# Annual Report

# Robeco Direct N.V.

2011

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# GENERAL INFORMATION

## Supervisory Board Robeco Direct N.V.

Roderick M.S.M. Munsters, Chairman
Hans A.A. Rademaker
Jurgen B.J. Stegmann (from 9 June 2011)

## Management Board Robeco Direct N.V.

Leni M.T. Boeren, Chairman
Hester W.D.G. Borrie
Peter T.N. Bruin

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# REPORT OF THE SUPERVISORY BOARD

## Financial statements 2011

We herewith present Robeco Direct's financial statements for the financial year 2011 together with the report of the Management Board.

We have taken notice of the contents of the Audit Report presented by Ernst & Young Accountants LLP which have given an unqualified opinion on the annual financial statements as presented and recommended approval thereof. We concur with the Management Board's proposal to add the 2011 results to the retained earnings.

## Composition of the Supervisory Board

Mr. Stegmann became a member of the Supervisory Board as from 9 June 2011. The Supervisory Board now consists of Messrs. Roderick Munsters (Chairman), Hans Rademaker and Jurgen Stegmann.

## Meetings of the Supervisory Board

In 2011, the Supervisory Board met five times. The Board discussed the investment policy and the developments of the investment portfolio, in particular the asset-backed securities part of the portfolio, the exposure to government debt of GIIPS countries, valuation developments and impairments. Moreover, the development of level of the entrusted funds, interest margin and re-investment yields were discussed.

An important issue on the agenda was the Retail Strategy, i.e. the direct-distribution proposition; this was extensively discussed, more in particular in the December meeting of the Board. In the meeting held in February the report of Internal Audit regarding the state of affairs of the implementation of the Code Banken in 2010 was discussed. In the October meeting of the Board, the 'Risk-appetite statement Robeco Direct N.V.' was discussed and subsequently scheduled for discussion in the Audit Committee.

Other issues discussed in the meetings of the Supervisory Board were, amongst others, the adjustments made to the Limit and Control Structure for interest and credit risk and the project of analyzing and implementing the Basel III regulations. Also the impact of a possible worsening of the euro crisis was on the agenda of the Board.

Sessions of the Permanent Education program were attended by the members of the Management Board and Supervisory Board of both Robeco Direct N.V. and Robeco Groep N.V. In the meeting held in December, the Supervisory Board evaluated its own functioning.

## Meetings of the Audit Committee

In 2011, the Audit Committee met five times. The meetings of the Audit Committee were attended by Ms. Boeren, while Messrs. Munsters and Stegmann (second half of the year) were present in their capacity as Supervisory Board members. The heads of Internal Audit, Compliance and Risk Management and representatives of Ernst & Young attended the meetings too.

The Audit Committee discussed the audit reports and the semi-annual and annual reports. The Audit Committee also paid attention to matters as, for example, the development of the results and the financial position (including the level of capitalization), risk management, internal audit reports, compliance matters, valuation developments and impairments. In the meeting held in November, the risk-appetite statement was discussed.

The 2010 Annual Report of Robeco Direct was submitted to the Audit Committee and, subsequently, to the Supervisory Board on 12 April 2011, together with the audit report 2010 of Ernst & Young. The 2011 Condensed Consolidated Interim Financial Statements were also discussed with the Audit Committee and subsequently approved by the Supervisory Board.

## Composition of the Management Board

The composition of the Management Board did not change in 2011: Ms. Leni Boeren (Chairman), Ms. Hester Borrie and Mr. Peter Bruin.

Rotterdam, 17 April 2012

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

Roderick M.S.M. Munsters, Chairman

# REPORT OF THE MANAGEMENT BOARD

## Corporate information

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

## General

We hereby present the annual report of the financial year 2011 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 and with Part 9 of Book 2 of the Dutch Civil Code.

## Market environment

At the start of 2011, the global economy was still in recovery mode, following its steep decline in 2008 and the upturn in 2009 and 2010. After the first quarter, however, the economy went into a slowdown. At the same time, the euro zone sovereign debt crisis started to have a more significant effect, especially from the summer onwards.

Greece and Portugal were both bailed out in 2011, while the intensifying crisis threatened to spill over to Italy and Spain. Europe's policymakers took some steps in the right direction, but failed to come up with a definitive solution to the crisis. Instead, they resorted to a series of stop-gap responses to developments as they occurred. The ECB, which was forced to reverse two premature interest-rate hikes as the region's economic growth faltered, was the only institution with the firepower to end the crisis, but fears of moral hazard held it back.

In the U.S., the Federal Reserve took a bolder approach. In June, it completed a USD 600 billion program of buying Treasuries to stimulate growth, the second round of asset purchasing in its quantitative easing program. By year-end, its efforts appeared to be paying off, as improving confidence, employment and retail data indicated a pick-up in the U.S. economy. In the euro zone, by contrast, the economy was sliding into recession as 2011 came to a close.

Growth in emerging markets also slowed in 2011. This deceleration was necessary due to rampant inflation. Monetary tightening was implemented, and by year-end, inflation was declining. Some countries were even able to ease monetary policy. Although lower than in previous years, economic growth in emerging markets maintained a decent pace. Overall, the prospects for the global economy were brighter at the end of 2011 than they had been in the summer. The likelihood of a global recession had declined.

**Risk aversion hurt equities**
As the euro zone debt crisis and political uncertainties weighed on the global economy, assets viewed as safe havens generally fared better than their riskier counterparts. 2011 was a thus disappointing year for equities. The MSCI AC World index retreated by 6.5% in local currency terms.

The U.S. was the best-performing major market, though the S&P 500 was flat for the year. It was a year of violent fluctuations in the U.S. stock market, however, both on a day-to-day basis and over the year. 2011 started with a rally that took the S&P 500 to a three-year high in April. The index plunged over the summer, as Congress struggled with President Obama over the U.S. debt ceiling, S&P stripped the country of its AAA rating and the euro zone debt crisis escalated. As the year came to an end, however, data pointing to an economic pick-up prompted a rebound.

Hurt by the debt crisis and the continent's economic retrenchment, European stocks lagged their US counterparts. The Dow Jones Euro Stoxx 50 lost 8.4%. The worst performing region in 2011, however, was Asia. The Shanghai SE Composite fell by 21.7%, as tighter lending limits slowed China's growth, while Japan's Nikkei 225 dropped by 17.3%. Japan's manufacturing base was badly affected by the 11 March earthquake and tsunami, which also triggered a nuclear crisis. Japanese manufacturers came under further pressure as a result of floods in Thailand and the robust yen.

Emerging markets declined by 12.7% over the year, even though growth in China and other emerging markets remained strong and these markets do not have the debt problems of their developed counterparts. Inflation fears and risk aversion were two of the major causes of the slump.

On the sector front, defensives were the best performers, with health care, consumer staples and telecom all doing well. Financials suffered badly but the worst performing sector was materials. Another illustration of investors' risk-averse stance was the good performance of the minimum volatility strategy: the MSCI Minimum Volatility (in USD) returned 8.0%.

**Government bonds attracted safe-haven flows**

Government bonds benefited from the heightened risk aversion in 2011. U.S. and German yields fell to multi-decade lows, offering negative real yields, even as core inflation rose. U.S. Treasuries gained 9.8% in local currency, despite the US credit downgrade and the strengthening of the US recovery. German Bunds returned 9.7%. By contrast, bonds of countries at the heart of the euro zone crisis performed poorly. Greek and Italian government bonds suffered their worst years on record, with Greek two-year bond yields rising to more than 150% by mid-December.

Investment-grade corporate bonds had a mixed year, with the U.S. (8.2%) outpacing Europe (1.5%) thanks to its better economic outlook. Riskier high-yield bonds lagged because of expectations that default rates would increase due to the slowdown. While U.S. high yield had a 5.0% gain, the European market lost 2.8%. The combination of record-high earnings and a reluctance to invest has resulted in strong corporate balance sheets that have bolstered companies' prospects for coping with any new downturn, a positive element that was not fully reflected in the relatively wide spreads.

**Commodities slipped back due to weak industrial metals**

After substantial gains in 2009 and 2010, commodities slipped back in 2011, with a fall of 1.2%, as measured by the S&P GSCI index. Brent crude oil rose by 17.5%. The oil price declined over the second half after hitting its highest level for more than two years in May, after the uprising in Tunisia incited similar protests across the Middle East and North Africa. With investors seeking protection against the turbulence in financial markets, gold gained 9.6%. In contrast, industrial metals had a bad year. The price of copper, which is often seen as an indicator of economic activity, given its use in construction and automobiles, dropped by 21.5%, as the euro zone debt crisis escalated and demand from China slowed.

**Real estate scraped into positive territory in 2011**

Real estate, the best-performing asset class in 2010, managed to outperform equities again in 2011, with a 0.3% gain. The asset class was held back by concerns over future funding, with banks wanting to lower their exposure to real estate.

## Responsible investing

Robeco has been a pioneer in the field of Responsible Investing since 1999, when Robeco was the first to introduce a sustainable equities fund in the Netherlands. Over the years, its commitment to responsible investing has strengthened, and in early 2010 Robeco introduced a comprehensive policy on responsible investing, including the full integration of environmental, social and governance (ESG) factors in the investment processes and decisions. This approach is not only fully embedded in the investment funds offered by Robeco to clients, but also aligns with the approach applied in providing financing to corporates by the Bank. Furthermore, due diligence is performed to make sure loans are only granted to reputable European sovereigns and public sector entities.

## Developments in the Dutch savings market

The negative wealth effect of the financial crisis has still not been fully recovered during 2011. Financial assets on average performed negatively, while house prices continued its downward path. And yet another risk came more prominently to the forefront: income from pensions might not be as certain as previously assumed. Many pension funds have taken bold actions to get their financial house in order: pension premiums are rising and benefits are more often than not under review for possible reductions.

In addition to the above, conditions on the labor market worsened. Consequently consumer confidence and spending behavior remains under pressure and Dutch households set aside a growing part of their income in order to further reduce their financial vulnerability. Savings have been rising again during the year.

This increase in savings can be observed in the data provided below. During 2011, an additional amount of 15 billion (+5%) has been added to the various saving accounts. The fiscally incentivized bank savings or Banksparen continued to grow rapidly.

| In billions of euro | 2002 | 2003 | 2004 | 2005 | 2006 | 2007 | 2008 | 2009 | 2010 | 2011 |
|---|---|---|---|---|---|---|---|---|---|---|
| | | | | | | | | | | |
| Saving deposits in the Netherlands | 306 | 291 | 284 | 251 | 237 | 222 | 210 | 200 | 185 | 168 |

Source: CBS

Contrary to earlier years, clients of banks showed an increased preference for placing term deposits with longer maturities, which now represents approximately 16 % of the total retail savings pool. The rest is still held in on-demand deposits.

Savings rates, though fairly low in absolute terms, continued to be high in the Netherlands in comparison to other Western European countries and even more if compared to Euribor rates. The main driver therefor is the structural shortage of the retail deposit base when compared to the requirements of banks to fund their loan activities towards businesses and (mortgage) retail clients. Recently, new banking regulations, known as Basel III, put additional pressure on banks to fund themselves by retail savings, leading to an increased competition. As a consequence retail funding costs are still high and loans and mortgages rates are kept elevated, further delaying the economic recovery and further frustrating the housing market.

## Strategy

A plan to strengthen Robeco's leading position in the Dutch retail market was finalized in 2011 and is being rolled out over the course of 2012. The plan envisages positioning Robeco as the specialist in the area of fund investing, and as a thought leader in investing. More focus will be put on the proposition of fund investing and savings only. Investing should be accessible to a broad range of clients via our online fund bank. The rise of new technologies and the increasing role of social media play an important role here. Increased investments in our systems is planned to support the new strategy. In this way, Robeco will have a robust platform and can further grow in the retail market of fund investing.

**Further increasing and improving online service**

In 2011, Robeco Direct made good progress in further rolling out its online offering and services for clients. A major step has been the successful launch of the new "Mijn Robeco" website which has become more user-friendly and more stable. The client satisfaction with the website has significantly improved since and we managed to lower complaints significantly. Robeco Direct has launched an App which provides clients with insight in their portfolios, values and performance developments when they are on the road. More and more, clients use Rosa, Robeco Direct’s "virtual employee", who addresses clients' demands via the website. In 2011, Rosa "answered" a record 181,000 questions. Also, the usage of our website increases on a monthly basis and currently counts around 160,000 visitors per month.

**Clients first**

In everything we do, we put clients first. Robeco Direct is convinced that promoters and loyal customers lead to better financial results. Robeco Direct continued to spend significant efforts on improving client satisfaction. Complaint management is another important integral part of Robeco Direct’s client service. In 2011, this resulted in Robeco Direct being awarded the Gouden Oor award, an award for the company in the Netherlands having the best complaint management organization. The award is an initiative of the “Platform voor Klachtenmanagers” (Platform for Complaint Managers), a network of customer care managers in the Netherlands.

**Thought leadership**

In line with the increased emphasis on thought leadership, Robeco Direct aims to share more extensively its knowledge and views on investing and fund investing, as well as the sometimes volatile developments around us. This led to more content offering and delivery through the website, for example around the euro crisis in the second half of 2011, where Robeco quickly and proactively addressed and interpreted the developments.

## Key figures

### Operating result

Due to extremely widened credit spreads on non-AAA sovereigns, results on financial instruments negatively contributed to the 2011 operating income. The asset-backed securities market suffered also from widening credit spreads, taking their toll on market prices as a consequence. Although no new instruments were impaired, adverse fair value changes on earlier impaired instruments caused a further impairment loss in 2011. Credit spreads prove to be very volatile – also due to the seemingly indecisiveness of the European leaders – making it hard to predict how these spreads, and hence the fair values and results of financial instruments, will develop in the nearby future.

Due to a further decrease of entrusted funds, increased competition on the Dutch savings market and declining yields on AAA sovereigns, the net interest income from banking operations has come under pressure in absolute and relative terms. As a result, net interest income declined from EUR 66.9 million to EUR 50.5 million, with the interest margin from Retail Banking activities amounting to EUR 53.1 million compared to last year's EUR 63.2 million. After a rise in the beginning of 2011, bond yields and money-market rates fell in the second half. Meanwhile, the interest paid on savings rose, taking its toll on the Robeco Direct's realized interest margin.

As the offering of mortgage products no longer fitted within Robeco Direct's product offering, it was decided to stop offering mortgages to new clients as from 1 July 2011. As a consequence, the existing portfolio will slowly start to decrease in the coming years. Predominantly due to the sale of the French banking operation, net commission income decreased substantially from EUR 43.1 million in 2010 to EUR 28.5 million this year.

Returns on financial instruments declined to a loss of EUR 8.9 million in 2011 from a gain of EUR 14.3 million in the prior year. Main contributors to this outcome were the Italian and French bonds held by the Bank, because these assets held at fair value through profit or loss suffered from sharply increased credit spreads. These results could only partly be offset by higher returns on related interest rate swaps implemented to mitigate unintended risks. Moreover, Structured Finance's trading results suffered from the strengthening U.S. dollar versus the euro, be it that negative hedging returns were compensated by appreciating equity.

All shares held by Robeco Direct in its subsidiary Banque Robeco were transferred on 31 March 2011. Due hereto and to the closure of the Belgian activities late 2010, employee benefits expenses as well as depreciation and amortization expenses were significantly lower. Furthermore, other income decreased as a result of the disposal of the foreign banking activities. Administrative expenses also declined primarily due to cost savings in the Netherlands. Negative impairment results came from adverse fair value changes of earlier impaired asset-backed securities and other debt securities; no additional instruments were impaired in 2011.

The EUR 0.7 million non-operating income reflects the result recognized upon final settlement of Banque Robeco, Robeco's private banking operations in France. The result for the year totaled EUR 4.3 million compared to EUR 30.6 million in 2010.

### Composition of the statement of financial position

The Bank's total assets decreased from EUR 8.9 billion at the start of 2011 to EUR 8.4 billion at the end of the year. The Bank saw its investments decline due to maturities and active sales, while cash and bank balances increased materially. In terms of entrusted funds from customers, total savings decreased by EUR 0.3 billion in during 2011 to EUR 6.2 billion at this year-end, reflecting the gradual outflow of entrusted funds observed during the year due to the fierce competition in the Dutch savings market. The Bank's total equity improved to EUR 414.8 million versus EUR 411.0 million at the start of the year, the increase being mainly attributable to the result for the year.

### Capital base

As mentioned above, the Bank's equity totaled EUR 414.8 million at 31 December 2011. The Core Tier 1 ratio, the Bank's solvency ratio, rose to 16.8% versus 15.0% at year-end 2010, as the available capital increased by EUR 35.1 million primarily due to the addition of last year's result to the retained earnings.

