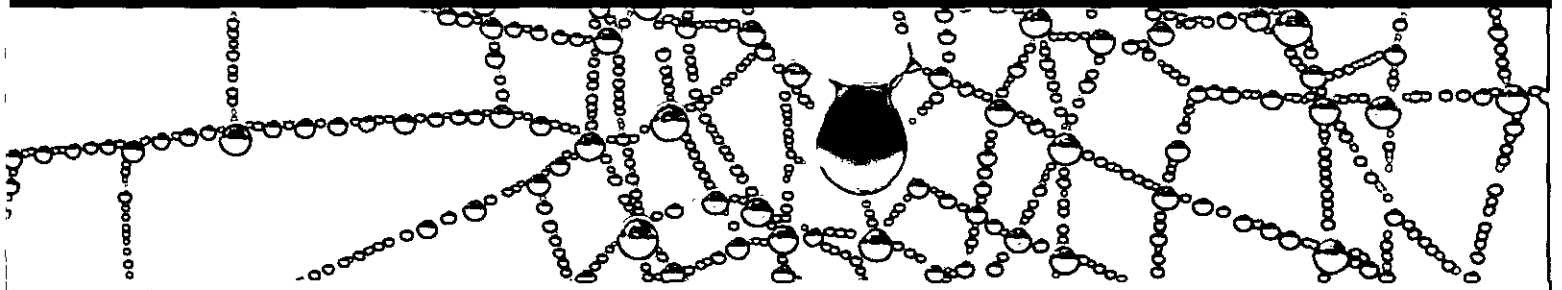


ROBECO

# Annual Report 2006

0582811



Robeco Direct N.V.

Robeco Direct N.V. is a public limited liability company (N.V.) established in the Netherlands. The company is a subsidiary of Robeco Group, which is a leading provider of investment management services. Robeco Direct N.V. is authorized to provide investment management services to clients in the Netherlands. The company's main business is the management of investment funds. Robeco Direct N.V. is a member of the Robeco Group, which is a leading provider of investment management services. The company's main business is the management of investment funds. Robeco Direct N.V. is a member of the Robeco Group, which is a leading provider of investment management services. The company's main business is the management of investment funds.

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13-06-2007

## **GENERAL INFORMATION**

### **Supervisory Board Robeco Direct N.V.**

George A. Möller, chairman  
Constant Th.L. Korthout  
Niek F. Molenaar

### **Management Board Robeco Direct N.V.**

Leni M.T. Boeren, chairman  
Peter T.N. Bruin  
Sander van Eijkern

### **Address**

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## REPORT OF THE SUPERVISORY BOARD

We herewith present the Robeco Direct N.V. financial statements for the financial year 2006 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 and recommend approval of the annual financial statements. We concur with the management's proposal to distribute the 2006 profit to the shareholders.

Rotterdam, 16 May 2007

On behalf of the supervisory board of Robeco Direct N.V.

George A. Möller, chairman

13-06-2007

## REPORT OF THE MANAGEMENT BOARD

### General

Robeco Direct N.V. aims to offer products and services to retail clients that enable them to achieve their financial goals. In addition the bank offers a banking infrastructure for other entities of the Robeco Groep N.V.

### Key figures

#### Operating results

Competition in the Dutch savings market continued to be fierce. While savings by Dutch households continued to increase reaching approximately EUR 222.0 billion, the bank was unable to keep its share of the market.

Savings deposits in the Netherlands in bln. EUR					
2001	2002	2003	2004	2005	2006
152.9	167.8	185.0	200.0	210.0	222.0
Source: CBS					

Revenues from our traditional savings banking operation met our expectation, due to improved investment portfolio results. However, the operating result before tax decreased by EUR 56.6 million. Net interest income remained relatively stable at EUR 68.3 million. Net commission income decreased by EUR 21.2 million to EUR 47.0 million. The main reasons for this are the material lower revenues from structuring activities. Market conditions for new and attractive structured products deteriorated considerably since end user demand for this type of investment instruments declined. Robeco, as a premier supplier of this product category, having experienced tremendous growth and many successful introductions in the past few years, was unable to hide for this trend.

Results from financial transactions decreased from a gain of EUR 18.4 million in 2005 to a loss of EUR 17.9 million in 2006. The sharp decline is mainly caused by a different accounting policy for unrealised losses on Available-for-sale assets under the International Financial Reporting Standards (IFRS) as compared to the Dutch Gaap Framework. According to the Dutch Gaap Framework (RJ-Uiting 2006-4) unrealised losses for individual assets have to be presented in the profit and loss account instead of reported as a revaluation reserve in the equity under IFRS. The unrealised profits for individual Available-for-sale assets are reported as a revaluation reserve in the equity. To reflect this difference in the Dutch Gaap Income statement, EUR 31.0 million unrealised losses have been recognised as (negative) Results from financial transactions in the financial figures of 2006.

Operating costs increased by EUR 6.0 million. This increase can be explained by strategic projects initiated in 2006, focusing on the redesign of various business processes required to meet our long term strategic objectives.

Robeco Direct N.V. has a modest position in the Dutch residential mortgage market. In spite of increased competition, Robeco Direct N.V. maintained its share of the market again in 2006.

Sales of insurance products geared towards capital accumulation have lagged expectations.

#### Composition of the balance sheet

Funds entrusted by retail clients declined by approximately 14%. Retail clients actively switched to Robeco investment products. The demand for principal protected instruments continued. As a result the overall impact on the balance sheet of the bank was limited. The decrease of Banks and Interest-bearing securities is in line with the aforementioned cash flow pattern. Holdings of shares decreased due to a decline of positions in trading and investment books.

### Capital base

At the end of the year the total capital amounted to EUR 476.6 million. The BIS ratio, the bank's solvency ratio, was 15.04%, well in excess of the minimum required statutory norm of 8.00% as set by the Dutch Central Bank.

### Strategy

The positioning of Robeco Direct N.V. to retail clients in the Netherlands was defined more clearly by the introduction of 'Younique by Robeco'. This service concept entails the removal of all transaction costs for online buying and selling of Robeco investment funds. All investment advice is therefore impartial and not aimed at revenue generating. The first priority is to increase customer's investment returns. The eliminations of transaction costs has completely removed any hurdle that may have existed to prevent clients from taking Robeco's advice.

Robeco Direct N.V., with *Younique by Robeco*, makes available bespoke and tailor made investment advice to the medium net worth individuals. In short *Younique by Robeco* stands for:

- Tailor made advice and support in wealth growth
- Access to a team of specialists on workdays from 8.00 hours to 21.00 hours and on Saturdays

- No transaction costs for online buying and selling of Robeco investment funds
- Low initial amount for wealth management and coaching as from EUR 25,000.

Tailor made investment advice from *Younique by Robeco* is not limited to a one-off consultation. The service aims to constantly help clients accumulate wealth. The support is offered through two different concepts: Wealth Coaching and Personal Wealth Management.

