true and fair view of the Company'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 Company's business and the position in the financial year, together with a description of the principal risks and uncertainties that it faces.

Rotterdam, 28 April 2009

Management Board Robeco Direct N.V.

Leni M.T. Boeren, chairman
Peter T.N. Bruin
Jean-Louis Laurens

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

# AUDITOR'S REPORT

## Report on the consolidated financial statements

We have audited the financial statements 2008 Robeco Direct N.V., Rotterdam, which comprise the consolidated and company balance sheet as at 31 December 2008 and the profit and loss account, statement of changes in equity and cash flow statement for the year then ended and a summary of significant accounting policies and other explanatory notes.

*Management's responsibility*
Management is responsible for the preparation and fair presentation of the financial statements in accordance with International Financial Reporting Standards as adopted by the European Union and with Part 9 of Book 2 of the Netherlands Civil Code, and for the preparation of the management board report in accordance with Part 9 of Book 2 of the Netherlands Civil Code. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of the financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

*Auditor's responsibility*
Our responsibility is to express an opinion on the financial statements based on our audit. We conducted our audit in accordance with Dutch law. This law requires that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance 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*
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 2008, and of its result and its cash flows 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 Netherlands Civil Code.

## Report on other legal and regulatory requirements

Pursuant to the legal requirement under 2:393 sub 5 part f of the Netherlands Civil Code, we report, to the extent of our competence, that the management board report is consistent with the financial statements as required by 2:391 sub 4 of the Netherlands Civil Code.

Amsterdam, 28 April 2009

Ernst & Young Accountants LLP

signed by Kees de Lange

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