## Risk Management and Compliance

Robeco Direct aims for transparency in terms of those risks that might influence the results of the organization. This chapter provides an insight into the Banks's risks and risk control governance. With respect to Risk Management, Compliance and Internal Audit activities, the Bank is fully embedded in Robeco's group organizational structure.

**Risk Control Governance**

Risk management is the responsibility of line management and, ultimately, the Management Board. Risk control governance is exercised by line management and the Group Risk Management (GRM), Group Compliance (GC) and Group Internal Audit (GIA) departments, which are independently positioned within Robeco. Line management functions as the first line of defense, while GRM and GC act as the second line. GRM supports management by developing policies, methodologies and infrastructures for identifying, measuring, monitoring and reporting the different types of risk inherent to Robeco's group activities. GC ensures compliance with laws and regulations. GIA, the third line of defense, monitors the effectiveness of the control framework as well as the design and operating effectiveness of processes and related process controls. GRM, GC and GIA have a group mandate, which means they have functional responsibility throughout the group.

Several committees are dedicated to risk management within Robeco. The Group Risk & Compliance Committee ensures a comprehensive and consistent risk oversight throughout the group. This committee evaluates and ratifies group-wide policies relating to compliance and risk management topics and is chaired by the CEO of Robeco Groep N.V. The Group Risk & Compliance Committee is amongst others supported by Robeco Direct's Risk Management Committee that focuses on specific issues (e.g., credit risk, market risk, liquidity risk, valuations, new products, asset and liability management, etc.). In case of a financial distress event, the Financial Crisis Committee is responsible for identifying any risks that could arise and the impact that such an event would have on Robeco Direct's portfolio and reputation. This committee formulates, initiates and co-ordinates the necessary action. Due to the continuing financial market crisis, this committee convened frequently in 2011. Robeco also has a seat on Rabobank Group's Financial Crisis Committee.

The Audit Committee oversees governance and risk control related topics. In addition, the Audit Committee discusses the risks relating to and the progress made on the implementation of control measures as described in this chapter.

**Group Risk Management (GRM)**

As a second line of defense, GRM supports management in developing policies, methodologies and infrastructures for identifying, measuring, monitoring and reporting on the different types of risk inherent to Robeco's group activities. More specifically, GRM is responsible for the Bank's risk management and Robeco's own account positions and for advising the Management Board on strategic capital allocation based on economic capital calculations. GRM assists the business in performing risk & control self-assessments, is responsible for operational incident management and facilitates the documentation of business processes. GRM and Group Information Services (GIS) security officers manage information security risk, ensuring that principles and regulations for information security are understood, adhered to and monitored. Furthermore, GRM co-ordinates and monitors the business continuity management program.

Robeco has a control framework in place that encapsulates the risk management activities of the Robeco group. This framework is based on COSO II and sets standards for the risk assessment, control and monitoring activities required to be in place within Robeco. The control framework is designed to provide a timely insight into the risks and to allow Robeco to give stakeholders assurance on the performance of processes and internal controls. Annually, GRM facilitates a risk & control self-assessment at Management Board level, to determine the strategic risks and Robeco's risk appetite.

**Group Compliance (GC)**

GC acts as a second line of defense in supporting the Management Board and management teams of the various entities in maintaining a high level of compliance. GC also aims to ensure that all business principles are understood and implemented.

Robeco operates in markets regulated by financial regulators and has all necessary licenses to operate in these markets. It is in our clients' interest that Robeco complies with all relevant rules and regulations and that the Bank retains these licenses. In order to do so, Robeco must maintain a high level of compliance with the license requirements and all other requirements set by financial and national legislators. Furthermore, Robeco continually works on maintaining a proactive relationship with regulators through open and transparent communication.

Reputation is an important asset for Robeco and the behavior of our employees is essential in consolidating and strengthening this reputation. GC is committed to helping employees achieve this by assessing market materials, providing employees with advice and checking that our clients receive a fair treatment.

To enhance employees' understanding of Robeco's global compliance policies, GC continuously shares knowledge within the organization. GC monitors adherence to the policies and procedures and participates in Risk Management Committees. GC performs the day-to-day compliance activities, such as advising on compliance topics and performing know-your-customer and anti-money-laundering checks.

**Group Internal Audit (GIA)**
GIA, the third line of defense, reports to the CEO of Robeco Group. The independence of this function is also safeguarded by having a second reporting line to the Chairman of the Audit & Compliance Committee.

Based on an annual in-depth risk analysis, a medium-term audit plan is maintained and implemented by GIA. Senior management, GC and GRM provide input on assessing the risks and establishing the audit plan. This audit plan is adjusted every quarter to reflect any new developments, but also focuses on keeping overall audit coverage at an appropriate level and sufficiently spread over the group. Besides operational audits, IT audits, project reviews and management control assessments, GIA also tests the operating effectiveness of controls relevant for financial reporting. In executing its audit plan, GIA closely co-operates with the external auditors Ernst & Young.

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

Audits generally result in audit reports with an audit rating. All relevant findings are discussed with the responsible Management Board member. Based on these audits, measures of improvement are agreed upon with management and for each measure an owner, a deadline and its significance are documented. Every quarter, GIA monitors the progress made on implementation and reports thereon to the Management Board, thus enabling corrective actions to be taken timely. GIA considered the implementation in 2011 of measures of improvement to be satisfactory, which demonstrates the willingness of the organization to improve or optimize design, documentation, operating effectiveness and efficiency of processes, risk management and risk control.

**Risk appetite**
Robeco Direct's risk appetite outlines the level of risk the Bank is willing to accept. In 2011, the Bank redefined its risk appetite. Robeco Direct strives for high quality products and solutions that meet clients' needs. Other elements of the risk appetite include: profitable growth of assets under management; maintenance of a solid balance sheet and low risk appetite in terms of reputation. These elements are aligned with the risk appetite of Rabobank Group.

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

## Risk types

Robeco recognizes three types of risk: strategic, operational and financial. These are actively managed throughout the organization. This chapter covers those risks currently considered to be significant within the Robeco group, meaning that this list of risks is not exhaustive. There may be other risks that have not yet been identified or that have been assessed as having no significant potential impact on the business, but that could materialize as such in the future. Robeco's control framework is designed to provide timely insight in such risks.

**Strategic risks**

Strategic objectives
The main goal of Robeco's strategy for 2010-2014 is profitable growth of its assets under management in the best interests of its clients. Robeco's revenues are largely dependent on the amount of assets under management. The amount of assets under management depends on money flowing in and out, market appreciation and

depreciation and the performance of Robeco's investment strategies, all of which are directly correlated with the development on the financial markets. In 2011, assets under management showed only a small increase as a consequence of falling market prices.

In 2011, the continuing market turbulence affected the buying behavior of Robeco Direct's clients. Most private investors chose to stay on the sidelines and wait for recovery and confidence to return. Changes in buying behavior may affect Robeco's growth ambitions and impact Robeco's revenues. By offering attractive products and solutions, Robeco Direct aims to maintain a profitable business model. Despite these efforts, the unexpected buying behavior of clients remains a risk which is difficult to influence. Monitoring client behavior and focused sales and marketing efforts are therefore important in helping us to allow for timely adjustment to clients' needs. While Robeco's long-term strategy will not change as a result of the current economic circumstances, some elements may be fulfilled less quickly than planned.

Increasing efficiency is an important part of Robeco's strategy and controlling costs has become even more important in the current situation. In 2011, the projects that were initiated in 2010 to achieve this goal continued. In the second half of 2011, revenues were lower than budgeted, which further highlighted the need for cost control.

The current debate on distribution fees in the asset-management industry is a relevant development with regard to fee income. Distribution fees are currently an essential part of the revenues. To cover costs of services In August 2011, the Ministry of Finance, backed by the AFM, announced its intention to eliminate the kick-back fee for asset managers. Robeco has been involved in this debate on distribution fees since 2010. In consultation with our clients and market parties, we are making changes to our service concepts relating to this to ensure that we continue to extend the best possible service to our clients.

Reputation

Robeco strives for excellence in its products and services, offering our clients high-quality products and services, closely managing their added value throughout the life cycle. In doing so, Robeco endeavors to keep a low-risk profile in terms of reputation risk.

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

In 2011, environmental, social and governance (ESG) integration was further implemented in the portfolio management process of all assets under management falling within the scope of ESG integration. The Exclusion List, drawn up in 2010 for the first time, was updated in 2011. This list has been incorporated in GC's monitoring systems. The RI department monitors Robeco's compliance with responsible investing objectives on a quarterly basis.

Robeco advocates RI which includes sustainable investing. This is actively managed by Robeco's group entity Sustainable Asset Management (SAM), a specialist in this field. SAM opts for the best-in-class approach and aims to invest in sustainability leaders. SAM's annual Corporate Sustainable Assessment identifies companies achieving a superior sustainability performance compared to their peers in their respective sector. This assessment enables SAM to establish companies' proprietary sustainability scores, which can then be used in a number of ways, for example to determine a company's eligibility for the Dow Jones Sustainable Index or its potential weight in other indices.

Robeco has strong governance and processes in place for product development and approval to ensure that our products are in the best interests of the clients and comply with the group's product principles. In addition, the product-at-risk analysis periodically performed by GC provides controls for the quality of Robeco products.

**Operational risks**

Robeco faces operational risks resulting from inadequate or failed processes, people and systems, or from external events.

Robeco performs root cause analyses on all registered operational incidents. These analyses give insight in the root causes and, therefore, form the basis for defining preventive measures at root cause level in order to prevent similar incidents in the future, or to reduce the potential financial impact of future incidents. In addition, Robeco investigates operational incidents outside Robeco that have had a material impact, to establish the extent to which a similar incident could occur in Robeco Direct and to take additional measures, if necessary.

In the second half of 2011, Rabobank introduced scenario assessments as a means of challenging the internal and external operational incident data that form the basis for calculating economic capital. In the scenario-assessment process, scenarios are presented to a selection of senior staff from Rabobank and its entities (including Robeco), who are asked individually to evaluate the likelihood of the scenario occurring within their specific area of expertise and its probable impact. The combined outcome will be used to present a likelihood and impact estimate for every scenario at Rabobank Group level in 2012. The next step is to use the scenario outcome to challenge both current historic operational incident data and existing (strategic) risk analyses to facilitate further risk awareness and the potential for improvements in internal controls.

Robeco Direct's main operational risks are described below, together with the mitigating measures applied. Risks relating to outsourcing of activities and information technology are considered the most significant operational risks.

Outsourcing of activities

In several areas of Robeco's business, activities are outsourced to third parties. As Robeco remains responsible for all outsourced activities, internal guidelines support the decision-making process for outsourcing activities. In light of the additional risks associated with cloud computing, one of the new topics covered in these guidelines are criteria to ensure the secure use of cloud computing services. Furthermore, the policy contains a number of prerequisites to be met before outsourcing can take place, for example a so-called In-Control report (i.e., an ISAE 3402 statement) and the right to audit. The decision to outsource activities creates a long-term relationship with a third-party service provider. Robeco's dedicated vendor managers maintain the relationship with our service providers and ensure that appropriate service levels are agreed upon and continuously met. At the beginning of 2011, the control over outsourced activities was further enhanced by the establishment of a centralized Vendor Management department. This department co-operates with specialized departments, such as GRM and GIS.

One important activity outsourced by Robeco is the IT infrastructure and related systems management activities for Robeco's Rotterdam-based operations. In 2011, Robeco and Hewlett Packard (HP) worked on further improving the cooperation and levels of service. Notable improvements were the significant decrease in availability incidents, a complete renewal of the workplace technology and a successful disaster recovery test for all the critical business applications. Further improvements in technical governance and service desk have been planned for 2012.

Information technology

Robeco made further progress in the implementation of its IT strategy in 2011. A large number of applications was rationalized which helped to reduce costs and complexity. A program has been launched to provide complementary IT support to a new strategy for Robeco's retail activities. In 2011, the maturity of key IT processes was further improved following the implementation of an IT maturity roadmap. This roadmap aims to bring key IT processes to the desired level of maturity using the Cobit maturity model. Furthermore, the group mandate for IT was adopted to improve IT governance. Several activities to increase understanding of and support to group-wide IT activities and risks were performed, which resulted in better management of IT risks and increased efficiency.

Cyber criminals are especially interested in activities offering financial benefits and an e-banking service is therefore an attractive target. The Bank is aware of the potential risks for the on-line fund bank and specific controls are in place to manage those risks. Cybercrime is not only applicable to Robeco; our outsourcing partners are also exposed to this threat. Robeco is aware of the threats existing within its service chain and has taken measures. In 2011, Robeco enhanced control over cyber-related risks in vulnerable areas throughout its organizations and the services it performs. Related threats and vulnerable areas will be continuously monitored and further enhancements will be implemented, where necessary.

Robeco is well aware of the opportunities that social media provide. However, within the internet landscape, cyber criminals are increasingly focusing on social media, using typical media instruments and negative writing in order to damage the reputation of organizations. Handling corporate information and the publication thereof, both intentionally and unintentionally, through social media channels could affect Robeco's reputation and lead to reputation damage. Robeco is also aware of the risks relating to social media and the potential for corporate-information leaks, both internally and externally, and has taken additional measures. In 2011, Robeco developed internal guidelines for the use of social media and monitored all relevant social media. The monitoring will be further enhanced in 2012 and related risks will be addressed as part of Robeco's security awareness program. In addition, Robeco recognizes the additional risks of disclosure of confidential data via social media, mobile devices and cloud storage, and will mitigate these by implementing additional controls preventing data leakage, such as encryption, digital rights management, awareness and monitoring.

**Financial risks**

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

Financial risk management

In 2011, Robeco focused on the possible direct and indirect impact of concerns about the financial situation of euro zone governments. In doing so, it assessed investments in the debt of these governments, any side effects on the creditworthiness of banks and the liquidity effects of the restrained trade in government debt in the euro zone and especially its periphery. This also led to a reduction of direct and indirect exposure to peripheral euro-zone countries and their financial institutions for Robeco Direct's own account.

Additional measures were taken to prevent possible losses resulting from counterparty risk. Cash exposure to less creditworthy parties was reduced and credit lines were closed for a few counterparties that no longer met the standards set by Robeco.

In the area of market risk, further steps were taken to develop market-risk systems. The impact of changing market conditions was also addressed; now euro-zone country-specific risks are taken into account in the fixed-income portfolio.

In terms of liquidity risk, Robeco focused on managing the available liquidity more effectively to ensure that it reflects the liquidity required by customers.

Basel III

In a move across the banking sector, Robeco Direct set up a migration plan at the request of DNB as part of the transition to Basel III. The plan's aim is to become Basel III compliant for relevant areas such as capitalization, solvency, liquidity and leverage. The plan consists of several parts: the outcome of Basel III ratios based on the positions as at 31 December 2010 (starting point), management's target level for these ratios (level of ambition) and any differences between the two (gaps). In addition, the Robeco Direct migration plan outlines measures to achieve the targeted level of ambition. The levels of the target ratios focus on compliance with Basel III requirements and on minimizing the impact on Robeco's profitability.

The target values for the liquidity ratios, both 'liquidity coverage ratio' and 'net stable funding ratio', will most probably meet the Basel III criteria at the end of 2012 (above the required and targeted 100%). In order to realize these target values, active adjustments to the current investment policy are required impacting the portfolio's current yield. Management will closely monitor the financial consequences of these adjustments, as we wish to avoid any side effects resulting from steps to bring the Bank's balance sheet in line with our target level for these ratios. The current value already exceeds the target for both the Common Equity Tier 1 Capital ratio and the Leverage ratio, so no additional measures need to be taken.

In determining the starting point, Robeco applied conservative assumptions. The Bank's balance sheet has a high degree of flexibility, so that potential gaps generally can be resolved in a relatively short period of time.

Finally, to meet the requirements for the trading book regime, Robeco in co-operation with Rabobank changed its market risk infrastructure taking the new requirements for (stressed) Value at Risk, incremental risk charge and correlation trading into account.

## Management Review

Ongoing monitoring of risk management and internal control systems is embedded in Robeco's Risk and Control Governance and its Framework based on COSO II. This provides insight in the significant risks applicable to the Robeco group. These risks, reported on by the different lines of defense at Robeco, are discussed with senior management and/or the Audit & Compliance Committee. Regular reports on these aspects are submitted to the Management Board and Supervisory Board.