*Younique by Robeco* has significantly boosted cash-flow into the funds and has also made Robeco Direct N.V. more attractive to a younger client base.

The banking infrastructure of Robeco Direct N.V. plays a pivotal role as a facilitator for Robeco to introduce innovative investment products for private and professional clients.

The seeding of newly developed investment products and warehousing & co-investments in the private equity domain have continued to gain importance. Further, we have developed products that give retail clients access to private equity exposure by issuing notes which investment performance is linked to a basket of private equity funds of funds. The investment of Robeco Direct N.V. in private equity funds-of-funds of Robeco Groep N.V. provide a natural hedge.

Robeco Direct N.V. also stepped up its secondary market support for structured products where pricing is complex and liquidity is limited, in order to meet our clients needs.

To increase flexibility the Company has established its own medium term note program.

### **Compliance, Risk Management and Internal Audit**

#### *Overall management and control framework*

During 2006 Robeco Direct N.V. further strengthened its management and internal control framework. A considerable effort was made to integrate activities relating to the various internal control and corporate governance codes that affect Robeco. These efforts were guided and supported by our Risk Management, Internal Audit and Compliance departments.

A very important project in 2006 was a SOx project that was initiated as a part of a Rabobank Group wide project to comply with the COSO guidelines to internal processes relevant to financial reporting. This project was successfully completed within the year. All activities that relate to SOx compliance will now be integrated into the operational risk management framework. For 2007 we foresee a further integration of the control and monitoring activities.

#### *Risk management*

In the field of risk management substantial effort was put into further documenting processes, procedures and the related internal controls. This project, initiated in 2005 was further embedded in the operational risk management framework to prevent operational incidents and to provide for more effective remedial actions if required. In order to increase awareness throughout the organization, to identify possible opportunities for improvement and, most importantly, in order to comply with the Basel-II requirements for Operational Risk Management, Robeco initiated its so-called Control & Risk Self Assessments in 2006.

Robeco Direct N.V. will make an application to DNB in 2007 regarding the implementation of internal models to comply with the advanced approach for credit risk in the new Basel Accord and Capital Requirement Directive.

As part of the management control framework, Robeco further refined its economic-capital model. The model quantifies credit, market, interest rate, operational and business risk and takes into account the diversification benefits within and between risk categories. For operational risk, the roll-out of Control & Risk Self Assessments enables a further sophistication of the allocation of operational risk capital, next to information on historical losses and internal audit ratings. From 2007 onwards, risk adjusted return on capital calculations, which relate economic capital to risk adjusted returns, will become an integral part of the management control cycle.

Risk governance has been further strengthened by the installation of a Robeco Groep Risk & Compliance Committee. This committee, that monitors the completeness and consistency of risk oversight throughout the Robeco Groep N.V., complements the local risk management committees that were already in place.

#### *Internal Audit*

In the course of 2006, Internal Audit participated in the aforementioned SOx project by testing the operational effectiveness of the identified key controls. Furthermore, Internal Audit developed a management control framework for Robeco Groep N.V. and Robeco Direct N.V. that supports a more integrated approach of the Group's control activities. It combines the various codes to ensure that company level controls are in place. This framework indicates which controls are relevant for an entity, taking into account the size, complexity and applicable rules and regulations. This framework will be the prevailing standard for entity level internal audits as of 2007.

#### *Compliance*

During 2006, the Compliance department developed a set of policies for the organization that provides the organization with a clear framework for a number of areas. Where the interests of Robeco Direct N.V. are in line with the interests of their clients this involves running a professional organization with the necessary checks and balances. When interests potentially can come

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into conflict, however, the issue becomes more sensitive and the principles of corporate or fund governance come firmly into play.

Substantial effort has gone into the further development of the content of our information material. Extra time and attention has been spent on the information leaflet 'de financiële bijsluiter'. This gives the investor a good overview of a fund's key points in such a way that the investor is able to make a well considered decision regarding his/her investment. Another important project was the timely and successful implementation of several new rules and regulations, which were carried out in close consultation with the legal department. The same approach will be used for the implementation of 'The Markets in Financial Instruments Directive', or MiFID, which is anticipated in 2007 and for which preparations already started in 2006.

#### *In Control*

In 2005 and 2006 significant efforts were made to build a strong risk management & control framework, to further upgrade the design and documentation of processes and related internal control measures, to increase awareness for both internal control and compliance to external laws and regulations and to strengthen the risk management and monitoring functions. In 2007, similar steps will be taken at the foreign offices. Based on all these steps and achievements, the Management Board of Robeco Direct N.V. feels comfortable regarding Robeco's risk control and risk management.

#### **Outlook 2007**

The Management Board's outlook for 2007 is positive. From a market perspective we expect that prices for securities still continue their upward trend, but at a slower pace and with increased volatility. Growth may be slowing down somewhat because the US economy has moved down a gear compared to what we have become accustomed to in recent years. Equity valuations are generally reasonable. Therefore the appetite for 'traditionals' will remain healthy, and emerging markets in particular – such as the 'BRIC' countries (Brazil, Russia, India and China) - will continue to be popular with investors. As the trend of rising interest rates is expected to slow, fixed income products are expected to regain some ground. Expectations with regard to interest rate movements and inflation are compelling investor to focus on the short term in 2007. Finally, with current market circumstances and investor risk appetite alternative products can expect increased interest by both institutional and private investors.

Rotterdam, 16 May, 2007

Management Board Robeco Direct N.V.

Leni M.T. Boeren, chairman

Peter T.N. Bruin

Sander van Eijkern

13-06-2007

**FINANCIAL STATEMENTS 2006**

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**BALANCE SHEET** at 31 December (before profit appropriation)

(EUR x 1,000)	Notes	2006	2005
<b>Assets</b>			
Cash	1	98,583	170,366
Banks			
<i>Demand deposits</i>		203,879	353,337
<i>Time deposits</i>		224,852	427,829
<i>Claims on security dealings</i>		26,001	78,951
<i>Loans to banks</i>		182,821	234,136
Total	2	637,553	1,094,253
Loans			
<i>Mortgages</i>		1,134,849	1,161,442
<i>Loans to private sector</i>		99,263	73,138
Total	3	1,234,112	1,234,580
Interest-bearing securities	4	6,868,054	7,640,280
Shares and other non interest-bearing securities	5	893,707	1,076,290
Participating interests	6	72,230	55,414
Property and equipment	7	316	298
Other assets	8	116,116	145,918
Prepayments and accrued income	9	148,374	209,939
<b>Total</b>		<b>10,069,045</b>	<b>11,627,338</b>