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

Another limitation is the need to consider the relative costs and benefits of risk responses. Properly designed and implemented internal risk management and control systems will therefore provide reasonable, 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 satisfactory to prudent managers in the management of their affairs in the given circumstances. Projections of any evaluation of effectiveness for future periods are subject to the risk that controls may become inadequate due to changed conditions or that the degree of compliance with Robeco policies, procedures and instructions may deteriorate.

Based on the monitoring of Robeco's risk management and internal control systems and awareness of their inherent limitations as described above, we concluded that there is reasonable assurance that Robeco has sufficient insight in the extent to which its objectives will be realized and the reliability of its internal and external (financial) reporting. Based on this monitoring and to the best of our knowledge, nothing has come to our attention that causes us to believe that the applicable laws and regulations are not being complied with.

## Human Capital

A substantial part of Robeco Direct's income consists of fees and interest margin derived from the assets under management. The amount of assets under management depends on the performance of the Robeco funds, the paid interest rate of saving accounts, cash inflow and cash outflow. Robeco Direct's key staff is essential for servicing our clients. At strategic level, human capital is therefore a vital element in enabling Robeco to distinguish itself from its competitors. Attracting and retaining key staff that perform and are expected to contribute to our clients and the Bank's results is correlated with financial incentives as outlined in Robeco's remuneration policy, which aims to place Robeco Direct in a competitive position in the Dutch retail market. Moreover, the Robeco employment package and remuneration systems are structured to promote a long-term relationship between employees and the organization.

## Compliance with the Banking Code

It was agreed that the Banking Code would be implemented at both Robeco Groep N.V. and Robeco Direct N.V. level. On 31 December 2011, Robeco Direct N.V. complied with the Banking Code with the exception of the following principles:

- Principle 2.1.2: Robeco Direct's Supervisory Board does not have Board members from outside the Robeco group. Because all aspects of governance and internal control are also covered by the Supervisory Board of Robeco Groep N.V., the organizational structure as such is adequately designed and implemented. In this respect it is noted that the Audit & Compliance Committee of Robeco Groep N.V. is appointed as the Audit Committee of Robeco Direct N.V. The majority of the Audit Committee members are independent in the sense of the Dutch Corporate Governance Code and the Banking Code, so that independence of supervision is safeguarded.
- Principle 2.1.10: This principle states that, in addition to the Supervisory Board's annual self-evaluation, the functioning of the Supervisory Board shall be evaluated under independent supervision once every three years. The regulations of both the Supervisory Board of Robeco Groep N.V. and Robeco Direct N.V. prescribe a frequency of once every four years. This will be aligned with the prescribed frequency in the Banking Code of once in every three years and therefore the evaluation under independent supervision will take place in 2012 for the first time.
- Principle 6.3.2: Not all labor contracts of the Management Board were adapted to include the severance payment stipulation required by the Banking Code. This stipulation will be added to the contacts in 2012.
- Principle 6.4.6: Not all labor contracts of the Management Board included the Supervisory Board's authority to reclaim variable remuneration of a Management Board member if it is awarded by the Supervisory Board based on incorrect (financial) information. The labor contracts will be aligned with this Banking Code principle in 2012.

- Principle 6.4.5: The Supervisory Board charter was not yet revised to include the discretionary authority to adjust variable remuneration of a Management Board member, if the outcome would be considered unfair or unintended by the Supervisory Board. The charter will be adapted in 2012.

Regarding remuneration we refer to the Remuneration report, which is part of the Robeco Groep N.V. Annual Report 2011.

## Outlook

The year 2012 will be very important to the clients of the Bank as they will experience the visible results of the strategic decisions made in the form of enhanced services, systems and solutions. Meanwhile, as the low point of financial markets appears to be behind us, an increased appetite with our clients for equity products is to be anticipated. Therefore, we anticipate a gradual shift from savings to investing again. In addition thereto, we foresee that competition for retail savings will continue as many banks continue to struggle to get their financial house in order. This will lead to a further erosion of interest margins.

Last but not least, we thank our staff for their dedication and their efforts in 2011 and look forward to cooperating with them in 2012.

Rotterdam, 17 April 2012

Management Board Robeco Direct N.V.

Leni M.T. Boeren, Chairman

Hester W.D.G. Borrie

Peter T.N. Bruin

# CONSOLIDATED FINANCIAL STATEMENTS 2011
Robeco Direct N.V.

## CONSOLIDATED INCOME STATEMENT
for the year ended 31 December

| In millions of euro | Notes | 2011 | 2010 |
|---|---|---|---|
| Interest income | 5 | 255.4 | 262.2 |
| Interest expense | 6 | 204.9 | 195.3 |
| **Net interest income** | | **50.5** | **66.9** |
| Fee and commission income | 7 | 32.4 | 48.8 |
| Fee and commission expense | 8 | 3.9 | 5.7 |
| **Net fee and commission income** | | **28.5** | **43.1** |
| Results on financial assets held for trading | 9 | -1.6 | 9.2 |
| Results on financial assets at fair value through profit or loss | 10 | -10.3 | 1.1 |
| Results on financial assets available-for-sale | 11 | 3.0 | 4.4 |
| Results on financial assets held-to-maturity | 12 | - | -0.4 |
| Other income | 13 | 1.6 | 5.1 |
| **Net operating income** | | **71.7** | **129.4** |
| Employee benefits expenses | 14 | 2.3 | 12.6 |
| Administrative expenses | 15 | 58.0 | 64.0 |
| Depreciation and amortization expenses | 16 | 0.1 | 0.5 |
| Impairment loss/reversal of impairment loss | 17 | 6.4 | -1.9 |
| **Operating expenses** | | **66.8** | **75.2** |
| Result from group companies | 18 | 0.7 | -10.6 |
| **Operating result before tax** | | **5.6** | **43.6** |
| Income tax | 19 | -1.3 | -13.0 |
| **Result for the year** | | **4.3** | **30.6** |
| **Attributable to:** | | | |
| - Equity holder of the parent | | 4.3 | 30.6 |
| - Non-controlling interests | 36 | - | - |
| **Result for the year** | | **4.3** | **30.6** |

# CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

for the year ended 31 December

| In millions of euro | Notes | 2011 | 2010 |
|---|---|---|---|
| **Result for the year** | | **4.3** | **30.6** |
| Net unrealized results on financial assets available-for-sale | | -5.2 | 63.0 |
| Realized gains and losses on financial assets available-for-sale reclassified to the income statement on disposal | 11 | -3.0 | -4.4 |
| Impairments of financial assets available-for-sale | 17 | 6.2 | -2.9 |
| Income tax effect | 19 | 0.4 | -13.7 |
| **Other comprehensive income** | | **-1.6** | **42.0** |
| Exchange differences on translation of foreign operations | | 1.3 | -0.7 |
| Other items | | - | -0.6 |
| **Other comprehensive income for the year, net of taxes** | | **-0.3** | **40.7** |
| **Total comprehensive income for the year, net of taxes** | | **4.0** | **71.3** |
| **Attributable to:** | | | |
| - Equity holder of the parent | | 4.0 | 71.3 |
| - Non-controlling interests | 36 | - | - |
| **Total comprehensive income for the year, net of taxes** | | **4.0** | **71.3** |

# CONSOLIDATED STATEMENT OF FINANCIAL POSITION
at 31 December

| In millions of euro | Notes | 2011 | 2010 |
|---|---|---|---|
| **ASSETS** | | | |
| Cash and balances with central banks | 20 | 141.8 | 133.7 |
| Due from banks | 21 | 709.1 | 264.7 |
| Derivative financial instruments | 22 | 20.3 | 25.5 |
| Financial assets held for trading | 23 | 447.7 | 722.2 |
| Financial assets at fair value through profit or loss | 24 | 1,799.5 | 1,760.6 |
| Financial assets available-for-sale | 25 | 3,039.6 | 3,469.9 |
| Loans and advances | 26 | 2,057.2 | 2,183.2 |
| Financial assets held-to-maturity | 27 | 113.9 | 222.2 |
| Deferred tax assets | 28 | 0.4 | 0.7 |
| Other assets | 29 | 112.7 | 118.7 |
| Non-current assets classified as held for sale | 18 | - | 31.4 |
| **Total assets** | | **8,442.2** | **8,932.8** |

| In millions of euro | Notes | 2011 | 2010 |
|---|---|---|---|
| **EQUITY AND LIABILITIES** | | | |
| Due to banks | 30 | 1,187.0 | 1,105.8 |
| Derivative financial instruments | 22 | 285.8 | 401.8 |
| Due to customers | 31 | 6,194.3 | 6,524.0 |
| Issued securities | 32 | 194.1 | 271.7 |
| Other liabilities | 33 | 128.5 | 126.9 |
| Subordinated loans | 34 | 37.7 | 37.7 |
| Liabilities directly associated with assets classified as held for sale | 18 | - | 53.9 |
| **Total liabilities** | | **8,027.4** | **8,521.8** |
| Issued share capital | | 0.3 | 0.3 |
| Share premium | | 245.4 | 245.4 |
| Available-for-sale reserve | | -36.5 | -34.9 |
| Foreign currency translation reserve | | 0.6 | -0.7 |
| Retained earnings | | 204.6 | 200.3 |
| **Total equity attributable to the equity holder of the parent** | **35** | **414.4** | **410.4** |
| Non-controlling interests | 36 | 0.4 | 0.6 |
| **Total equity** | | **414.8** | **411.0** |
| **Total equity and liabilities** | | **8,442.2** | **8,932.8** |

# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the year ended 31 December 2011 and 2010

| In millions of euro | Issued share capital | Share pre-mium | Available-for-sale reserve | Foreign currency translation reserve | Retained earnings | Total | Non-con-trolling interests | Total equity |
|---|---|---|---|---|---|---|---|---|
| **At 1 January 2011** | **0.3** | **245.4** | **-34.9** | **-0.7** | **200.3** | **410.4** | **0.6** | **411.0** |
| Result for the year | - | - | - | - | 4.3 | **4.3** | - | **4.3** |
| Other comprehensive income | - | - | -1.6 | 1.3 | - | **-0.3** | - | **-0.3** |
| **Total comprehensive income** | **-** | **-** | **-1.6** | **1.3** | **4.3** | **4.0** | **-** | **4.0** |
| Movements non-controlling interests | - | - | - | - | - | **-** | -0.2 | **-0.2** |
| **At 31 December 2011** | **0.3** | **245.4** | **-36.5** | **0.6** | **204.6** | **414.4** | **0.4** | **414.8** |

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

# CONSOLIDATED STATEMENT OF CASH FLOWS
for the year ended 31 December

| In millions of euro | Notes | 2011 | 2010 |
|---|---|---|---|
| **Operating activities** | | | |
| Operating result before tax | | 5.6 | 43.6 |
| Non-cash included in operating result before tax: | | | |
| - Depreciation and amortization | 16 | 0.1 | 0.5 |
| - Impairment loss/reversal of impairment loss | 17 | 6.4 | -1.9 |
| - Result from financial assets (excluding dividends received) | | 10.6 | -12.5 |
| - Result from group companies | 18 | -0.7 | 10.6 |
| - Movements in provisions | | - | 0.1 |
| Other movements from operations: | | | |
| - Change in operating assets | | 364.3 | 140.4 |
| - Change in operating liabilities | | -492.6 | -712.8 |
| - Income tax paid | | -1.3 | -13.0 |
| **Net cash flows used in operating activities** | **42** | **-107.6** | **-545.0** |
| **Investing activities** | | | |
| Purchase of: | | | |
| - financial assets at fair value through profit or loss | | -261.7 | -238.3 |
| - financial assets available-for-sale | | -1,193.3 | -1,182.6 |
| - loans and advances | | -351.6 | -457.8 |
| - financial assets held-to-maturity | | -2.9 | - |
| - property and equipment | | - | -0.3 |
| - intangible assets | | - | -0.2 |
| Proceeds from: | | | |
| - sale/redemption of financial assets at fair value through profit or loss | | 220.7 | 145.9 |
| - sale/redemption of financial assets available-for-sale | | 1,596.9 | 1,303.5 |
| - sale/redemption of loans and advances | | 476.3 | 578.2 |
| - sale/redemption of financial assets held-to-maturity | | 110.0 | 200.5 |
| **Net cash flows from investing activities** | **43** | **594.4** | **348.9** |
| **Net movement in cash and cash equivalents** | | **486.8** | **-196.1** |
| Cash and cash equivalents at 1 January | | 326.4 | 522.5 |
| **Cash and cash equivalents at 31 December** | **44** | **813.2** | **326.4** |
| **Cash flows from interests and dividends** | | | |
| Interest received | | 291.6 | 293.6 |
| Interest paid | | -207.3 | -143.0 |
| Dividend received | 9 | 1.7 | 1.8 |

# ACCOUNTING POLICIES FOR THE CONSOLIDATED FINANCIAL STATEMENTS

## 1. Corporate information

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

Robeco Direct N.V.'s consolidated financial statements for the year ended 31 December 2011 relate to Robeco Direct N.V. and its subsidiaries (together referred to as 'the Bank'). All shares in Robeco Direct N.V. are owned through Robeco Groep N.V. by Coöperatieve Centrale Raiffeisen-Boerenleenbank B.A. (referred to as 'Rabobank Nederland'), which is also the ultimate parent. The consolidated financial statements of Robeco Groep N.V. are included in the Rabobank Group consolidated financial statements.

The financial statements were compiled by the Management Board on 17 April 2012; the shareholder has formal power to change the financial statements after issue.

## 2. Accounting policies

**Statement of compliance**
The financial statements of Robeco Direct N.V. have been prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union (EU), which comprise standards and interpretations approved by the International Accounting Standards Board (IASB), and with Part 9 of Book 2 of the Dutch Civil Code.

**Basis of preparation**
The financial statements are presented in euros, which is the functional currency of Robeco Direct N.V., rounded to the nearest hundred thousand, unless explicitly stated otherwise. The financial statements have been prepared on a fair value or amortized cost basis.

**IFRS developments**

Adopted International Financial Reporting Standards
Several new or revised IFRS standards were issued for the purpose of the consolidated financial statements as of 2011. Only standards applicable to the 2011 financial statements of Robeco Direct N.V. are mentioned below:

*IFRS 7, Financial Instruments Disclosures (Amended)*
The IFRS 7 amendment emphasizes the interaction between quantitative and qualitative disclosures and the nature and extent of risks associated with financial instruments. This amendment is effective for annual periods beginning on or after 1 January 2011 and is applied retrospectively.

*IAS 1, Presentation of Financial Statements (Amended)*
The IAS 1 amendment stipulates that an entity will present a breakdown of other comprehensive income for each component of equity, in either the statement of equity or the notes to the financial statements. This amendment is effective for annual periods beginning on or after 1 January 2011 and is applied retrospectively.

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

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

*IAS 1, Presentation of Financial Statements (Amended)*
The IAS 1 amendment relates to the grouping of items presented in other comprehensive income. Items that could be reclassified or recycled to profit or loss at a future point in time would be presented separately from items which will never be reclassified. This amendment is effective for annual periods beginning on or after 1 July 2012.

*IFRS 9, Financial Instruments*
The first phase of IFRS 9, Financial Instruments addresses the classification and measurement of financial assets and financial liabilities. The work of the IASB on the other phases is ongoing and includes classification and measurement of financial liabilities, impairment of financial instruments, hedge accounting and derecognition of financial instruments. Phase I of IFRS 9 applies to all financial assets and liabilities within the scope of IAS 39.

The standard has not yet been adopted by the EU and will be effective for annual periods beginning on or after 1 January 2013. However, the IASB issued Exposure Draft, Mandatory Effective Date of IFRS 9 that proposes to move the mandatory effective date to annual periods beginning on or after 1 January 2015. Earlier adoption is permitted but only possible after endorsement of this standard by the EU.

*IFRS 10, Consolidated Financial Statements*
IFRS 10 replaces the portion of IAS 27, Consolidated and Separate Financial Statements that addresses the accounting for consolidated financial statements. It also includes the issues raised in SIC 12, Consolidation – Special Purpose Entities. IFRS 10 establishes a single control model that applies to all entities including special purpose entities. The changes introduced by IFRS 10 will require management to exercise significant judgment to determine which entities are controlled, and therefore, required to be consolidated by a parent, compared to the requirements were previously in IAS 27. The Bank is currently assessing the effects of the introduction of IFRS 10. This standard will be effective for annual periods beginning on or after 1 January 2013.

*IFRS 12, Disclosure of Involvement with Other Entities*
IFRS 12 includes all the disclosures that were previously included in IAS 27 relating to consolidated financial statements, as well as all the disclosures previously included in IAS 31 and IAS 28. These disclosures relate to an entity's interests in subsidiaries, associates and structured entities. A number of new disclosures are also required. This standard will be effective for annual periods beginning on or after 1 January 2013.