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	Notes	2006	2005
<i>(EUR x 1,000)</i>			
<b>Liabilities</b>			
Banks	10	1,547,563	2,824,686
Funds entrusted			
<i>Savings</i>		4,717,045	5,492,202
<i>Other funds entrusted</i>		<u>2,171,593</u>	<u>1,481,241</u>
Total	11	6,888,638	6,973,443
Other liabilities	12	976,741	1,134,812
Accruals and deferred income	13	171,057	176,622
Deferred tax liabilities	14	8,436	4,634
Subordinated debt	15	37,664	37,664
Share capital		340	340
Revaluation reserve		24,013	21,741
Share premium reserve		145,323	145,323
Other reserves		245,816	245,819
Result financial year		<u>23,454</u>	<u>62,254</u>
Shareholders' equity	16	438,946	475,477
Total capital		476,610	513,141
<b>Total</b>		<b>10,069,045</b>	<b>11,627,338</b>

# **INCOME STATEMENT** (for the years ended 31 December)

(EUR x 1,000)	Notes	2006	2005
<b>Income</b>			
Interest income	19	351,770	371,239
Interest expense	20	<u>-283,451</u>	<u>-305,090</u>
Net interest		68,319	66,149
Income from securities and participating interests	21	8,933	3,107
Commission income	22	55,180	105,350
Commission expense	23	<u>-8,169</u>	<u>-37,164</u>
Net commission		47,011	68,186
Result from financial transactions	24	-17,930	18,424
Other income	25	<u>2,957</u>	<u>4,414</u>
<b>Total income</b>		<b>109,290</b>	<b>160,280</b>
<b>Expenses</b>			
Staff costs	26	4,894	4,921
Administrative expenses	27	70,170	64,129
Depreciation		<u>163</u>	<u>159</u>
Total operating costs		75,227	69,209
Value adjustments to receivables	28	-25	385
<b>Total expenses</b>		<b>75,202</b>	<b>69,594</b>
Operating result before tax		<u>34,088</u>	<u>90,686</u>
Tax	29	<u>10,634</u>	<u>28,432</u>
<b>Net profit</b>		<b>23,454</b>	<b>62,254</b>

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# **CASH FLOW STATEMENT** (for the years ended 31 December)

(EUR x 1,000)	Notes	2006	2005
<b>Operating activities</b>	32		
Net profit		23,454	62,254
Adjustment to net profit:			
Value adjustments to receivables		32,699	385
Depreciation		163	159
Movement in deferred tax liabilities		3,802	-2,109
Result financial assets		120,013	103,927
Other movements in accrued items		56,000	-4,028
<b>Cash generated from operations</b>		<b>236,131</b>	<b>160,588</b>
Movements in Shares and other non-interest-bearing securities Held for trading		240,654	-527,403
Movements in Banks ( not immediately callable)		307,242	-158,018
Movement in Loans		468	-256,071
Movements in Shares and other non-interest-bearing securities Available-for-sale		-32,022	-9,065
Movements in Funds entrusted ( incl. banks)		-1,361,928	283,757
Other movements from business operations		-157,092	387,873
<b>Net operating cash flow</b>		<b>-1,002,678</b>	<b>-278,927</b>
<b>Investing activities</b>	33		
Investments in loans and interest-bearing securities		-2,626,654	-1,398,724
Redemptions and divestments from investment portfolio		3,265,470	1,867,210
Investment in Participating interests		-31,072	-27,031
Investing in Property and equipment		-181	-193
<b>Net investing cash flow</b>		<b>607,563</b>	<b>441,262</b>
<b>Financing activities</b>	34		
Dividends paid		-62,257	-46,345
<b>Net financing cash flow</b>		<b>-62,257</b>	<b>-46,345</b>
<b>Net cash flow</b>		<b>-221,241</b>	<b>276,578</b>
Cash at closing date		302,462	523,703
Cash at opening date		523,703	247,125
<b>Movement in cash</b>		<b>-221,241</b>	<b>276,578</b>

Cash consists of legal instruments of payment and call money at central banks and credit institutions.

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## ACCOUNTING PRINCIPLES FOR THE BALANCE SHEET AND INCOME STATEMENT

### General

The financial statements have been drawn up in accordance with accounting principles generally accepted in the Netherlands and comply with the financial reporting requirements for Banks included in Chapter 14 of Part 9, Book 2 of the Netherlands Civil Code.

As of 1 January 2005 the accounting policies of Robeco Direct N.V. have been changed due to the change of accounting policies initiated by Robeco Groep N.V. which owns 100% of the shares of Robeco Direct N.V. As of 1 January 2005 Robeco Groep N.V. reports on the basis of International Financial Reporting Standards (IFRS). The company has chosen to maintain the Dutch GAAP framework and to apply accounting principles which are aligned as much as possible with these of Robeco Groep N.V.

### Consolidation

In accordance with the provisions in article 2:408 of the Netherlands Civil Code no consolidation of the figures of Robeco Direct N.V. and its participating interests will take place in the annual report of Robeco Direct N.V., since this consolidation is made in the annual report 2006 of Robeco Groep N.V. Therefore only the statutory balance sheet and income statement of Robeco Direct N.V. are prepared.

### Basis of preparation

These accounting policies describe the valuation methods used as well as criteria for recognition and de-recognition. If no explicit accounting policy is given for an individual item on the balance sheet, the item is accounted for at nominal value.

The financial statements are presented in euros since this is the functional currency of Robeco Direct N.V. Numbers are rounded to the nearest thousand and all amounts disclosed in these notes are in thousands of euros, except when explicitly stated otherwise.

### Foreign currency

Monetary assets and liabilities denominated in other 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 the exchange rates as at the dates of the initial transactions. Non-monetary items measured at fair value are translated using the exchange rates at the date when the fair value was determined. 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 the exchange-rate differences are taken to the income statement. Exchange-rate differences on non-monetary items classified as Available-for-sale are taken to the foreign currency translation reserve. Exchange-rate differences for non-monetary items classified as Fair value through profit or loss are taken to the income statement.

### Cash

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

For the purposes of the cash-flow statement, cash consists of cash as defined above, net of outstanding bank overdrafts.

### Banks

This item represents short-term deposits with an original maturity of three months or less, and other loans and advances to banks, not being interest-bearing securities, claims on credit institutions and Central Banks subject to governmental supervisions on banking not belonging to cash and not included in interest-bearing securities. The item Banks is valued at nominal value.

### Loans

Mortgages and loans to private sector 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 provision for bad debts. Gains and losses are recognized in the income statement when the loans and advances are derecognized or impaired, as well as through the amortization process. Transaction costs are taken into account at initial recognition and are amortized over the remaining term. The assets are recorded on a trading date basis.

### Interest-bearing securities

The interest-bearing securities are subdivided in three parts largely following the subdivision of financial assets according to Dutch Gaap (RJ-Uiting 2005-2: "Besluit Actuele Waarde"). The accounting applied to the different kinds of interest-bearing securities is specified below.