*IFRS 13, Fair Value Measurement*
IFRS 13 establishes a single source of guidance for all fair value measurements under IFRS. IFRS 13 does not change an entity's requirements for the application of fair value, but provides guidance on how to measure fair value under IFRS if fair value measurement is required or permitted. The Bank currently assesses the impact of this standard on the financial position and performance. The standard will be effective for annual periods beginning on or after 1 January 2013.

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

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

Financial statements of subsidiaries are included in the consolidated financial statements from the date on which control commences until the date control ceases. A complete list of subsidiaries is shown in Note 40, Related parties. Subsidiaries are accounted for by integral consolidation showing non-controlling interests in equity.

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

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

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

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

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

## 3. Significant accounting judgments and estimates

The preparation of financial statements in conformity with IFRS requires the use of judgments and estimates that affect the recognition and valuation of assets and liabilities, the disclosure of contingent liabilities as at 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 ultimately differ from these estimates. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to an accounting estimate is recognized in the period in which the estimate is revised.

Judgments made by management in applying IFRS that might have significant impact on the financial statements are:

<u>Going concern</u>
The Bank's management is not aware of any material uncertainties that could affect the continuity of the Bank. Therefore, management has compiled the 2011 Annual Report applying the going concern assumption.

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

Impairment of financial instruments available-for-sale and at amortized cost

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

## 4. Summary of significant accounting policies

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

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

### 4.1 Foreign currency translation

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

Monetary assets and liabilities denominated in foreign currencies are translated into euros applying the spot rates ruling at reporting date. Non-monetary items in a foreign currency measured at historical cost are translated using exchange rates ruling at the dates of the initial transactions. Non-monetary items in a foreign currency measured at fair value are translated using the exchange rates ruling 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 applying the spot rates ruling at reporting date.

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

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

### 4.2 Determination of fair value

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

### 4.3 Interest income

Interest income is recognized in the income statement on an accrual basis and consists of the interest earned by the investment and mortgage portfolios as well as gross interest income from derivative financial instruments.

### 4.4 Interest expense

Interest expense is recognized in the income statement on an accrual basis and mainly relates to interest incurred on entrusted funds from customers and banks, as well as gross interest expenses from derivative financial instruments.

### 4.5 Fee and commission income

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

### 4.8 Non-controlling interests

Non-controlling interests represent the portions of net result and net assets of subsidiaries attributable to the equity interest not owned directly by the Bank.

### 4.9 Cash and balances with central banks

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

### 4.10 Due from banks

Amounts due from banks are recognized initially at fair value and subsequently measured at amortized cost. They represent short-term deposits with original maturities of up to three months as well as claims on credit institutions and central banks subject to governmental supervision that not belong to cash or financial assets.

### 4.11 Derivative financial instruments

The Bank uses derivative financial instruments, such as foreign currency forwards, interest rate swaps and credit default swaps to hedge foreign currency, interest rate, credit and/or market risks. Derivative financial instruments are recognized initially at fair value on the date of acquisition and subsequently carried at fair value. Net changes in the fair value of derivative financial instruments are included in Results on financial assets held for trading. Derivative financial instruments are carried as assets if the fair value is positive and as liabilities if the fair value is negative.

Derivative financial instruments partly consist of total return swaps. The Bank enters into structured transactions, resulting in the recognition of total return swaps and other financial instruments in the statement of financial position. A total return swaps is a financial instrument whose value is derived from an underlying instrument or product. Through a total return swap, the market risk and economic returns of an underlying financial instrument is transferred to a client. Total return swaps are recognized at fair value at reporting date. Net changes in the fair value of the underlying financial instruments are recognized in Results on financial assets, while the economic returns 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. Initially, they are recognized at fair value with transaction costs being taken to the income statement. Subsequently, all other realized and unrealized changes in fair value are included in Results on financial assets held for trading upon remeasurement of trading financial assets. Interest earned and dividends received are also reported as Results on financial assets held for trading. All purchases and sales of financial assets held for trading that require delivery within the timeframe established by regulation or market convention (regular-way purchases and sales) are recognized at trade date.

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

Financial assets at fair value through profit or loss are non-trading financial assets designated on initial recognition at fair value through profit or loss, using the ‘fair value option’. These financial assets are recorded on a trading date basis and are initially recognized at fair value and subsequently measured at fair value. Changes in the credit quality of loans within the portfolio are not taken into account. The impact of credit risk is recognized separately through an allowance which is determined by individual assessment of loans as to whether objective evidence of impairment exists. The fair value of these loans is reduced for this allowance.

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

- the designation eliminates or significantly reduces the inconsistent treatment that would otherwise arise from measuring the assets or recognizing gains or losses on them on a different basis;
- the assets are part of a group of financial assets which are managed, with their performance being 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 results from remeasurement at fair value are included in Results of financial assets at fair value through profit or loss. The fair value of financial assets actively traded in organized financial markets is determined by reference to quoted market prices at the close of business on the reporting date. The fair value of all other financial assets is determined using valuation techniques, which include net present value techniques, the discounted cash flow method, a comparison to similar instruments for which market prices exist, and valuation models. The input into these valuation models is practically always market observable.

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

### 4.14 Financial assets available-for-sale

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

Financial assets available-for-sale are initially recognized at fair value and subsequently measured at fair value. Unrealized gains or losses on financial assets available-for-sale are reported as other comprehensive income and recognized in the available-for-sale reserve, net of taxes until such assets are sold, collected or otherwise disposed of, or until such assets are impaired. Upon disposal of an available-for-sale asset, the accumulated unrealized gain or loss included in the available-for-sale reserve is transferred to the income statement. Results on disposal are determined using the average cost method. If a financial asset available-for-sale is impaired, the cumulative unrealized loss recognized in other comprehensive income is included in the income statement. Interest earned on financial assets available-for-sale is reported as Interest income. Realized gains and losses on financial assets available-for-sale are recognized as Results on financial assets available-for-sale.

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

### 4.15 Loans and advances

Loans and advances are non-derivative financial assets not quoted in an active market with fixed or determinable payments. They are recognized initially at fair value including transaction costs and subsequently carried at amortized cost using the effective interest rate method less any impairment. Results are recognized in the income statement on derecognition or impairment, and through amortization. Transaction costs are taken into account on initial recognition and amortized over the remaining term. The assets are recorded on a trading date basis.

Changes in the credit quality of loans in the portfolio are not taken into account in determining fair value. The impact of credit risk is recognized separately through an allowance determined by individual assessment of loans as to whether objective evidence of impairment exists. The fair value of these loans is reduced for this allowance.

### 4.16 Financial assets held-to-maturity

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

If there is objective evidence that an impairment loss on financial assets carried at cost or amortized cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future expected credit losses not yet incurred), discounted at the financial asset's original effective interest rate, i.e. the effective interest rate computed on initial recognition. The amount of the loss is recognized in the income statement. If, in a subsequent period, the amount of the impairment loss decreases and that 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 reversal date.

### 4.17 Derecognition of financial instruments

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

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

A financial liability is derecognized when the obligation under the liability is discharged or cancelled, or expires. Where an existing financial liability is replaced by another from the same lender on substantially different terms or the terms of an existing liability are modified substantially, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability. The difference between the carrying amount of the original financial liability and the consideration paid is recognized in the income statement.

### 4.18 Impairment of financial assets

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

Objective evidence of impairment includes observable data about:

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

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

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

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

### 4.19 Other assets

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

### 4.20 Due to customers and banks

Saving accounts and deposits from private and business customers as well as loans and advances from banks are measured at amortized cost.

### 4.21 Income tax

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

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

<u>Deferred tax</u>
Deferred tax is provided using the liability method on temporary differences at the reporting date between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for tax purposes.

The following temporary differences are not accounted for:

- initial recognition of assets and liabilities that affects neither the accounting profit nor the taxable profit;
- differences relating to investments in subsidiaries to the extent 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, at the tax rates enacted or substantively enacted at reporting date.

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

Robeco Direct N.V. is part of a fiscal unity with its parent Robeco Groep N.V. for income tax purposes. Income tax is calculated on a stand-alone basis, while the related tax receivables and payables are passed on to the parent.

### 4.22 Issued securities

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

### 4.23 Other liabilities

Other liabilities are initially recognized at amortized cost.

### 4.24 Subordinated loans

Subordinated loans are initially recognized at amortized cost.

### 4.25 Equity attributable to equity holder of the parent

Equity is accounted for as the residual interest of the Bank after deducting all its liabilities. The amount at which equity is shown in the statement of financial position depends on the measurement of assets and liabilities. Dividend for distribution is recognized as a liability in the period in which it is declared. Dividend declared after reporting date is not reflected retrospectively in the financial statements for the period just ended.

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

# NOTES TO THE CONSOLIDATED INCOME STATEMENT

## 5. Interest income

Interest income can be broken down as follows:

| In millions of euro | 2011 | 2010 |
|---|---|---|
| | | |
| Cash and balances with central banks | 1.8 | 1.6 |
| Due from banks | 5.1 | 3.1 |
| Financial assets available-for-sale | 84.2 | 96.8 |
| Loans and advances | 72.5 | 72.0 |
| Financial assets held-to-maturity | 3.9 | 10.2 |
| **Interest income on financial assets not at fair value through profit or loss** | **167.5** | **183.7** |
| | | |
| Derivative financial instruments | 17.4 | 12.9 |
| Financial assets held for trading | 9.4 | 3.6 |
| Financial assets at fair value through profit or loss | 61.1 | 62.0 |
| **Interest income on financial assets at fair value through profit or loss** | **87.9** | **78.5** |
| | | |
| **Total** | **255.4** | **262.2** |

## 6. Interest expense

Interest expense can be broken down as follows:

| In millions of euro | 2011 | 2010 |
|---|---|---|
| | | |
| Due to customers and banks | 149.6 | 141.5 |
| Other interest expenses | 1.2 | 1.2 |
| **Interest expense on financial assets not at fair value through profit or loss** | **150.8** | **142.7** |
| | | |
| Derivative financial instruments | 54.1 | 52.6 |
| **Interest expense on financial assets at fair value through profit or loss** | **54.1** | **52.6** |
| | | |
| **Total** | **204.9** | **195.3** |

## 7. Fee and commission income

Fee and commission income can be broken down as follows:

| In millions of euro | 2011 | 2010 |
|---|---|---|
| | | |
| Management fees | 29.7 | 44.8 |
| Other fee and commission income | 2.7 | 4.0 |
| **Total** | **32.4** | **48.8** |

Due to a lower volume of investments funds held by the Bank's clients, the management fees received from investments funds significantly reduced in 2011.

## 8. Fee and commission expense

Fee and commission expense can be broken down as follows:

| In millions of euro | 2011 | 2010 |
|---|---|---|
| | | |
| Distribution and maintenance fees | 3.3 | 5.1 |
| Other fee and commission expenses | 0.6 | 0.6 |
| **Total** | **3.9** | **5.7** |

## 9. Results on financial assets held for trading

Results on financial assets held for trading are as follows:

| In millions of euro | 2011 | 2010 |
|---|---|---|
| | | |
| Results on debt securities | -2.0 | -16.2 |
| Results on equity securities | 13.4 | 23.7 |
| Results on derivative financial instruments | -10.3 | 2.2 |
| Results on foreign currencies | -2.6 | -0.2 |
| Other trading results | -0.1 | -0.3 |
| Total | **-1.6** | **9.2** |

Results on equity securities include received dividends totaling EUR 1.7 million (2010: EUR 1.8 million).

## 10. Results on financial assets at fair value through profit or loss

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

| In millions of euro | 2011 | 2010 |
|---|---|---|
| | | |
| Results on debt instruments | -3.9 | 0.5 |
| Results on equity securities | -6.4 | 0.6 |
| **Total** | **-10.3** | **1.1** |

Results on equity securities decreased as the seeding positions showed an adverse performance in 2011.

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

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

| In millions of euro | 2011 | 2010 |
|---|---|---|
| | | |
| Results on debt instruments | 3.2 | 3.2 |
| Results on equity securities | -0.2 | 1.2 |
| **Total** | **3.0** | **4.4** |

## 12. Results on financial assets held-to-maturity

In 2010, the Bank was offered to have a bond repurchased. Given the assessed creditworthiness and illiquidity, the Bank sold the position, while concluding that its remaining held-to-maturity portfolio was not tainted by this sale.

## 13. Other income

Recharged expenses for services delivered to third parties declined upon disposal of Banque Robeco S.A.

## 14. Employee benefits expense

Employee benefits expense can be broken down as follows:

| In millions of euro | 2011 | 2010 |
|---|---|---|
| | | |
| Wages and salaries | 1.2 | 7.1 |
| Social security costs | 0.1 | 2.3 |
| Pension costs | 0.6 | 1.5 |
| Other expenses | 0.4 | 1.7 |
| **Total** | **2.3** | **12.6** |

In the Netherlands, the Bank does not employ personnel itself: Robeco Nederland B.V. is in fact the employer, recharging personnel-related expenses to the Bank. On average, recharged expenses classified as Administrative expenses concern 269 FTEs in 2011 (2010: 337 FTEs). The Belgian activities were closed in late 2010, while ownership of the French subsidiary was transferred on 31 March 2011.

## 15. Administrative expenses

Administrative expenses can be broken down as follows:

| In millions of euro | 2011 | 2010 |
|---|---|---|
| | | |
| Cost allocation | 52.8 | 55.7 |
| Foreign offices | 1.4 | 6.3 |
| Other expenses | 3.8 | 2.0 |
| **Total** | **58.0** | **64.0** |

The cost allocation concerns personnel, housing and ICT expenses. These expenses are incurred by Robeco Nederland B.V. for the Netherlands-based activities and recharged to these activities based on a consistently applied cost allocation model.

## 16. Depreciation and amortization expenses

Depreciation and amortization expenses can be broken down as follows:

| In millions of euro | 2011 | 2010 |
|---|---|---|
| | | |
| Depreciation of property and equipment | - | 0.3 |
| Amortization of intangible assets | 0.1 | 0.2 |
| **Total** | **0.1** | **0.5** |

## 17. Impairment loss/reversal of impairment loss

Impairment loss/reversal of impairment loss can be broken down as follows:

| In millions of euro | 2011 | 2010 |
|---|---|---|
| | | |
| Impairment of financial assets available-for-sale | | |
| - asset-backed securities | 7.0 | 15.2 |
| - other debt securities | 0.4 | 2.2 |
| Reversal of impairment of financial assets available-for-sale | | |
| - asset-backed securities | -1.2 | -20.3 |
| Value adjustments on credits to customers | | |
| - loans and advances | 0.1 | 0.5 |
| - fair value through profit or loss | 0.1 | 0.5 |
| **Total** | **6.4** | **-1.9** |

The impairment loss relates predominantly to asset-backed securities. Based on the economic circumstances and the market situation in 2011 and 2010, the Bank made an assessment of all its investment portfolios. The outcome of this in-depth analysis resulted in the recognition of fair value changes of earlier impaired asset-backed securities and other debt securities; no additional instruments were impaired in 2011. The value adjustments on credits to customers regard net additions to the mortgage provisions.

## 18. Result from group companies

In December 2010, Robeco signed a binding sale and purchase agreement with Oddo & Cie to sell Banque Robeco S.A. Ownership was transferred to Oddo & Cie on 31 March 2011. Result from group companies concerns the final settlement following an audit of the closing figures of Banque Robeco S.A.

## 19. Income tax

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

| In millions of euro | 2011 | 2010 |
|---|---|---|
| | | |
| **Income statement** | | |
| Current year | -1.3 | -14.1 |
| Adjusted tax assessments of prior years | - | 1.1 |
| **Income tax reported in the income statement** | **-1.3** | **-13.0** |
| | | |
| **Statement of comprehensive income** | | |
| Unrealized loss on financial assets available-for-sale | 0.4 | -13.7 |
| **Income tax charged directly to comprehensive income** | **0.4** | **-13.7** |

The reconciliation between income tax expense and accounting result for the years 2011 and 2010 is as follows:

| In millions of euro | 2011 | 2010 |
|---|---|---|
| | | |
| **Operating result before tax** | **5.6** | **43.6** |
| | | |
| **Income tax at statutory tax rate: 25.0% (2010: 25.5%)** | **-1.4** | **-11.1** |
| Result from group companies (tax exempt) | 0.1 | -2.7 |
| Adjusted tax assessments of prior years | - | 1.1 |
| Other non-taxable items | - | -0.3 |
| **Income tax reported in income statement** | **-1.3** | **-13.0** |
| | | |
| **Effective tax rate** | **23.4%** | **29.8%** |

Following a covenant with the Dutch tax authorities, tax returns are to a large extent compliant with IFRS.