#### Interest-bearing securities Available-for-sale

Interest-bearing securities Available-for-sale are non-derivative financial instruments designated on initial recognition as Available-for-sale or those not classified as (a) Loans and advances, (b) Held-to-maturity, (c) interest-bearing securities at Fair value through profit or loss. Those securities are recorded on a trading date basis. Interest-bearing securities Available-

for-sale are instruments which, in management's opinion, may be sold in response to or in anticipation of needs for liquidity or changes in interest rates, foreign exchange rates or equity prices. Interest-bearing securities Available-for-sale consist of money market paper and other debt instruments. Interest-bearing securities Available-for-sale are carried at fair value. Unrealized gains or losses on individual interest-bearing securities Available-for-sale for which the fair value exceed the amortised cost price are reported in Shareholders' equity, net of taxes until such assets are sold, collected or otherwise disposed of, or until such asset is impaired. Unrealised losses on individual Interest-bearing securities Available-for-sale for which the amortised cost price exceed the fair value are presented in the profit and loss account. On disposal of an Available-for-sale security, 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. If an interest-bearing security Available-for-sale is impaired, the cumulative unrealized loss recognized in Equity is included in the income statement. Interest earned on interest-bearing securities Available-for-sale is reported as interest income. Realized gains and losses on interest-bearing securities Available-for-sale are recognized as Result from financial transactions.

#### Interest-bearing securities Held-to-maturity

When management has both the intention and the ability to hold them to maturity, securities and purchased loans with fixed terms to maturity are classified as interest-bearing securities Held-to-maturity. Management determines the appropriate classification of its securities at the time of purchase. The securities are recorded on a trading date basis. Interest-bearing securities Held-to-maturity are carried at amortized cost using the effective-yield method. Interest earned on interest-bearing securities Held-to-maturity is reported as interest income.

#### Interest-bearing securities at Fair value through profit or loss

Interest-bearing securities at Fair value through profit or loss include assets that are held for trading purposes or non-trading financial assets that have been specifically designated as "at Fair value through profit or loss". The assets are recorded on a trading date basis.

Interest-bearing securities held for trading 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 cost (which includes transaction costs) and subsequently at fair value. Interest earned or incurred on these assets is reported as interest income. All other realized and unrealized gains and losses on re-measurement of these financial instruments at fair value are included in Result from financial transactions. All purchases and sales of financial assets held for trading that require delivery within the time frame established by regulation or market convention (regular-way purchases and sales) are recognized at trading date.

Non-trading interest-bearing securities at Fair value through profit or loss: Robeco Direct N.V. has chosen to designate certain financial instruments other than those that are acquired for the purpose of selling in the near future as Interest-bearing securities at Fair value through profit or loss. These financial assets are initially recognized at cost (which includes transaction costs) and subsequently at fair value. Interest earned on these assets is reported as interest income. When re-measurement occurs, dividends received on financial assets and all other realized and unrealized gains and losses on re-calculation of these financial instruments at fair value are included in Result from financial transactions. Assets are measured at fair value with all changes taken to the income statement in order to avoid a mismatch between the value of the assets and the corresponding liabilities.

A part of the non-trading interest-bearing securities at Fair value through profit or loss is a mortgages portfolio. In October 2003 a package consisting of a mortgage portfolio, accompanying saving deposits and interest rate swaps was bought. The package has been designated as part of the fair value portfolio. The package is recognized at fair value.

The fair value of securities that are actively traded in organized financial markets is determined by reference to quoted market prices at the close of business on the balance sheet date. The fair value of all other securities is determined using valuation techniques, which include net-present-value techniques, the discounted cash flow method, comparison to similar instruments for which market prices do exist, and valuation models. The input into these valuation models is practically always market observable.

#### Shares and other non interest-bearing securities

The item shares and other non interest-bearing securities consist of shares being part of the investment portfolio and shares held for trading.

#### Shares Available-for-sale

Shares being part of the investment portfolio are being valued in conformity with the interest-bearing securities which are parts of the investment portfolio and which are classified as interest-bearing securities Available-for-sale. These shares are non derivative financial instruments designated on initial recognition as Available-for-sale. Those shares are recorded on a trading date basis. Shares Available-for-sale are instruments which, in management's opinion, may be sold in response to or in anticipation of needs for liquidity or changes in interest rates, foreign exchange rates or equity prices. Shares Available-for-sale are carried at fair value. Unrealized gains or losses on shares Available-for-sale for which the fair value exceed the amortised cost price are reported in Shareholders' equity, net of taxes until such assets are sold, collected or otherwise disposed of, or until such asset is impaired. Unrealised losses on shares Available-for-sale for which the amortised cost price exceed the fair values are presented in the profit and loss account. On disposal of an Available-for-sale equity, 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. If a share Available-for-sale is impaired, the cumulative unrealized loss recognized in Equity is included in the income statement. Dividend earned on shares Available-for-sale is reported as income from securities and participating interests. Realized gains and losses on shares Available-for-sale are recognized as Result from financial transactions.

#### Shares Held for trading

Shares Held for trading are classified as Held for trading if they are acquired for the purpose of selling in the near future. Shares Held for trading are initially recognized at cost (which includes transaction costs) and subsequently at fair value. Dividends received on these assets are reported as income from securities and participating interests. All other realized and unrealized gains and losses on re-measurement of these financial instruments at fair value are included in Result from financial transactions. All purchases and sales of shares Held for trading that require delivery within the time frame established by regulation or market convention (regular-way purchases and sales) are recognized at trading date.

#### Participating interests

The investments of Robeco Direct N.V. in its subsidiaries, among which are investing funds controlled by the Company, are accounted for using the net equity value of subsidiaries. The reporting date of the subsidiaries is identical to that of Robeco Direct N.V. and similar accounting policies are applied.

#### Property and equipment

Property and equipment is stated at cost, less accumulated depreciation and any recognized accumulated impairment losses. The carrying value of property and equipment is reviewed for impairment once a year. If an indication of impairment exists, they are written down 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, recognized as an expense and included in the income statement under 'Depreciation'.

Category of property and equipment	Useful economic life (years)	Depreciation rate
Leasehold improvements	5	20%
Computer equipment / software	3	33.3%
Office equipment	5	20%

#### Other assets

Other assets consist of other non settled items and derivatives.

#### Other non-settled items

These items are recognized and carried at the original invoice amount less an allowance for uncollectible amounts. Parts of these non-settled items are capitalized structuring fees. For certain structured products the Company records an asset in relation to upfront recognized structuring fees. The Company recognizes a part of the future management fee upfront in the income statement for which upfront fees to distributors and all costs relating to the structuring of this type of products are recognized as well. During the duration of the product the asset will be amortized against the actual received management fees. Due to the structuring of the products these upfront fees are guaranteed with a minimum risk. The Company regularly reviews the risk to assess that the capitalized fees are recoverable.

#### Derivatives

Robeco Direct N.V. enters into derivative transactions to hedge against economic risk exposure to which no hedge accounting is applied.

The company uses derivative financial instruments such as foreign currency contracts and interest rate swaps to hedge its risk associated with interest rate and foreign currency fluctuations. Such derivative financial instruments are initially recognized at fair value on the date on which the derivative contract was entered into and are subsequently re-measured. Fair values are obtained from quoted market prices, dealer price quotations, discounted-cash-flow models and option-pricing models. Derivatives are carried as assets when the fair value is positive and as liabilities when the fair value is negative.

The recognition of the resulting fair value gain or loss depends on whether the derivative is designated as a hedging instrument and if so, the nature of the item being hedged.

All fair-value gain or loss from derivative instruments which are designated as economic hedges but which do not qualify for hedge accounting are recognized as result financial transactions.

#### Other entrusted funds

Amounts accounted for under other entrusted funds are recognized at amortized cost using the effective interest method in accordance with general accounting policies. The saving deposits available on demand refer to the saving accounts of private customers. The current and settlement accounts consist of the saving accounts of non-private customers. Time deposits are deposits provided by a few of the funds managed by the Company. Gains and losses are recognized in the income statement when the liabilities are derecognized as well as through the amortization process. Transaction costs are taken into account at initial recognition and amortized over the remaining term.

#### Other liabilities

Other liabilities consist mainly of derivatives as described above. Parts of these derivatives are determined as total return swaps. The Company entered into structured transactions on behalf of clients, which result in total return swaps and certain financial instruments on the Company's balance sheet. Total return swaps are financial instruments whose value is derived from an underlying instrument or product. Via 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. The gains or losses arising from changes in fair value and the economic returns on underlying financial instruments are recognized under interest income or interest expense.

Next to the derivatives, other liabilities include obligations related to other employee benefits, creditors and accruals.

#### **Deferred tax liabilities**

Deferred tax liabilities is provided using the balance sheet liability method on temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Temporary differences on the initial recognition of assets and liabilities that affects neither the accounting profit nor the taxable profit are not accounted for. 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. The carrying amount of deferred income tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part deferred income tax asset to be utilized. Unrecognized deferred income tax assets are reassessed at each balance sheet and are recognized to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

#### **Subordinated debt**

Subordinated debt is initially recognized at cost, which is the fair value of the consideration received. Subordinated debt is subsequently stated at amortized cost.

#### **Shareholders' equity**

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.

#### **Interest income**

The interest income consists of the interest income generated by banking activities on both the mortgages portfolio and the investment portfolio.

#### **Interest expense**

The interest expense from banking operations mainly relates to the expenses incurred on entrusted funds from clients and banks as well as interest expense on swaps.

#### **Income from securities and participating interests**

This income consists of dividends from shares as well as the share of the profit of associates that the Company is entitled to. A major part relates to seed capital investments. From time to time, the Company invests on a temporary basis capital into funds managed by the Company at the time of their inception. These "seed capital" investments are included within Shares and other non interest-bearing securities.

#### **Commission income**

Commission income includes distribution fees, transaction fees, structuring fees and management fees. Income is recorded when the services have been performed. Distribution fees are based on predetermined percentages of the market value of the average assets under management, including investment performance and net subscriptions or redemptions. Transaction fees are based on predetermined percentages of transaction volumes. Structuring fees, technically locked in with limited risk, are recorded and earned immediately after completion and distribution of a product.

#### **Commission expense**

Commission expense includes one-off distribution expenses and recurring distribution expenses payable to third and related parties. One-off distribution expenses are primarily based on the nominal value of subscription. Recurring distribution expenses are primarily based on the volumes of savings acquired. Distribution expenses are recorded when the services have been performed.

#### **Result from financial transactions**

Result from financial transactions comprises (un)realized gains and losses on the interest-bearing securities. Further, the result on derivatives and the results on the shares trading portfolio is accounted for under the result financial transactions.

#### **Expenses**

Expenses consist of staff costs, administrative expenses, depreciation and value adjustments. Staff costs comprise the costs the Company bears for its employees and are made up of wages and salaries, social security costs, pension costs and other personnel costs. Depreciation costs relate to the property and equipment the Company has recognized on the balance sheet. Value adjustments are adjustments to either credits or securities being charged to the income statement.

#### **Tax**

Robeco Direct N.V. is part of a fiscal unity. The calculation of corporate income tax is made as if the company is independent. Tax to be netted off has been settled with Robeco Groep N.V. via the current account. The Company is also

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severally liable for the arisen tax liabilities and debts followed from the fiscal unity. Tax is calculated on the basis of the applicable rate for corporate income tax, taking into account tax allowable deductions, charges and exemptions.

#### **Impairment of financial assets**

The Company assesses at each balance-sheet date whether a financial asset is impaired.

##### Financial assets carried at amortized cost

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 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.

##### Financial assets Available-for-sale

If a financial asset Available-for-sale is impaired, an amount comprising the difference between its costs (net of any principal payment and amortization) and its current fair value, less any impairment loss previously recognized in the income statement, is transferred from equity to the income statement. For interest-bearing securities Available-for-sale reversals of impairment losses are reversed through the income statement; if the increase in fair value of the instrument can be objectively related to an event occurring after the impairment loss was recognized in the income statement. For Available-for-sale shares however, the reversal of impairment losses is not recognized through the income statement but through shareholders' equity.

#### **Cash flow statement**

The cash flow statement is based on the indirect method. A distinction is made between operating, investing and financing activities.

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## NOTES TO THE BALANCE SHEET

### ASSETS

#### 1. Cash

The item cash represents the balance at the Dutch Central Bank and is held to satisfy their regulatory liquidity requirements.

#### 2. Banks

This item represents loans and advances to banks, other than in the form of interest-bearing securities and claims on credit institutions and central banks subject to the governmental supervision on banking not belonging to cash and not included in interest-bearing securities.

(EUR x 1,000)	2006	2005
Demand deposits	203,879	353,337
Time deposits	224,852	427,829
Claims on security dealings	26,001	78,951
Loans to banks	182,821	234,136
<b>Total Banks</b>	<b>637,553</b>	<b>1,094,253</b>

The breakdown of Banks by remaining liquidity term is as follows:

(EUR x 1,000)	2006	2005
Less than 3 months	534,732	709,430
More than 3 months but less than 1 year	-	200,689
More than 1 year but less than 5 years	102,821	184,134
<b>Total Banks</b>	<b>637,553</b>	<b>1,094,253</b>

The movements in loans to banks are as follows:

(EUR x 1,000)	2006	2005
Balance at 1 January	234,136	235,459
Redemptions and divestments	-51,315	-1,323
<b>Balance at 31 December</b>	<b>182,821</b>	<b>234,136</b>

#### 3. Loans

This item consists of loans and advances, other than interest-bearing securities, to clients other than banks. Loans include a current account within Robeco Groep amounting EUR 6,361 (2005: EUR 5,431). All loans are issued by Dutch companies and all mortgages relate to Dutch property.