# NOTES TO THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION

## 20. Cash and balances with central banks

This item comprises EUR 141.8 million in mandatory reserves at central banks (2010: EUR 133.7 million). EUR 135.1 million was held on average from 14 December 2011 to 18 January 2012 (EUR 141.9 million from 8 December 2010 to 19 January 2011) to satisfy regulatory liquidity requirements set by DNB and is therefore restricted.

## 21. Due from banks

Due from banks can be broken down as follows:

| In millions of euro | 2011 | 2010 |
|---|---|---|
| | | |
| Banks – available on demand | 671.4 | 192.7 |
| Banks – not available on demand | 24.9 | 66.8 |
| Cash receivables securities | 12.8 | 5.2 |
| **Total** | **709.1** | **264.7** |

Cash receivables securities regard broker positions resulting from differences between trade and settlement dates.

## 22. Derivative financial instruments

| In millions of euro | 2011 | | | 2010 | | |
|---|---|---|---|---|---|---|
| | Notional/ Contract | Assets | Fair value Liabilities | Notional/ Contract | Assets | Fair value Liabilities |
| | | | | | | |
| Funded total return swaps | 118.4 | - | 118.4 | 255.6 | 0.7 | 256.3 |
| Equity swaps | 2.1 | 1.3 | 3.4 | 16.2 | 2.3 | 18.5 |
| Interest rate swaps | 2,333.3 | 16.6 | 159.5 | 2,626.6 | 18.3 | 125.5 |
| Swaptions | - | 1.9 | 1.9 | - | 1.0 | 1.0 |
| Credit default swaps | 38.0 | 0.3 | 0.1 | 83.7 | - | 0.5 |
| Foreign currency forwards | 172.9 | 0.2 | 2.5 | 189.4 | 3.2 | - |
| **Total** | | **20.3** | **285.8** | | **25.5** | **401.8** |

The notional amounts or contract sizes of derivative financial instruments provide a basis for comparison with financial instruments recognized in the statement of financial position. As they do not necessarily represent the value of future cash flows or the current fair value of derivative financial instruments, they do not indicate the Bank's exposure to credit or price risk. Notional amounts represent the value of derivative financial instruments' underlying assets, reference rates or indices and form the basis for value measurement of derivative financial instruments. They provide insight in the volume of the Bank's transactions, but are not a measure of risk. Certain derivative financial instruments are standardized in terms of notional amounts or settlement dates and designed to be traded in active markets at organized exchanges. Others are packaged specifically for individual customers and not listed, as they are traded between counterparties at negotiated prices (over-the-counter instruments).

Positive fair values represent the cost incurred by the Bank in replacing all transactions with a receivable if all counterparties were to default. Negative fair values represent the cost incurred by counterparties in replacing all transactions if the Bank were to default. Positive and negative fair values are included separately in the statement of financial position. Derivative financial instruments become favorable (assets) or unfavorable (liabilities) upon movements in the underlying risk factors, such as interest rates or foreign currency rates. Total contract sizes or notionals of derivative financial instruments held, the extent to which they are favorable or unfavorable and, hence, the fair values of derivative financial instruments may vary significantly. Derivative financial instruments include an interest rate swap that forms part of a financial instruments package, to which the Bank applies the fair value option. These financial instruments are disclosed under financial assets at fair value through profit or loss.

## 23. Financial assets held for trading

Financial assets held for trading include EUR 194.0 million (2010: EUR 296.3 million) held to back total return swaps entered into with Rabobank and other financial institutions, and to back structured notes issued by the

Bank to meet specific investment objectives of note holders bearing the investment risk arising from financial assets held for trading. Financial assets held for trading can be broken down as follows:

| In millions of euro | 2011 | 2010 |
|---|---|---|
| | | |
| Debt securities | 113.5 | 228.8 |
| Equity securities | 334.2 | 493.4 |
| **Total** | **447.7** | **722.2** |

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

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

| In millions of euro | 2011 | 2010 |
|---|---|---|
| | | |
| Mortgage portfolio | 694.9 | 662.9 |
| Government bonds | 404.6 | 441.7 |
| Bank bonds | 468.8 | 444.9 |
| Other debt securities | 188.2 | 193.1 |
| Equity securities | 43.0 | 18.0 |
| **Total** | **1,799.5** | **1,760.6** |

The mortgage portfolio (notional amount: EUR 600 million) accompanying saving deposits and interest rate swaps constitute a package. The package is part of the fair value portfolio applying the fair value option as the Bank manages the package's financial instruments 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 notional amount equals the fair value on the above dates. There are hence no revaluation results. The fair value of this package at year-end amounts to:

| In millions of euro | Notes | 2011 | 2010 |
|---|---|---|---|
| | | | |
| Mortgage portfolio | | 694.9 | **662.9** |
| Less: Saving deposits – not available on demand | 31 | -30.3 | **-28.1** |
| Less: Interest rate swaps | 22 | -79.1 | **-56.4** |
| **Total** | | **585.5** | **578.4** |

Government bonds, bank bonds and other debt securities are managed as a single portfolio. Although interest rate risk for this portfolio is largely hedged by interest rate swaps, the Bank decided not to apply hedge accounting. The maximum credit exposure of purchased loans and mortgages amounts to EUR 720.3 million (2010: EUR 687.5 million). In the Credit risk section of Note 38, the maximum credit exposure of all financial assets at fair value through profit or loss is disclosed. The fair value change of purchased loans and mortgages attributable to changes in credit risk amounts to EUR 0.2 million (2010: EUR 0.2 million).

## 25. Financial assets available-for-sale

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

| In millions of euro | 2011 | 2010 |
|---|---|---|
| | | |
| Government bonds | 974.8 | 1,345.9 |
| Bank bonds | 992.4 | 1,030.3 |
| Asset-backed securities | 688.1 | 809.3 |
| Other debt securities | 321.2 | 221.1 |
| Equity securities | 63.1 | 63.3 |
| **Total** | **3,039.6** | **3,469.9** |

Accrued interest on impaired financial assets available-for-sale totals EUR 0.3 million at 31 December 2011 (2010: EUR 0.2 million).

## 26. Loans and advances

Loans and advances can be broken down as follows:

| In millions of euro | 2011 | 2010 |
|---|---|---|
| | | |
| Mortgages | 898.1 | 929.6 |
| Private sector loans | 776.2 | 848.2 |
| Loans and advances – governments | 329.2 | 328.9 |
| Loans and advances – banks | 51.4 | 61.2 |
| Other loans and advances | 2.3 | 15.3 |
| **Total** | **2,057.2** | **2,183.2** |

The Bank holds collateral for mortgages and credits consisting of residential properties and securities, respectively.

## 27. Financial assets held-to-maturity

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

| In millions of euro | 2011 | 2010 |
|---|---|---|
| | | |
| Government bonds | 96.5 | 207.5 |
| Bank bonds | 17.4 | 14.7 |
| **Total** | **113.9** | **222.2** |

## 28. Deferred tax assets

Movements in the deferred tax assets are as follows:

| In millions of euro | 2011 | 2010 |
|---|---|---|
| | | |
| **At 1 January** | **0.7** | **1.5** |
| Addition to/release from current income tax | -0.3 | **-0.8** |
| **At 31 December** | **0.4** | **0.7** |

The deferred tax assets concern valuation differences between the fiscal and commercial loan loss provision. Following a covenant with the Dutch tax authorities, tax returns are to a large extent compliant with IFRS.

## 29. Other assets

Other assets can be broken down as follows:

| In millions of euro | 2011 | 2010 |
|---|---|---|
| | | |
| Interest receivable and accrued income | 92.6 | 99.7 |
| Capitalized structuring fee | 8.4 | 12.0 |
| Other assets | 11.7 | 7.0 |
| **Total** | **112.7** | **118.7** |

## 30. Due to banks

Due to banks can be broken down as follows:

| In millions of euro | 2011 | 2010 |
|---|---|---|
| | | |
| Call money and balances – available on demand | 1,152.7 | 1,099.7 |
| Liability securities transactions | 34.3 | 6.1 |
| **Total** | **1,187.0** | **1,105.8** |

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

## 31. Due to customers

Due to customers can be broken down as follows:

| In millions of euro | 2011 | 2010 |
|---|---|---|
| | | |
| Savings – available on demand | 6,124.0 | 6,448.5 |
| Savings – not available on demand | 66.2 | 71.6 |
| Other amounts due to customers | 4.1 | 3.9 |
| **Total** | **6,194.3** | **6,524.0** |

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

## 32. Issued securities

Issued securities can be broken down as follows:

| In millions of euro | 2011 | 2010 |
|---|---|---|
| | | |
| Issued securities at fair value through profit or loss | 192.4 | 269.6 |
| Issued securities at amortized cost | 1.7 | 2.1 |
| **Total** | **194.1** | **271.7** |

At 31 December 2011, the notional amount totals EUR 208.0 million (2010: EUR 278.2 million). The Bank issued structured notes with principal protection (notional amount: EUR 71.1 million; fair value: EUR 67.3 million) and without principal protection (notional amount: EUR 136.9 million; fair value: EUR 126.8 million). All notes are linked to the Bank's private equity, commodity trading and fixed-income capabilities. The Bank has not observed any credit events in 2011 and 2010 that affect the fair value of issued securities.

## 33. Other liabilities

Other liabilities can be broken down as follows:

| In millions of euro | 2011 | 2010 |
|---|---|---|
| | | |
| Accrued interest payable | 109.8 | 107.4 |
| Creditors | 18.7 | 19.5 |
| **Total** | **128.5** | **126.9** |

## 34. Subordinated loans

Two loans with variable interest rates totaling EUR 37.7 million (2010: EUR 37.7 million) are granted by Rabobank Nederland to the Bank. The loans are subordinated to all other present and future liabilities. Their term is indefinite and subject to a five-year notice period. The loans can only be repaid once the Dutch central bank removes the subordination in writing. The average variable interest rates of these loans are as follows:

| In millions of euro | Notional amounts | Average interest rate | |
|---|---|---|---|
| | | 2011 | 2010 |
| | | | |
| Rabobank Nederland | 26.3 | 1.73% | 1.14% |
| Rabobank Nederland | 11.4 | 1.73% | 1.16% |

## 35. Total equity attributable to the equity holder of the parent

The authorized share capital amounts to EUR 1.0 million (2010: EUR 1.0 million), consisting of 200,000 shares with a par value of EUR 5 each, of which EUR 340,340 is fully paid in. The number of shares has not changed. The Shareholder is entitled to receive dividend when declared and to vote on a one vote per share basis at Robeco Direct N.V.'s Shareholder's Meetings.

## 36. Non-controlling interests

Non-controlling interests relates to a minority share in Robeco Asian Stars Equities of 4% (2010: Robeco Indian Equities: 3%; SAM Sustainable Multi-Theme: 9%). Movements in non-controlling interests are as follows:

| In millions of euro | 2011 | 2010 |
|---|---|---|
| | | |
| **At 1 January** | **0.6** | **16.6** |
| Changes in assets and liabilities – third parties | -0.2 | -16.0 |
| **At 31 December** | **0.4** | **0.6** |

## 37. Employee benefits

In the Netherlands, the Bank does not employ personnel itself: Robeco Nederland B.V. is in fact the employer, charging personnel-related costs to the Bank. Robeco Nederland B.V. grants contributory pension benefits based on an average pay scheme to all employees on reaching the age of 65. This defined benefit plan comprises a retirement pension scheme, a surviving dependants' and orphans' pension scheme and a disability pension scheme. The plan only applies to salaries up to EUR 75,010 (2010: EUR 73,612). A defined contribution plan applies to salaries exceeding that amount.

As from 1 January 2011, the defined benefit plan is based on an average pay scheme (until 1 January 2011: final pay scheme). The annual pension entitlements of employees are based on 2% of the pensionable income. Furthermore, employees are required to contribute 20% of the pension premium, subject to a maximum of 4.5% of the pensionable income. For employees employed by Robeco Nederland B.V. before 1 September 2010, a transitional arrangement applies.

For the disclosure of the financial recognition of the employee benefits plan and the assumptions underlying the calculation of the employee benefits obligation, reference is made to the 2011 Annual Report of the Bank's parent Robeco Groep N.V., which is published on the website: www.robeco.com.

## 38. Contingent liabilities

### Capital commitments

The Bank has entered into a commitment to repurchase specific bonds when requested by bondholders. It can unwind these securities with a nominal amount of EUR 342.8 million (2010: EUR 570.4 million) without incurring a loss. At 31 December 2011, the Bank has EUR 580.3 million (2010: EUR 576.3 million) in irrevocable credit facilities relating to mortgages, credits and guarantees, that are all secured by customers' assets. At year-end, the Bank has capital commitments of EUR 48.7 million regarding co-investments in private equity funds (2010: EUR 66.2 million).

### Pledged assets

Assets pledged by the Bank are strictly for the purpose of providing collateral to counterparties for funds entrusted by them to the Bank and any interest due on these entrusted funds. The assets pledged cannot be sold by the counterparties, unless a default event should occur.

| In millions of euro | 31 December 2011 | | 31 December 2010 | |
|---|---|---|---|---|
| | Carrying amount | Notional | Carrying amount | Notional |
| | | | | |
| Financial assets at FV through profit or loss | 87.8 | 100.6 | - | - |
| Financial assets available-for-sale | 295.2 | 285.5 | 330.0 | 312.8 |
| Financial assets held-to-maturity | 51.6 | 50.0 | 152.5 | 150.0 |
| **Total** | **434.6** | **436.1** | **482.5** | **462.8** |

### Income tax liabilities

Robeco Direct N.V. forms part of a fiscal unity with its parent Robeco Groep N.V. for income tax purposes. As a consequence, the Bank is jointly and severally liable for the income tax liabilities of the fiscal unity.

## 39. Financial risk management objectives and policies

### Introduction

The Bank applies various indicators for assessing financial performance. The use of these indicators is part of the strategic capital allocation process, enabling the Bank to improve the quality of decision making. This process entails the use of internal models for individual risk types, a correlation matrix to account for inter-risk type diversification and a process to allocate capital to the various business lines and activities. The economic capital limit is determined by the Bank's available capital, its risk appetite and the portfolio of activities. In determining economic capital, the Bank distinguishes between financial risk types (credit, market and interest rate risk) and non-financial risk types (operational and business risk). Besides capital, liquidity risk is another important item. Both operational and business risks cannot easily be influenced in the short term. The risk appetite relating to financial risk types therefore depends on available capital and relating to non-financial risk types on required capital.

The Bank does however allocate capital to financial risk types, notably market and credit risk. The capital allocation is influenced by the requirements for seed capital and co-investments, secondary market support and (dynamic) hedging of structured products issued by Robeco. The provision of seed capital and co-investments serves to build a track record for a fund or trading strategy and/or achieve alignment of interest between the investment manager and the investor. Limits on these activities, both in terms of notional amounts and of risk and risk capital, are reviewed on an annual basis. The objective of the Bank's asset and liability management activities is geared to optimizing interest rate risk results within the risk and other boundaries set by the Asset and Liability Committee. These boundaries and the allocation of capital to credit and interest rate risk depend on availability of risk capital and opportunities in the markets.

Since the start of the financial crisis, markets, countries and even continents have not yet found their equilibrium. Instability from a macro-economic and political perspective severely intensified during the year, putting markets under even more stress. The Crisis Consultation Committee, consisting of board members of Robeco's various group companies, supported by representatives from several departments such as Group Compliance and Group Risk Management, continued to be vigilant and discussed potential repercussions for funds entrusted to the Bank.

### Credit risk

Credit risk is governed by the credit risk policies, which are approved by the Asset and Liability Committee and the Management Board. Credit risk relates mainly to the asset and liability management activities, with entrusted funds being invested in predominantly investment grade bonds. Additional sources of credit risk are domestic residential mortgages, private placements, loans collateralized by securities, counterparty credit risk in the Bank's trading and investment books as well as co-investment positions (mainly private equity). The Bank applies the Advanced Internal Rating Based ('IRB-A') approach to calculate regulatory capital requirements for credit risk. As a Rabobank entity, the Bank also reports to Rabobank Group on an IRB-A basis.