The breakdown by remaining liquidity term is as follows:

(EUR x 1,000)	2006	2005
No maturity	4	5,187
Less than 3 months	79,166	18,069
More than 3 months but less than 1 year	7,273	32,384
More than 1 year but less than 5 years	19,793	26,919
More than 5 years	1,127,876	1,152,021
<b>Total Loans</b>	<b>1,234,112</b>	<b>1,234,580</b>

The movements in loans are as follows:

(EUR x 1,000)	2006	2005
Balance at 1 January	1,234,580	978,509
Purchases, redemptions and divestments	2,537	245,938
Purchase of premium	-	12,703
Discount amortization	-3,005	-2,570
<b>Balance at 31 December</b>	<b>1,234,112</b>	<b>1,234,580</b>

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#### 4. Interest-bearing securities

This item concerns bonds issued by third parties bearing interest at either a fixed or variable rate, as well as other fixed income securities. All interest-bearing securities are held in the investment portfolio and all are listed on the stock exchange.

The breakdown of interest-bearing securities into the three parts to which different accounting policies are being applied is as follows:

(EUR x 1,000)	2006	2005
Available-for-sale	3,676,818	3,875,167
Held-to-maturity	1,567,578	2,038,308
Fair value through profit or loss	1,623,658	1,726,805
<b>Total interest-bearing securities</b>	<b>6,868,054</b>	<b>7,640,280</b>

The breakdown of interest-bearing securities by issuer is as follows:

(EUR x 1,000)	2006	2005
Government agencies	3,549,660	4,426,731
Other	3,318,394	3,213,549
<b>Total interest-bearing securities</b>	<b>6,868,054</b>	<b>7,640,280</b>

The movements in the interest-bearing securities are as follows:

(EUR x 1,000)	2006	2005
Balance at 1 January	7,640,280	8,244,202
Purchases	2,626,654	1,398,724
Redemptions and divestments	-3,253,804	-1,867,210
Amortization premium	-60,496	-85,984
Unrealized value change	-49,683	-44,876
Realized value change	-34,897	-4,576
<b>Balance at 31 December</b>	<b>6,868,054</b>	<b>7,640,280</b>

An amount of EUR 1,918,014 (2005: EUR 1,762,634) in interest-bearing securities will become due and payable in 2007.

Of the interest-bearing securities as at 31 December 2006, EUR 245,007 (2005: EUR 363,776) is restricted.

#### 5. Shares and other non-interest bearing securities

The breakdown of shares and non-interest bearing securities is as follows:

(EUR x 1,000)	2006	2005
Available-for-sale	93,098	39,372
Held for trading	800,609	1,036,918
<b>Balance at 31 December</b>	<b>893,707</b>	<b>1,076,290</b>

(EUR x 1,000)	2006	2005
Listed	34,800	39,493
Unlisted	858,907	1,036,797
<b>Balance at 31 December</b>	<b>893,707</b>	<b>1,076,290</b>

The movements in shares and other non-interest-bearing securities in the Available-for-sale portfolio are as follows:

(EUR x 1,000)	2006	2005
Balance at 1 January	39,372	30,307
Purchases	32,022	3,742
Revaluations	21,704	5,323
<b>Balance at 31 December</b>	<b>93,098</b>	<b>39,372</b>

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## 6. Participating interests

Participating interests can be broken down as follows:

(EUR x 1,000)	2006	2005
Banque Robeco S.A.	23,936	23,291
Robeco Sustainable Private Equity CV	-	4,345
Investment funds	48,294	27,778
<b>Total participating interests</b>	<b>72,230</b>	<b>55,414</b>

The movements in the participating interests are as follows

(EUR x 1,000)	2006	2005
Balance at 1 January	55,414	24,886
Investment	31,072	27,012
Other movements	-16,010	-
Revaluations	-248	19
Result in the period	2,002	3,497
<b>Balance at 31 December</b>	<b>72,230</b>	<b>55,414</b>

Other movements relates to a participation no longer controlled by the Company, this participation is reclassified to Shares.

## 7. Property and equipment

(EUR x 1,000)	Leasehold improvements	ICT equipment/ software	Office equipment	Total
<b>Cost at 1 January 2006 net of accumulated depreciation and impairment.</b>	<b>114</b>	<b>63</b>	<b>121</b>	<b>298</b>
Additions	23	244	2	269
Disposals	-	-4	-84	-88
<b>Total before depreciation</b>	<b>137</b>	<b>303</b>	<b>39</b>	<b>479</b>
Depreciation charge for the year	-62	-79	-22	-163
<b>Net carrying amount at 31 December 2006</b>	<b>75</b>	<b>224</b>	<b>17</b>	<b>316</b>
Costs at 31 December 2006	329	1,321	111	1,761
Accumulated depreciation and impairment	-254	-1,097	-94	-1,445
<b>Net carrying amount at 31 December 2006</b>	<b>75</b>	<b>224</b>	<b>17</b>	<b>316</b>
Depreciation rates	20 %	33.3 %	20 %	

## 8. Other assets

This item includes assets that are not of an accrued or deferred nature or which cannot be classified with any other balance sheet item such as capitalized structuring fees. Also included are the positive fair values of the Company's derivative transactions. Among these are derivatives instruments.

(EUR x 1,000)	2006	2005
Other non-settled items	66,075	98,774
Derivatives	50,041	47,144
	<b>116,116</b>	<b>145,918</b>

The derivatives position is a result of the hedging policy of the Company. The notional amounts of certain types of financial instruments provide a basis for comparison with instruments recognized on the balance sheet, but do not necessarily indicate the value of future cash flows involved or the current fair value of the instruments 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 measuring the value of the derivative. It provides an indication of the volume of the Company's business transactions but does not provide any measure of risk.

Positive fair value represents the cost to the Company of replacing all transactions with a receivable amount if all the counterparties were to default. This measure is the industry standard for the calculation of current credit exposure. Negative fair value is the cost incurred by the Company in replacing all the Company's transactions with a commitment if the Company were to default. The total positive and negative fair values are included separately in the balance sheet. The derivative instruments become favourable (assets) or unfavourable (liabilities) as a result of fluctuations in market interest rates or foreign exchange rates relative to their terms. The aggregate contractual or notional amount of derivative financial instruments on hand, the extent to which instruments are favourable or unfavourable and thus the aggregate fair values of derivative financial assets and liabilities can sometimes fluctuate significantly.

The value of the funded total return swaps depend in the value of the underlying investments which are held to meet the specific investment objectives of note holders who bear investment risk arising from these investments.

The table below provides the notional amounts and the positive and negative fair values of the Company's derivative transactions.

(EUR x 1,000)	2006			2005		
	Contract/ Notional Amount	Fair values		Contract/ Notional Amount	Fair values	
		Assets	Liabilities		Assets	Liabilities
Forward currency	252,193	213	76	229,700	565	681
Interest rate swaps	1,676,304	4,921	58,336	1,975,200	2,010	129,554
Index futures	7,700	-	-	6,168	-	-
Credit default Swaps	51,390	-	353	-	-	-
Swaptions	100,200	1	1	100,200	329	230
Funding swap	41,400	44,906	-	42,362	44,240	-
Total Return Swap	805,135	-	805,135	996,865	-	996,865
<b>Total recognized derivative assets/liabilities</b>	<b>2,934,322</b>	<b>50,041</b>	<b>863,901</b>	<b>3,350,495</b>	<b>47,144</b>	<b>1,127,330</b>

#### 9. Prepayments and accrued income

This item includes prepaid amounts for costs that will apply to future periods and income yet to be received, such as accrued interest.

#### LIABILITIES

##### 10. Banks

Banks include the non-subordinated amounts payable to banks.

The breakdown by remaining liquidity term is as follows:

(EUR x 1,000)	2006	2005
Less than 3 months	1,547,563	2,824,686
<b>Total Banks</b>	<b>1,547,563</b>	<b>2,824,686</b>

##### 11. Funds entrusted

This item includes funds entrusted by clients other than debt securities, excluding amounts owed to credit institutions. Funds entrusted includes a current account within Robeco Groep amounting EUR 86,957 (2005: EUR 34,119)

The breakdown of funds entrusted is as follows:

(EUR x 1,000)	2006	2005
Savings	4,717,045	5,492,202
Other funds entrusted	2,171,593	1,481,241
<b>Total Funds entrusted</b>	<b>6,888,638</b>	<b>6,973,443</b>

The breakdown of other funds entrusted by remaining liquidity term is as shown on page 22:

(EUR x 1,000)	2006	2005
On demand	760,229	705,884
Less than 3 months	1,406,024	775,357
More than 3 months but less than 1 year	5,340	-
<b>Total other funds entrusted</b>	<b>2,171,593</b>	<b>1,481,241</b>

## 12. Other liabilities

This item includes derivatives and other liabilities which by their nature cannot be allocated to one of the other balance sheet items, and concerns accounts payable to group companies and corporate income tax.

The breakdown of other liabilities is as follows:

(EUR x 1,000)	2006	2005
Other non-settled items	112,840	7,482
Derivatives	863,901	1,127,330
	<b>976,741</b>	<b>1,134,812</b>

## 13. Accruals and deferred income

Accruals and deferred income includes mainly accruals such as accrued interest at EUR 169,112 (2005: EUR 175,018). Next to this, advance payments for income that will apply to subsequent periods, are part of this item.

## 14. Deferred tax liabilities

Deferred tax liabilities relates primarily to the temporary difference with the fiscal value of interest-bearing securities. The time schedule for realization of the deferred tax liability is following the remaining term of the investment portfolio and is between 0 and 5 years. The amount of the realization of the liability for the period less than a year cannot be determined because of the uncertainties that exist on realization of the portfolio within that period.

## 15. Subordinated debt

The breakdown of subordinate debt is as follows:

(EUR x 1,000)	2006	2005
Loan Rabobank Nederland	37,664	37,664
	<b>37,664</b>	<b>37,664</b>

This item relates to loans at a variable interest rate granted to Robeco Direct N.V. by Rabobank Nederland (EUR 37,664). The loans 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 as a result of the solvency rules set by the Dutch Central Bank and can only be repaid when the Dutch Central Bank removes the subordination in writing. In 2005 Rabobank Nederland granted a subordinated loan of EUR 26,319. Simultaneously Robeco Direct N.V. repaid in full a subordinated loan of the same amount from Rorento N.V. after receiving written permission from the Dutch Central Bank.

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

	2006	2005
Rabobank Nederland	3.35%	2.86%
Rorento N.V.	-	3.50%

## 16. Shareholders' equity

The authorized share capital is EUR 1,000,000 (200,000 shares with a nominal value of EUR 5 each), of which 340.340 is paid in full.

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Shareholders' equity showed the following movements in 2006:

(EUR x 1,000)	Share capital	Revaluation reserve	Share premium reserve	Other reserves	Result financial year	Total
<b>Balance at 1 January 2006</b>	<b>340</b>	<b>21,741</b>	<b>145,323</b>	<b>245,819</b>	<b>62,254</b>	<b>475,477</b>
Result previous year	-	-	-	62,254	-62,254	-
Net profit for 2006	-	-	-	-	23,454	23,454
Net revaluation on interest-bearing securities and shares Available-for-sale	-	2,272	-	-	-	2,272
Dividend distribution	-	-	-	-62,257	-	62,257
<b>Balance at 31 December 2006</b>	<b>340</b>	<b>24,013</b>	<b>145,323</b>	<b>245,816</b>	<b>23,454</b>	<b>438,946</b>

The revaluation reserve concerns the unrealized gains on interest-bearing securities Available-for-sale which are recognized at fair value with the adjustments to fair value taken to equity.

#### 17. Capital adequacy

The standards applied by the Dutch Central Bank for the principal capital ratios are based on the capital adequacy guidelines of the European Union and the Basel committee for banking Supervision. These ratios compare the banks' total capital (after deduction of proposed distribution of dividends) and tier 1 capital with the total risk weighted assets and off balance sheet items and the market risk associated with the trading portfolios. The minimum requirement for the total capital ratio and tier 1 ratio is 8% and 4% respectively of risk weighted assets. The following table analyses actual capital and the minimum standard in accordance with supervisory requirements.

(EUR x 1,000)	2006 Required	2006 Actual	2005 Required	2005 Actual
Total capital	232,024	436,105	206,692	438,858
Total capital ratio	8,00%	15,04%	8,00%	16,99%
Tier 1 capital	116,012	398,441	103,346	401,194
Tier 1 capital ratio	4,00%	13,74%	4,00%	15,53%

#### 18. Off balance sheet obligations and risks

##### *Contingent liabilities*

The company stands surety for liabilities (EUR 0.3 million) arising from transactions for a third party.

The Company has a commitment to repurchase specific bonds when requested by the bondholders. The Company can unwind these securities with nominal amount of 1,625 million (2005: EUR 1,961 million) without a loss.

The Company has at 31 December a commitment of EUR 20,700 on mortgage offers of which an amount of EUR 11,100 has been accepted by clients.

The Company has commitments with a remaining value of EUR 90,787 regarding capital calls for investing in private equity CV's.

##### *Irrevocable facilities*

This concerns the total of liabilities arising from irrevocable commitments which may lead to a credit risk. The Company has irrevocable credit facilities relating to mortgages, credits and guarantees amounting to EUR 491.0 million at 31 December 2006. Most of the unused portion of irrevocable credit facilities is secured by customers' assets.

##### *Other*

The office space in Belgium is rented. The annual rent is EUR 213; the remaining term is 4 years leading to a total obligation of EUR 860. In Belgium lease contracts regarding ICT hard- and software and cars are in place for a total value of EUR 517.

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## NOTES TO THE INCOME STATEMENT

### 19. Interest income

This item includes all interest income from account balances, mortgages and interest-bearing securities as well as income similar in nature to interest, such as amortization.