An overall limit in terms of economic capital applies to credit risk. For most credit exposures, capital requirement calculations are based on internal models for probability of default, loss given default, exposure at default and maturity. For securitizations, the Bank applies the Rating Based approach of the Basel II Securitization Framework. For equity exposures (mostly co-investments), the Simple Risk Weight approach is used. For immaterial portfolios (loans collateralized by securities, non-retail mortgages and corporate bonds), the Bank applies the Standardized Approach. The overall economic capital limit is complemented by controls aimed at preventing concentration risk in the portfolio. The controls relate to exposure by issuer, issue and sector. In addition, the portfolio size of corporates, mortgages and asset-backed securities is contained by a strict limit and control structure. Transactions 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. The Asset and Liability Committee receives monthly credit risk reports containing a detailed overview of the different types of exposures and corresponding capital requirements, as well as an analysis of the changes in credit risk exposures. The report also includes a description of market developments.

The table below reflects the maximum credit risk exposure for items included in the statement of financial position, including derivative financial instruments. The maximum exposure is shown, gross before mitigation through the use of master netting and collateral agreements.

| In millions of euro | Notes | 2011 | 2010 |
|---|---|---|---|
| | | | |
| Cash and balances with central banks | 20 | 141.8 | 133.7 |
| Due from banks | 21 | 709.1 | 264.7 |
| Derivative financial instruments | 22 | 20.3 | 25.5 |
| Financial assets at fair value through profit or loss | 24 | 1,799.5 | 1,760.6 |
| Financial assets available-for-sale | 25 | 3,039.6 | 3,469.9 |
| Loans and advances | 26 | 2,057.2 | 2, 183.2 |
| Financial assets held-to-maturity | 27 | 113.9 | 222.2 |
| | | **7,881.4** | **8,059.8** |
| **Contingent liabilities – credit-related obligations** | | | |
| - irrevocable credit facilities | 37 | 580.3 | 576.3 |
| - capital commitments | 37 | 48.7 | 66.2 |
| **Total** | | **8,510.4** | **8,702.3** |

Where financial instruments are measured at fair value, the amounts represent shown above represent the current credit risk exposure, but not the maximum exposure that could arise in the future due to fair value changes.

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

Risk concentration is managed by counterparty. At 31 December 2011, the largest credit exposure to one client or counterparty is EUR 1,490.8 million (2010: EUR 870.2 million) on Rabobank Nederland in the category Financial institutions.

| In millions of euro | | 2011 | | 2010 |
|---|---|---|---|---|
| | | | | |
| Central governments and central banks | 2,733.1 | 32.1% | 3,341.7 | 38.4% |
| Financial institutions | 2,292.4 | 26.9% | 1,738.1 | 20.0% |
| Corporates | 488.4 | 5.8% | 484.8 | 5.6% |
| Retail | 2,153,6 | 25.3% | 2,180.9 | 25.0% |
| Equity | 154.9 | 1.8% | 147.5 | 1.7% |
| Securitizations | 688.0 | 8.1% | 809.3 | 9.3% |
| **Total** | **8,510.4** | **100.0%** | **8,702.3** | **100.0%** |

**Exposure to South European and Irish sovereigns**

Given the tense situation in European bond markets, the Bank closely monitors its sovereign positions in various European countries. The below table represents the exposure to South European and Irish sovereigns and indicates by country the notional amounts and fair values as well as the remaining maturity (in years) at 31 December 2011.

| In millions of euro | IFRS category | Notionals | Fair values | Duration |
|---|---|---|---|---|
| | | | | |
| Ireland | FVPL | 50.0 | 48.9 | 1.3 year |
| Italy | FVPL | 92.0 | 85.8 | 4.4 year |
| Italy | AFS | 25.0 | 24.8 | 1.2 year |
| Portugal | AFS | 20.0 | 19.4 | 0.5 year |
| Spain | HTM | 20.0 | 20.0 | 0.2 year |
| **Total** | | **207.0** | **198.9** | **2.5 year** |

**Collateral and other credit enhancements**

The amount and type of collateral required depends on the assessed counterparty's credit risk. Procedures are in place regarding the acceptability of types of collateral and valuation parameters. The main types of collateral obtained are cash and securities for securities lending, mortgages on residential properties for retail lending and securities for credits. Management monitors the market value of collateral and requests additional collateral in accordance with the underlying agreement if necessary. The collateral obtained is deemed to be sufficiently convertible into cash.

**Credit quality by class of financial asset**

The credit quality of financial assets is managed applying the Rabobank Risk Rating and, in certain cases, external credit ratings, which reflect the counterparty's probability of default in a one-year period. High-grade assets have a minimal risk of defaulting, standard-grade assets are adequate to good in terms of credit quality, while sub-standard grade and past due, but unimpaired assets are vulnerable to defaults. The tables below show the credit quality by class of asset, based on the rating methodology applied:

| Credit quality<br>In millions of euro | Neither past due nor impaired<br>High | <br>Standard | <br>Sub-standard | Past due but<br>not impaired | Individually<br>impaired | Total |
|---|---|---|---|---|---|---|
| Cash and central banks | 141.8 | - | - | - | - | **141.8** |
| Due from banks | 706.9 | 2.2 | - | - | - | **709.1** |
| Financial assets: | | | | | | |
| - FV through profit or loss | 1,027.6 | 698.5 | 0.6 | 22.7 | 5.8 | **1,755.2** |
| - available-for-sale | 2,740.6 | 201.7 | 3.5 | - | 30.7 | **2,976.5** |
| *- government bonds* | *951.8* | *23.0* | - | - | - | ***974.8*** |
| *- bank bonds* | *907.2* | *85.2* | - | - | - | ***992.4*** |
| *- asset-backed securities* | *621.3* | *32.6* | *3.5* | - | *30.7* | ***688.1*** |
| *- other securities* | *260.3* | *60.9* | - | - | - | ***321.2*** |
| - loans and advances | 1,300.7 | 746.5 | 6.4 | 2.9 | 0.7 | **2,057.2** |
| - held-to-maturity | 113.9 | - | - | - | - | **113.9** |
| **At 31 December 2011** | **6,031.5** | **1,648.9** | **10.5** | **25.6** | **37.2** | **7,753.7** |
| | | | | | | |
| Cash and central banks | 133.7 | - | - | - | - | **133.7** |
| Due from banks | 264.5 | 0.2 | - | - | - | **264.7** |
| Financial assets: | | | | | | |
| - FV through profit or loss | 1,073.4 | 640.0 | 0.1 | 24.6 | 4.5 | **1,742.6** |
| - available-for-sale | 3,115.7 | 210.5 | 43.5 | - | 36.9 | **3,406.6** |
| *- government bonds* | *1,205.0* | *102.2* | *38.7* | - | - | ***1,345.9*** |
| *- bank bonds* | *952.2* | *63.2* | - | - | - | ***1,015.4*** |
| *- asset-backed securities* | *762.3* | *17.2* | *4.8* | - | *36.5* | ***820.8*** |
| *- other securities* | *196.2* | *27.9* | - | - | *0.4* | ***224.5*** |
| - loans and advances | 1,218.1 | 919.2 | 35.4 | 7.7 | 2.8 | **2,183.2** |
| - held-to-maturity | 222.2 | - | - | - | - | **222.2** |
| **At 31 December 2010** | **6,027.6** | **1,769.9** | **79.0** | **32.3** | **44.2** | **7,953.0** |

At year-end 2011, the fair value of mortgages on residential properties and of securities held as collateral amounts to EUR 1,418.3 million and EUR 2.3 million, respectively (2010: EUR 1,444.7 million and EUR 3.6 million, respectively). The effect of overcollateralization for individual assets has been eliminated in these amounts.

**Loan loss allowance**

| Loan loss allowance<br>In millions of euro | Loans and<br>advances | At FV through<br>profit or loss | 2011 | Loans and<br>advances | At FV through<br>profit or loss | 2010 |
|---|---|---|---|---|---|---|
| **At 1 January** | **1.5** | **1.2** | **2.7** | **6.1** | **0.7** | **6.8** |
| Additions | 0.4 | 0.3 | **0.2** | 0.5 | 0.5 | **1.0** |
| Write-offs/releases | -1.7 | -0.2 | **-1.4** | -5.1 | - | **-5.1** |
| **At 31 December** | **0.2** | **1.3** | **1.5** | **1.5** | **1.2** | **2.7** |

**Aging analysis of past due but not impaired loans by class of financial asset**

| Aging analysis<br>In millions of euro | Days past due<br><30 | <br>31-60 | <br>61-90 | <br>>90 | Total |
|---|---|---|---|---|---|
| Financial assets at fair value through profit or loss | 17.5 | 3.0 | 1.9 | 0.3 | **22.7** |
| Loans and advances | 0.8 | 0.7 | 0.6 | 0.8 | **2.9** |
| **At 31 December 2011** | **18.3** | **3.7** | **2.5** | **1.1** | **25.6** |

| Aging analysis<br>In millions of euro | <30 | 31-60 | Days past due<br>61-90 | >90 | Total |
|---|---|---|---|---|---|
| | | | | | |
| Financial assets at fair value through profit or loss | 6.8 | 14.9 | 2.8 | 0.1 | **24.6** |
| Loans and advances | 5.0 | 0.8 | 1.5 | 0.4 | **7.7** |
| **At 31 December 2010** | **11.8** | **15.7** | **4.3** | **0.5** | **32.3** |

**Interest rate risk**

Interest rate risk is governed by the interest rate risk policies, which are approved by the Asset and Liability Committee and the Management Board. It relates to the asset and liability management activities conducted by the Bank. The sensitivity of trading book positions to interest rate changes is measured, monitored and controlled as integral part of market risk. Interest rate risk is part of the Pillar II capital adequacy assessment.

Interest rate risk is measured through the Value at Risk of equity on a mark-to-market (fair value) basis. Value at Risk is calculated based on historical simulation, seven years' pricing history, a 99% one-tailed confidence level and a 1-month holding period for all investment books with the exception of trading books. The Value at Risk at 31 December 2011, at a 99% confidence level and a 1-month holding period, amounts to EUR 3.6 million (2010: EUR 4.3 million) versus a EUR 15 million limit, excluding the trading positions included in the market risk Value at Risk.

Given the positions in the investment book, Value-at-Risk calculations give senior management insight in the potential loss threshold (EUR 3.6 million at year end) and the (inverse) probability (1%) that this threshold is exceeded, due to extreme interest rate movements during the holding period. The main benefit of the historical simulation approach is the non-reliance on statistical assumptions regarding price and interest rate changes. The main disadvantage is the relative importance of the defined sample period and the implicit assumption that 7-year history is representative of the next holding period. From a risk management perspective, therefore, the Value at Risk calculations are complemented by trading controls: delta vectors are calculated, representing the absolute change in the equity's market value upon a 1 basis point shock into a single maturity (time bucket) of the yield curve. Level control I control of the overall level of deltas. Curvature control is in place to detect positions that have an extreme barbell character. Barbell positions tend to be duration-neutral. Finally, steepness control restricts an unequal distribution of positive and negative deltas over time buckets.

Additional risk measures applied by the Bank are:

- Income at Risk; a short-term indicator showing the possible decline in interest income in the next 12 months (if interest rates were to change by a certain size) compared to interest income (if interest rates remain constant). Items in the statement of financial position are assumed to be stable. Income at Risk is calculated by running 5 interest rate scenarios (baseline plus or minus 200 basis points; flattening, steepening and forward curve) and by determining the worst interest income downswing for the next 12 months.
- Earnings at Risk; a measure of change in earnings (if interest rates change) computed for the first and second 12-month period after reporting date based on scenarios of gradual shifts away from the yield curve, over the course of 12 months to a value of 200 basis points above and below baseline projection.
- Equity at Risk; a long-term interest rate risk measure expressing the sensitivity of equity's market value to interest rate fluctuations. It is defined as the relative change in the market value resulting from a parallel shift of the relevant yield curves by 100 basis points. For regulatory reporting, shifts of 200 basis points are used.

The Bank's management receives interest rate risk reports on a weekly basis. The Asset and Liability Committee receives monthly interest rate risk reports containing an extensive analysis of the interest rate risk exposures and their changes. The report includes a description of market developments, an explanation of changes in the value of the different risk measures, a description of cash flow developments and activities related to portfolio maintenance. It also contains an outlook for the next period.

The tables below summarize the Bank's exposure to interest rate risk. They contain the Bank's assets and liabilities at carrying amounts, categorized by the earlier of contractual repricing and maturity dates. The off-balance sheet gap represents the net notional amounts of all interest-rate sensitive derivative financial instruments. The line items Due to banks, Due to customers, Other liabilities and Subordinated loans are part of IAS 39 item Other financial liabilities.

Expected repricing and maturity dates do not significantly differ from the contractual dates except for the maturity of EUR 507.3 million (2010: EUR 538.8 million) in Loans and advances and EUR 7,342.5 million (2010: EUR

7,588.9 million) in Due to customers and Due to banks (up to 1 month), of which 77.9% (2010: 81.0%) represent savings accounts balances considered by the Bank as a relatively stable core source of funding for its operations.

| At 31 December 2011<br>In millions of euro | Up to 1 month | 1-3 months | 3-12 months | 1-5 years | Over 5 years | Non-interest bearing | Total |
|---|---|---|---|---|---|---|---|
| | | | | | | | |
| Cash and balances central banks | 141.8 | - | - | - | - | - | **141.8** |
| Due from banks | 696.3 | - | - | - | - | 12.8 | **709.1** |
| Financial assets: | | | | | | | |
| - derivative financial instruments | 3.8 | 4.6 | 8.5 | 0.1 | 1.9 | 1.4 | **20.3** |
| - held for trading | - | 0.3 | 0.6 | 72.4 | 40.2 | 334.2 | **447.7** |
| - at fair value through profit or loss | 61.1 | 34.7 | 130.2 | 916.2 | 608.3 | 49.0 | **1,799.5** |
| - available-for-sale | 407.8 | 538.4 | 224.5 | 1,742.3 | 56.0 | 70.6 | **3,039.6** |
| - loans and advances | 642.3 | 232.1 | 132.4 | 772.1 | 277.2 | 1.1 | **2,057.2** |
| - held-to-maturity | - | 45.0 | 12.9 | 56.0 | - | - | **113.9** |
| Other assets | - | - | - | - | - | 112.7 | **112.7** |
| **Total assets** | **1,953.1** | **855.1** | **509.1** | **3,559.1** | **983.6** | **581.8** | **8,441.8** |
| | | | | | | | |
| Due to banks | 1,152.8 | - | - | - | - | 34.2 | **1,187.0** |
| Derivative financial instruments | 112.5 | 10.1 | 39.4 | 0.1 | 1.8 | 121.9 | **285.8** |
| Due to customers | 6,127.2 | 8.4 | 2.0 | 12.0 | 40.6 | 4.1 | **6,194.3** |
| Issued securities | - | - | - | 1.7 | - | 192.4 | **194.1** |
| Other liabilities | - | - | - | - | - | 128.5 | **128.5** |
| Subordinated loans | - | 37.7 | - | - | - | - | **37.7** |
| **Total liabilities** | **7,392.5** | **56.2** | **41.4** | **13.8** | **42.4** | **481.1** | **8,027.4** |
| | | | | | | | |
| - on-balance sheet | -5,439.4 | 798.9 | 467.7 | 3,545.3 | 941.2 | 100.7 | **414.4** |
| - off-balance sheet | 459.8 | 952.3 | 434.3 | -746.9 | -1,099.5 | - | **0.0** |
| **Interest-sensitivity gap** | **-4,979.6** | **1,751.2** | **902.0** | **2,798.4** | **-158.3** | **100.7** | **414.4** |

| At 31 December 2010<br>In millions of euro | Up to 1 month | 1-3 months | 3-12 months | 1-5 years | Over 5 years | Non-interest bearing | Total |
|---|---|---|---|---|---|---|---|
| | | | | | | | |
| Cash and balances central banks | 133.7 | - | - | - | - | - | **133.7** |
| Due from banks | 235.8 | - | 23.8 | - | - | 5.1 | **264.7** |
| Financial assets: | | | | | | | |
| - derivative financial instruments | 6.6 | 5.6 | 9.4 | 2.8 | 1.1 | - | **25.5** |
| - held for trading | - | 3.4 | 41.8 | 146.8 | 36.8 | 493.4 | **722.2** |
| - at fair value through profit or loss | 27.8 | 91.3 | 168.7 | 847.6 | 602.2 | 23.0 | **1,760.6** |
| - available-for-sale | 540.5 | 667.6 | 684.1 | 1,444.3 | 62.8 | 70.6 | **3,469.9** |
| - loans and advances | 670.1 | 356.5 | 121.8 | 715.8 | 318.7 | 0.3 | **2,183.2** |
| - held-to-maturity | - | 100.1 | 10.0 | 112.1 | - | - | **222.2** |
| Other assets | - | - | - | - | - | 125.8 | **125.8** |
| **Total assets** | **1,614.5** | **1,224.5** | **1,059.6** | **3,269.4** | **1,021.6** | **718.2** | **8,907.8** |
| | | | | | | | |
| Due to banks | 1,099.7 | - | - | - | - | 6.1 | **1,105.8** |
| Derivative financial instruments | 89.0 | 9.4 | 27.6 | - | 1.0 | 274.8 | **401.8** |
| Due to customers | 6,437.4 | 31.2 | 1.0 | 12.3 | 15.1 | 27.0 | **6,524.0** |
| Issued securities | - | - | - | - | 2.1 | 269.6 | **271.7** |
| Other liabilities | - | - | - | - | - | 126.9 | **126.9** |
| Subordinated loans | - | 37.7 | - | - | - | - | **37.7** |
| **Total liabilities** | **7,626.1** | **78.3** | **28.6** | **12.3** | **18.2** | **704.4** | **8,467.9** |
| | | | | | | | |
| - on-balance sheet | -6,011.6 | 1,146.2 | 1,031.0 | 3,257.1 | 1,003.4 | 13.8 | **439.9** |
| - off-balance sheet | 572.0 | 1,183.6 | 650.0 | -1,406.5 | -999.1 | - | **0.0** |
| **Interest-sensitivity gap** | **-5,439.6** | **2,329.8** | **1,681.0** | **1,850.6** | **4.3** | **13.8** | **439.9** |

**Liquidity risk**

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

The Bank's asset and liability management activities can best be described as a liability-driven banking operation. Entrusted funds come predominantly from savings from retail clients, whereby statistical research and behavioral observation based savings are matched by corresponding investments. As part of the ongoing efforts to improve the risk management framework and in line with the upcoming Basel III regulations for liquidity risk management, in close co-operation with Group Risk Management and Group Finance, has further enhanced its liquidity risk infrastructure enabling management to swiftly respond to potential liquidity opportunities and risks.

The Asset and Liability Committee receives a monthly liquidity risk report in which daily, weekly and monthly liquidity indicators are shown for normal and stressed circumstances. The report contains assessments on potential clients' behavior and the most recent insight on the marketability of financial assets held. The analysis made is supplementary to the liquidity reports prepared for regulatory purposes. As part of a regular process conducted in 2011, the internal scenarios have been reviewed, taking market conditions and regulations into consideration.

The tables below reflect the maturity profile of the Bank's financial assets and liabilities as at 31 December. Trading derivatives are shown at fair value in separate lines. All derivatives used for hedging purposes are shown by maturity, based on the contractual undiscounted repayment obligations. Equity securities are classified as No maturity, unless they concern participations in special-purpose companies, established for the issuance of bonds. In those cases, the maturity of the equity equal that of the issued bonds. Financial instruments held for trading (other than equities) are classified based on the maturity dates of these instruments. Future interest receivables and payables have been included in the line item Other assets and Other liabilities, respectively.

| At 31 December 2011<br>In millions of euro | On demand | Up to 1 month | 1-3 months | 3-12 months | 1-5 years | Over 5 years | No maturity | Total |
|---|---|---|---|---|---|---|---|---|
| | | | | | | | | |
| Cash/balances central banks | 141.8 | - | - | - | - | - | - | **141.8** |
| Due from banks | 671.4 | 37.7 | - | - | - | - | - | **709.1** |
| Financial assets: | | | | | | | | |
| - held for trading | - | - | 0.2 | 0.5 | 76.8 | 37.7 | 334.2 | **449.4** |
| - at fair value thr. profit or loss | - | 3.3 | 16.0 | 110.4 | 645.2 | 869.5 | 43.0 | **1,687.4** |
| - available-for-sale | - | 37.8 | 35.6 | 294.0 | 2,344.5 | 287.5 | 63.1 | **3,062.5** |
| - loans and advances | - | 50.7 | 74.0 | 175.3 | 692.6 | 1,043.6 | 2.3 | **2,038.5** |
| - held-to-maturity | - | - | 45.0 | 12.8 | 54.5 | - | - | **112.3** |
| Other assets | - | 48.1 | 36.7 | 160.7 | 579.9 | 260.2 | - | **1,085.6** |
| **Total financial assets** | **813.2** | **177.6** | **207.5** | **753.7** | **4,393.5** | **2,498.5** | **442.6** | **9,286.6** |
| | | | | | | | | |
| Due to banks | 0.2 | 1,186.8 | - | - | - | - | - | **1,187.0** |
| Due to customers | 4,906.2 | 1,225.0 | 8.4 | 0.8 | 4.3 | 33.2 | - | **6,177.9** |
| Issued securities | - | - | - | 6.8 | 44.3 | 156.9 | - | **208.0** |
| Other liabilities | - | 116.8 | 1.7 | - | 10.0 | - | - | **128.5** |
| Subordinated loans | - | - | - | - | - | 37.7 | - | **37.7** |
| **Total financial liabilities** | **4,906.4** | **2,528.6** | **10.1** | **7.6** | **58.6** | **227.8** | **-** | **7,739.1** |
| | | | | | | | | |
| Financial assets | - | 1.4 | 2.9 | 1.6 | 10.1 | 5.6 | - | **21.6** |
| Financial liabilities | - | 1.5 | 5.5 | 19.4 | 121.4 | 146.9 | - | **294.7** |
| **Gross-settled derivatives** | **-** | **-0.1** | **-2.6** | **-17.8** | **-111.3** | **-141.3** | **-** | **-273.1** |
| | | | | | | | | |
| Commitments/guarantees | 629.0 | - | - | - | - | - | - | **629.0** |
| **Net financial assets/liabilities** | **-4,722.2** | **-2,351.1** | **194.8** | **728.3** | **4,223.6** | **2,129.4** | **442.6** | **645.4** |

| At 31 December 2010<br>In millions of euro | On demand | Up to 1 month | 1-3 months | 3-12 months | 1-5 years | Over 5 years | No maturity | Total |
|---|---|---|---|---|---|---|---|---|
| | | | | | | | | |
| Cash/balances central banks | 133.7 | - | - | - | - | - | - | **133.7** |
| Due from banks | 190.8 | 50.1 | - | 23.8 | - | - | - | **264.7** |
| Financial assets: | | | | | | | | |
| - held for trading | - | - | 2.5 | 47.8 | 130.5 | 34.5 | 493.3 | **708.6** |
| - at fair value thr. profit or loss | - | - | 20.2 | 70.7 | 651.8 | 908.3 | 18.0 | **1,669.0** |
| - available-for-sale | - | 59.0 | 181.5 | 789.7 | 2,225.6 | 165.4 | 63.3 | **3,484.5** |
| - loans and advances | - | 19.9 | 76.3 | 227.1 | 726.5 | 1,128.4 | 4.4 | **2,182.6** |
| - held-to-maturity | - | - | 100.0 | 10.0 | 109.5 | - | - | **219.5** |
| Other assets | 2.1 | 38.0 | 40.5 | 171.5 | 558.3 | 172.7 | - | **983.1** |
| **Total financial assets** | **326.6** | **167.0** | **421.0** | **1,340.6** | **4,402.2** | **2,409.3** | **579.0** | **9,645.7** |
| | | | | | | | | |
| Due to banks | 0.4 | 1,105.4 | - | - | - | - | - | **1,105.8** |
| Due to customers | 5,091.3 | 1,372.8 | 30.9 | 0.3 | - | 28.7 | - | **6,524.0** |
| Issued securities | - | 10.3 | 26.4 | 22.3 | 61.0 | 158.2 | - | **278.2** |
| Other liabilities | - | 117.9 | 18.0 | 8.0 | - | - | - | **143.9** |
| Subordinated loans | - | - | - | - | - | 37.7 | - | **37.7** |
| **Total financial liabilities** | **5,091.7** | **2,606.4** | **75.3** | **30.6** | **61.0** | **224.6** | **-** | **8,089.6** |
| | | | | | | | | |
| Financial assets | - | 3.0 | 6.6 | 1.6 | 18.8 | 3.1 | - | **33.1** |
| Financial liabilities | - | 0.5 | 6.4 | 57.7 | 210.2 | 174.8 | - | **449.6** |
| **Gross-settled derivatives** | **-** | **2.5** | **0.2** | **-56.1** | **-191.4** | **-171.7** | **-** | **-416.5** |
| | | | | | | | | |
| Commitments/guarantees | 642.5 | - | - | - | - | - | - | **642.5** |
| **Net financial assets/liabilities** | **-5,407.6** | **-2,436.9** | **345.9** | **1,253.9** | **4,149.8** | **2,013.0** | **579.0** | **497.1** |

Repayments which are subject to notice are treated as if notice were to be given immediately. However, the Bank expects that many retail customers will not request repayment on the earliest possible date the Bank could be required to pay and the tables do not reflect the expected cash flows indicated by the Bank's deposit retention history. Mortgage portfolios are included based on weighted average live.

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

**Currency risk**

The Bank is exposed to the impact of fluctuations in the 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 are monitored on a daily basis (trading financial instruments) or a monthly basis for non-trading currency exposures as part of managing translation risks. There were no significant exposures in foreign currencies at reporting date. Currency risk capital requirements total EUR 4.3 million at 31 December 2011 (2010: EUR 3.3 million).

**Market risk**

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

Market risk is calculated using Value at Risk engines in Rabobank International's Global Market Risk infrastructure. In line with Rabobank's methodology for trading portfolios, the Bank's Value at Risk figure is calculated using the historical simulation method with a sample period of 12 months of unweighted daily data (approximately 260 daily scenarios for risk factors). For each instrument, individual risk factors are defined and taken into account. The historical scenarios and market risk factors are obtained from different suppliers and stored in a historical market database. Data are evaluated and diagnosed for data outliers on a daily basis. New regulations with regard to market risk calculations were implemented before the end of 2011.

The Value at Risk of a trading portfolio is the maximum loss in that trading portfolio in a given holding period, at a particular confidence level, assuming that positions cannot be adjusted during the holding period. At a confidence level of 97.5%, for example, the daily Value at Risk figure represents the threshold for the potential trading loss that will not be exceeded in 195 out of 200 trading days. The main objective of Value at Risk calculations is to provide senior management with insight in this loss threshold and the probability (5 out of 200 days) of exceeding this threshold. To attain this objective, the Value at Risk methodology is able to represent risk in equivalent units across products traded, permitting consolidation and effective comparison of risk factors across the various trading activities. Several Value at Risk figures are calculated: a Value at Risk at a 97.5% confidence interval and a one-day close-out period for limit-setting and daily monitoring purposes. To demonstrate model integrity, a one-day 99% Value at Risk is back tested against hypothetical and actual results, on a daily basis. The Value at Risk at 31 December 2011, at a 97.5% one-tailed confidence level and a one-day holding period, amounts to EUR 0.8 million (2010: EUR 0.5 million) versus a limit of EUR 1.0 million.

Main benefit of the historical simulation approach is that it does not rely on statistical assumptions (such as what is known as a normal distribution for daily returns of trading portfolio assets). The main disadvantage is the relative importance of the sample period and the implicit assumption that the 260 historical scenarios are representative of the next holding period. Moreover, Value at Risk is meant for ‘normal’ circumstances. Therefore, Value at Risk calculations are complemented by trading controls, stress testing and operational restrictions, designed to control behavior in trading areas and risk factors directly. Trading controls aim to prevent concentrations of exposure in risk factors and serve to influence the portfolio structure. Note that limits are more important in terms of the excess/change procedure than trading controls. Transactions 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 and trading controls, as well as excesses require approval from the Head of Global Risk Management, the Asset and Liability Committee or risk committees on Rabobank Group level, depending on the scope or severity.

The Asset and Liability Committee discusses monthly market risk reports. These reports contain a market risk monitor, focusing on the Value at Risk development and back test results for actual and hypothetical results. Moreover, the report contains requests for limit and trading control changes, as well as a summary of excesses over the reporting period. Additionally, a monthly seeding and co-investment report is discussed in the Asset and Liability Committee.

**Fair values of financial assets and liabilities**

The table below 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 value where an active market exists (such as a recognized stock exchange), as it is the best evidence of the fair value of a financial instrument. If no active market price or rate is available, fair values are estimated using present value or other valuation techniques, using inputs based on market conditions existing at reporting date.

The values derived from applying these techniques are significantly affected by the choice of valuation model used and the underlying assumptions made concerning factors such as the amounts and timing of future cash flows, discount rates, volatility and credit risk.

For the valuation of options in structured products, a (standard) option valuation model is used in combination with a ‘Volatility-observing rule’ and allows for a differentiation of volatilities for different option maturities. This initial Volatility Rule methodology is set by the Valuation Committee.

| In millions of euro | 31 December 2011 | | 31 December 2010 | |
|---|---|---|---|---|
| | Carrying amount | Fair value | Carrying amount | Fair value |
| | | | | |
| Cash and balances with central banks | 141.8 | 141.8 | 133.7 | 133.7 |
| Due from banks | 709.1 | 709.1 | 264.7 | 264.7 |
| Derivative financial instruments | 20.3 | 20.3 | 25.5 | 25.5 |
| Financial assets held for trading | 447.7 | 447.7 | 722.2 | 722.2 |
| Fin. assets at fair value through profit or loss | 1,799.5 | 1,799.5 | 1,760.6 | 1,760.6 |
| Financial assets available-for-sale | 3,039.6 | 3,039.6 | 3,469.9 | 3,469.9 |
| Loans and advances | 2,057.2 | 2,092.8 | 2,183.2 | 2,206.9 |
| Financial assets held-to-maturity | 113.9 | 115.9 | 222.2 | 225.2 |
| **Financial assets** | **8,329.1** | **8,366.7** | **8,782.0** | **8,808.7** |
| | | | | |
| Due to banks | 1,187.0 | 1,187.0 | 1,105.8 | 1,105.8 |
| Derivative financial instruments | 285.8 | 285.8 | 401.8 | 401.8 |
| Due to customers | 6,194.3 | 6,194.3 | 6,524.0 | 6,524.0 |
| Issued securities | 194.1 | 193.0 | 271.7 | 270.7 |
| Subordinated loans | 37.7 | 37.7 | 37.7 | 37.7 |
| **Financial liabilities** | **7,898.9** | **7,897.8** | **8,341.0** | **8,340.0** |

The following methods and assumptions have been applied in determining the fair values of the financial instruments in the table above, both for financial instruments carried at fair value and those carried at amortized cost (for which fair values are provided for comparison purposes).

1. Trading financial instruments, financial instruments designated at fair value through profit or loss and derivative financial instruments are measured at fair value by reference to quoted market prices when available. If quoted market prices are not available, the fair value is estimated on the basis of appropriate discounted cash flow models and option valuation models.
2. Financial instruments classified as available-for-sale are measured at fair value by reference to quoted market prices when available. If quoted market prices are not available, the fair value is estimated on the basis of appropriate discounted cash flow models and option valuation models.
3. The fair value of on-demand deposits and savings accounts with no specific maturity is assumed to be equal to the amount payable on demand at reporting date (i.e., their carrying amounts at that date).
4. The carrying amount of cash and cash equivalents as well as other assets maturing within 12 months is assumed to approximate their fair values. This assumption is applied to cash and cash equivalents and the short-term elements of all other financial instruments.
5. The fair value of variable-rate financial assets is based on the carrying amount until maturity. Changes in the credit quality of loans within the portfolio are not taken into account in determining the fair value. The impact of credit risk is recognized separately by use of an allowance which is determined by an individual assessment of loans as to whether objective evidence of impairment exists. The fair value of the loans is reduced by this allowance.
6. The fair value of fixed-rate loans and mortgages at amortized cost is estimated using discounted cash flow models based on current market rates offered on similar loans. Changes in the credit quality of loans within the portfolio are not taken into account in determining the fair value. The impact of credit risk is recognized separately by use of an allowance which is determined by an individual assessment of loans as to whether objective evidence of impairment exists. The fair value of the loans is reduced by this allowance.