The breakdown of interest income is as follows:

(EUR x 1,000)	2006	2005
Interest-bearing securities	237,062	276,081
Mortgages	66,150	65,188
Derivatives	14,041	10,804
Cash/ Other	34,517	19,166
	<b>351,770</b>	<b>371,239</b>

### 20. Interest expense

This item includes all interest expense on funds entrusted and subordinated loans, as well as charges similar to in nature to interest. In 2006 EUR 1,260 is paid on the subordinated loans (2005: EUR 1,237).

### 21. Income from securities and participating interests

This item includes dividends from shares.

### 22. Commission income

This item relates to commission received for services provide to third parties, which is not similar in nature to interest.

The breakdown of commission income is as follows:

(EUR x 1,000)	2006	2005
Structuring fee	2,592	62,451
Distribution fee	43,465	32,450
Transaction fees	7,537	8,326
Mortgage commission	464	514
Insurance commission	535	613
Other	587	996
<b>Total commission income</b>	<b>55,180</b>	<b>105,350</b>

### 23. Commissions expense

This item relates to commission paid to third parties not similar in nature to interest.

### 24. Result from financial transactions

This item includes both realized and unrealized price and value differences on securities forming part of the trading portfolio, currency and other income from financial transactions. The results can be broken down as follows:

(EUR x 1,000)	2006	2005
Result on trading interest-bearing securities	6,740	1,683
Result foreign currency contracts and exchange rate differences	-1,784	-867
Result shares and other non interest-bearing securities		
Held for trading	3,559	5,428
Result on derivatives	45,714	7,116
Result on assets recognized at fair value	-40,556	6,238
Unrealised revaluation losses on interest-bearing securities and shares Available-for-sale	-31,045	-
Other	-558	-1,174
<b>Total result financial transactions</b>	<b>-17,930</b>	<b>18,424</b>

### 25. Other income

This item relates to income that cannot be classified elsewhere.



**26. Staff costs**

This item relates to the cost of personnel of the branch in Belgium. These costs can be broken down as follows:

(EUR x 1,000)	2006	2005
Wages and salaries	2,821	2,694
Social security costs	1,329	1,213
Pension, medical insurance costs	453	435
Temporary staff	202	118
Other staff costs	89	461
<b>Total staff costs</b>	<b>4,894</b>	<b>4,921</b>

Robeco Direct N.V. does not employ personnel elsewhere but in Belgium. The number of Full Time Equivalents employed in Belgium is 34 (2005: 31). Robeco Nederland B.V. is employer of Robeco Direct N.V.'s Board of Directors and personnel in the Netherlands.

**27. Administrative expenses**

This item relates to costs charged to the company. The costs charged consist mainly of costs for personnel, housing and ICT.

**28. Value adjustments receivables**

This item concerns a value adjustment to mortgages.

**29. Tax**

The effective tax charge applied to the income statement during the year is as follows:

(EUR x 1,000)	2006	2005
Income before tax	34,088	90,686
Tax	10,634	28,432
Effective tax rate	31,2 %	31,4 %

Various minor tax concessions are included in the determination of the effective tax charge. The effective tax rate in 2006 (31,2 %) is not equal to the applicable tax rate (29.6%) due to a difference with the fiscal result calculation.

**30. Related Parties**

Robeco Groep N.V. is a related party of Robeco Direct N.V. as owner of 100% of the shares of Robeco Direct N.V. Rabobank Nederland is a related party due to her ownership of Robeco Groep N.V. Banque Robeco S.A, Robeco Diversified Trading, CGF Robeco US MidCap Eq, WPG Event driven multi strategy and WPG Distressed/ special situations fund are related parties due to the fact that Robeco Direct N.V has (temporary) control over these entities. The members of the Supervisory Board as well as the Board of Directors are designated as related parties due to their ability to influence the business and financial policies of Robeco Direct N.V.

The nature of the relationship with the entities may be that of distributor, client and counterparty in market transactions. Transactions with related parties are executed at market rates.

Mortgages granted to members of the Board of Directors of Robeco Direct N.V amount to EUR 1,430 and have various interest rates between 4,1% and 4,2%. The mortgages granted to members of the Board of Directors are granted in the normal course of business, subject to terms applicable to all employees.

**31. Events after balance sheet date**

There have been no significant events after balance sheet date.

13-06-2007

## NOTES TO THE CASH FLOW STATEMENT

### 32. Operating activities

Cash generated from operations is based on adjustments made to net profit for amortization and results of financial instruments. Adjustments have been made regarding value adjustment to a receivable. Further other movements in accrued items result in an increase in cash generated from operations in 2006.

The Net operating cash flow mainly comprises cash-flows from the regular banking activities of the Company. The large movement in Funds entrusted is related to the switch from traditional saving products to Robeco investments products. Furthermore the movement in Shares and other non-interest-bearing securities Held for Trading in 2006 relates to the repurchase of SPC shares. The repurchase of the SPC shares takes place when the corresponding products or notes are sold back to Rabobank.

### 33. Investing activities

The Net investing cash-flow consists mainly of purchases, redemptions and divestments of interest-bearing securities. The net movement in investing activities is in line with the declining entrusted funds and the related investment portfolio.

### 34. Financing activities

The Net financing cash-flow consists of dividends paid to the parent of the Company, Robeco Groep N.V.

Rotterdam, 16 May 2007

#### Supervisory Board Robeco Direct N.V.

George A. Möller, chairman

Constant Th.L. Korthout

Niek F. Molenaar

#### Management Board Robeco Direct N.V.

Leni M.T. Boeren, chairman

Peter T.N. Bruin

Sander van Eijkern

13-06-2007

## **OTHER DATA**

### **Articles of association rules regarding profit appropriation**

According to Article 23 of the Articles of Association, the profit available for distribution will be at disposal of the General meeting of the Shareholders.

### **Proposed profit appropriation**

It is proposed to appropriate the total profit of EUR 23,454 as dividend.

13-06-2007

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

## **AUDITOR'S REPORT**

### **Report on the financial statements**

We have audited the financial statements 2006 of Robeco Direct N.V., Rotterdam, which comprise the balance sheet as at 31 December 2006 and the income statement for the year then ended and the notes.

#### *Management's responsibility*

Management is responsible for the preparation and fair presentation of the financial statements and for the preparation of the Management Board report, both 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 2006, and of its result for the year then ended in accordance 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 e 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.

The Hague, 16 May 2007

for Ernst & Young Accountants

sgd Joost Hendriks

13-06-2007



# ROBECO

Aan:

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Postbus 11723  
1001 GS AMSTERDAM

Wilt u helpen ons adressenbestand zo compleet mogelijk te houden.

Wilt u bij onjuiste adressering, uw adres verbeteren en aan ons doorgeven.

Bij voorbaat dank.

Robeco Direct N.V.  
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13-06-2007