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

| At 31 December<br>In millions of euro | Quoted market prices in active markets (Level 1) | Valuation techniques<br>market observable inputs (Level 2) | <br>non-market observable inputs (Level 3) | Total |
|---|---|---|---|---|
| **Financial assets (2011)** | | | | |
| - derivative financial instruments | - | 20.3 | - | **20.3** |
| *- interest rate swaps* | *-* | *16.6* | *-* | ***16.6*** |
| *- other derivatives* | *-* | *3.7* | *-* | ***3.7*** |
| - held for trading | 56.0 | 205.4 | 186.3 | **447.7** |
| *- debt securities* | *46.5* | *67.0* | *-* | ***113.5*** |
| *- equity securities* | *9.5* | *138.4* | *186.3* | ***334.2*** |
| - at fair value through profit or loss | 1,063.7 | 726.5 | 9.3 | **1,799.5** |
| *- mortgage portfolio* | *-* | *694.9* | *-* | ***694.9*** |
| *- government bonds* | *404.6* | *-* | *-* | ***404.6*** |
| *- bank bonds* | *459.8* | *-* | *9.0* | ***468.8*** |
| *- other debt securities* | *162.8* | *25.4* | *-* | ***188.2*** |
| *- equity securities* | *36.5* | *6.2* | *0.3* | ***43.0*** |
| - available-for-sale | 2,326.5 | 614.4 | 98.7 | **3,039.6** |
| *- government bonds* | *974.8* | *-* | *-* | ***974.8*** |
| *- bank bonds* | *992.4* | *-* | *-* | ***992.4*** |
| *- asset-backed securities* | *39.3* | *614.4* | *34.4* | ***688.1*** |
| *- other debt securities* | *320.0* | *-* | *1.2* | ***321.2*** |
| *- equity securities* | *-* | *-* | *63.1* | ***63.1*** |
| **Financial liabilities (2011)** | | | | |
| - derivative financial instruments | - | 285.8 | - | **285.8** |
| *- funded total return swaps* | *-* | *118.4* | *-* | ***118.4*** |
| *- interest rate swaps* | *-* | *159.5* | *-* | ***159.5*** |
| *- other derivatives* | *-* | *7.9* | *-* | ***7.9*** |
| - issued securities | - | 108.9 | 83.5 | **192.4** |
| *- fair value through profit or loss* | *-* | *108.9* | *83.5* | ***192.4*** |
| **Financial assets (2010)** | | | | |
| - derivative financial instruments | - | 25.5 | - | **25.5** |
| *- interest rate swaps* | *-* | *18.3* | *-* | ***18.3*** |
| *- other derivatives* | *-* | *7.2* | *-* | ***7.2*** |
| - held for trading | 70.7 | 490.9 | 160.6 | **722.2** |
| *- debt securities* | *25.6* | *203.2* | *-* | ***228.8*** |
| *- equity securities* | *45.1* | *287.7* | *160.6* | ***493.4*** |
| - at fair value through profit or loss | 1,060.1 | 700.5 | - | **1,760.6** |
| *- mortgage portfolio* | *-* | *662.9* | *-* | ***662.9*** |
| *- government bonds* | *441.7* | *-* | *-* | ***441.7*** |
| *- bank bonds* | *444.9* | *-* | *-* | ***444.9*** |
| *- other debt securities* | *168.6* | *24.5* | *-* | ***193.1*** |
| *- equity securities* | *4.9* | *13.1* | *-* | ***18.0*** |
| - available-for-sale | 2,692.2 | 662.7 | 115.0 | **3,469.9** |
| *- government bonds* | *1,345.9* | *-* | *-* | ***1,345.9*** |
| *- bank bonds* | *1,030.3* | *-* | *-* | ***1,030.3*** |
| *- asset-backed securities* | *96.7* | *662.7* | *49.9* | ***809.3*** |
| *- other debt securities* | *219.3* | *-* | *1.8* | ***221.1*** |
| *- equity securities* | *-* | *-* | *63.3* | ***63.3*** |
| **Financial liabilities (2010)** | | | | |
| - derivative financial instruments | - | 401.8 | - | **401.8** |
| *- funded total return swaps* | *-* | *256.3* | *-* | ***256.3*** |
| *- interest rate swaps* | *-* | *125.5* | *-* | ***125.5*** |
| *- other derivatives* | *-* | *20.0* | *-* | ***20.0*** |
| - issued securities | - | 172.4 | 97.2 | **269.6** |
| *- fair value through profit or loss* | *-* | *172.4* | *97.2* | ***269.6*** |

### Transfers of financial instruments between fair value hierarchy levels

The table below shows the transfers between Level 1 and Level 2 of the fair value hierarchy for financial instruments at fair value.

| In millions of euro | 2011 | 2010 |
|---|---|---|
| | | |
| **Transfers from Level 1 to Level 2** | | |
| Financial assets available-for-sale – asset-backed securities | 90.0 | 173.9 |
| | | |
| **Transfers from Level 2 to Level 1** | | |
| Financial assets held for trading – equity securities | - | 8.0 |
| Financial assets available-for-sale – asset-backed securities | 39.3 | - |

Certain financial assets transferred from Level 1 to Level 2 as their values are obtained applying valuation techniques with market-observable inputs as the asset-backed securities ceased to be actively traded. One asset-backed security transferred from Level 1 to Level 3 as it ceased to be actively traded and its valuation incorporated non-market-observable inputs (carrying amounts 2011: EUR 3.7 million; 2010: EUR 3.9 million). Few asset-backed securities transferred from Level 2 to Level 1 because recent trades in active markets were observed. A number of asset-backed securities (carrying amount 2011: EUR 16.5 million; 2010: EUR 23.3 million) transferred from Level 2 to Level 3 because the effect of non-market observable inputs on prices calculated by the valuation models increased from minor to significant, while other asset-backed securities (carrying amount 2011: EUR 29.8 million; 2010: EUR 20.5 million) transferred from Level 3 to Level 2, because the effect of non-market observable inputs on their prices calculated by valuation models decreased from significant to minor.

For Level-3 trading financial assets, the Bank may adjust its latest valuation to reduce the time lag between the period of valuation and the availability of additional information from independent fund managers at reporting date. The fair value sensitivity of Level-3 financial assets mainly comprises trading and co-investment equities and shows that a 5% movement in the valuation of the underlying investment funds results in a EUR 11.4 million fair value variance.

### Movements in Level-3 financial instruments at fair value

Movements in Level-3 financial instruments at fair value are as follows:

| In millions of euro | Available-for-sale | | | Fair value through profit or loss | | | Trading |
|---|---|---|---|---|---|---|---|
| | Asset-backed securities | Other debt securities | Equity securities | Bank bonds | Other debt securities | Issued securities | Equity securities |
| | | | | | | | |
| **At 1 January 2011** | **49.9** | **1.8** | **63.3** | **-** | **-** | **-97.2** | **160.6** |
| Fair value results | -3.6 | -0.6 | 3.2 | -0.5 | -0.1 | -1.9 | 9.6 |
| *- Income statement* | *-1.5* | *-0.4* | *-* | *-0.5* | *-0.1* | *-1.9* | *9.6* |
| *- Other ompreh. income* | *-2.3* | *-0.2* | *3.2* | *-* | *-* | *-* | *-* |
| Purchases | - | - | 0.9 | 9.5 | 0.4 | 16.4 | 49.3 |
| Sales and redemptions | -2.1 | - | -4.3 | - | - | -0.8 | -33.2 |
| Transfer to Level 2 | -29.8 | - | - | - | - | - | - |
| Transfer from Level 1/2 | 20.2 | - | - | - | - | - | - |
| **At 31 December 2011** | **34.4** | **1.2** | **63.1** | **9.0** | **0.3** | **-83.5** | **186.3** |
| | | | | | | | |
| **At 1 January 2010** | **36.6** | **4.3** | **51.4** | **-** | **-** | **-94.4** | **125.5** |
| Fair value results | 9.5 | -2.5 | 10.1 | - | - | -9.3 | 17.9 |
| *- Income statement* | *-1.8* | *-2.2* | *-* | *-* | *-* | *-9.3* | *17.9* |
| *- Other compreh. income* | *11.3* | *-0.3* | *10.1* | *-* | *-* | *-* | *-* |
| Purchases | - | - | 3.6 | - | - | 8.0 | 31.0 |
| Sales and redemptions | -2.9 | - | -1.8 | - | - | -1.5 | -13.8 |
| Transfer to Level 2 | -20.5 | - | - | - | - | - | - |
| Transfer from Level 1/2 | 27.2 | - | - | - | - | - | - |
| **At 31 December 2010** | **49.9** | **1.8** | **63.3** | **-** | **-** | **-97.2** | **160.6** |

**Results on Level-3 financial instruments**

Results on Level-3 financial instruments.as recorded in the income statement for 2011 and 2010 comprise:

| Fair value results – income statement<br>In millions of euro | 2011<br>Realized | <br>Unrealized | 2010<br>Realized | <br>Unrealized |
|---|---|---|---|---|
| | | | | |
| Fair value gains/(losses): | 4.3 | 3.3 | - | 8.6 |
| *- at fair value through profit or loss* | - | *-2.0* | - | *-9.3* |
| *- held for trading* | *4.3* | *5.3* | - | *17.9* |
| Impairment loss | -3.0 | - | -10.3 | - |
| Reversal of impairment loss | 1.1 | - | 6.3 | - |
| **Total** | **-2.4** | **3.3** | **-4.0** | **8.6** |

**Capital**

On 31 December 2011, the Bank's equity totals EUR 414.8 million (2010: 411.0 million), with the BIS II ratio amounting to 18.0% (2010: 15.9%). The minimum required statutory ratio set by the Dutch central bank is 8%. As prescribed by the Dutch central bank, certain adjustments have been made to the IFRS-based result and reserves.

| In millions of euro | 2011 | 2010 |
|---|---|---|
| | | |
| Issued share capital | 0.3 | 0.3 |
| Share premium | 245.4 | 245.4 |
| Retained earnings (excluding result for the year) | 200.3 | 169.7 |
| Non-controlling interests | 0.4 | 0.6 |
| **Core Tier 1 capital *** | **446.4** | **416.0** |
| | | |
| Available-for-sale reserve (equity securities with positive fair value changes) | 17.1 | 14.6 |
| Available-for-sale reserve (exchange differences) | 0.6 | -0.7 |
| Subordinated loans | 37.7 | 37.7 |
| Deduction securitizations | -22.2 | -22.9 |
| Other adjustments | -3.3 | -3.5 |
| **Tier 2 capital *** | **29.9** | **25.2** |
| | | |
| **Total available capital *** | **476.3** | **441.2** |
| | | |
| Regulatory capital * | 212.0 | 221.9 |
| Risk-weighted assets * | 1,250.2 | 1,350.0 |
| Core Tier 1 capital ratio | 16.8% | 15.0% |
| BIS II ratio * | 18.0% | 15.9% |

* Figures as of 31 December 2011 and 2010 as reported to the Dutch central bank.

The Bank considers itself sufficiently capitalized. Recent assessments learn that in 2011 the Bank exceeds the stringent Basel III capital requirements. Moreover, it was decided not to reduce the Bank's equity in light of both the economic circumstances and the migration to Basel III.

## 40. Related parties

In addition to the below mentioned subsidiaries, both Robeco Groep N.V. (the Shareholder) and Rabobank (Robeco Groep N.V.'s parent Rabobank Nederland and all entities under its common control) can be distinguished as related parties.

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

| Subsidiaries | Country of incorporation | Equity interest | |
|---|---|---|---|
| | | 2011 | 2010 |
| Banque Robeco S.A. * | France | - | 100% |
| Ethias Protection Plus II ** | Luxembourg | 100% | - |
| Robeco Asian Stars Equities ** | Luxembourg | 96% | - |
| Robeco Indian Equities | Luxembourg | - | 97% |
| Robeco-Sage Long/Short Equity Fund, Ltd. | USA | - | 100% |
| SAM Sustainable Multi-Theme | Switzerland | - | 91% |

* This subsidiary was sold on 31 March 2011.

** These entities are funds temporary controlled by the Bank due to seed capital activities.

**Transactions with related parties**

The table below shows the total income and expenses, as well as positions in the statement of financial position resulting from related party transactions.

| In millions of euro | 2011 | 2010 |
|---|---|---|
| **Income statement regarding related parties** | | |
| Operating income | 54.5 | -63.9 |
| Operating expenses | 54.4 | 57.4 |
| **Operating result before tax regarding related parties** | **0.1** | **-121.3** |
| | | |
| **Statement of financial position regarding related parties** | | |
| Assets | 1,585.4 | 914.7 |
| Liabilities | 1,188.2 | 1,797.3 |

Transactions with related parties relate to distribution income received from and operating costs charged by Robeco Groep entities. In addition, interest income and results on derivative financial instruments are realized on transactions with Rabobank. Interest expenses related to Rabobank concerns, amongst other things, interest paid on subordinated loans. The assets shown consist mainly of investments, derivative financial instruments, cash and short-term deposits, for which the Bank has relationships with Rabobank. Liabilities relate to equity and loans supplied by Rabobank as well as, amongst other things, total return swaps for which Rabobank is the counterparty.

The sales to and purchases from related parties are made at arm's length market prices. Outstanding receivables and payables at year-end are unsecured and interest-free, with settlements in cash. The Bank has no provision for doubtful debts due by related parties (2010: no provision), because the risks involved are considered not to be material. This assessment is made yearly by examining the financial position of the related party and the market in which that party operates.

**Remuneration of key management personnel**

Both the Management Board and Supervisory Board are acknowledged as key management on account of their authority in and responsibility for planning, directing and controlling activities of the Bank.

The Management Board is not entitled to salaries and benefits from the Bank, as the Management Board is employed by Robeco Nederland B.V., which is part of Robeco Groep N.V. The total basis remuneration of the Management Board of Robeco Direct amounts to EUR 1.6 million (2010: EUR 1.9 million).

Members of the Supervisory Board do not receive any remuneration from the Bank. The remuneration of the Management Board is set by the Supervisory Board of Robeco Groep N.V. on recommendation of the Nomination, Remuneration & Corporate Governance Committee. The total remuneration package is compared with external market conditions every two years and adjusted accordingly, if necessary.

## 41. Segment information

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

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

| Segmentation 2011<br>In millions of euro | Notes | Retail Banking | Structured Finance | Total |
|---|---|---|---|---|
| | | | | |
| **Income statement** | | | | |
| Interest income | 5 | 248.9 | 6.5 | 255.4 |
| Interest expense | 6 | -195.8 | -9.1 | -204.9 |
| Fee and commission income | 7 | 29.4 | 3.0 | 32.4 |
| Fee and commission expense | 8 | -1.5 | -2.4 | -3.9 |
| Results on financial assets held for trading | 9 | -10.5 | 8.9 | -1.6 |
| Results on financial assets at FV through profit or loss | 10 | -6.6 | -3.7 | -10.3 |
| Results on financial assets available-for-sale | 11 | -0.2 | 3.2 | 3.0 |
| Other income | 13 | 1.6 | - | 1.6 |
| **Net operating income** | | **65.3** | **6.4** | **71.7** |
| | | | | |
| Operating expenses | | | | -66.8 |
| Result from group companies | 18 | | | 0.7 |
| **Operating result before tax** | | | | **5.6** |
| | | | | |
| Income tax | 19 | | | -1.3 |
| **Result for the year** | | | | **4.3** |
| | | | | |
| **Statement of financial position** | | | | |
| Segment assets | | 8,150.6 | 291.6 | 8,442.2 |
| **Total assets** | | **8,150,6** | **291.6** | **8,442.2** |
| | | | | |
| Segment liabilities | | 7,759.2 | 268.2 | 8,027.4 |
| Total equity | | | | 414.8 |
| **Total equity and liabilities** | | **7,759.2** | **268.2** | **8,442.2** |
| | | | | |
| **Other segmental information** | | | | |
| Interest, fee and commission income: | | | | |
| - External | | 278.3 | 9.5 | 287.8 |
| *- Domestic* | | *274.5* | *9.8* | *284.3* |
| *- Foreign* | | *3.6* | *-0.1* | *3.5* |
| Other material non-cash items: | | | | |
| - Depreciation and amortization expenses | 16 | 0.1 | - | 0.1 |
| - Impairment loss/reversal of impairment loss | 17 | -6.0 | -0.4 | -6.4 |
| - Result from group companies | 18 | 0.7 | - | 0.7 |

| Segmentation 2010<br>In millions of euro | Notes | Retail Banking | Structured Finance | Total |
|---|---|---|---|---|
| | | | | |
| **Income statement** | | | | |
| Interest income | 5 | 258.6 | 3.6 | 262.2 |
| Interest expense | 6 | -195.4 | 0.1 | -195.3 |
| Fee and commission income | 7 | 46.0 | 2.8 | 48.8 |
| Fee and commission expense | 8 | -2.9 | -2.8 | -5.7 |
| Results on financial assets held for trading | 9 | 2.0 | 7.2 | 9.2 |
| Results on financial assets at FV through profit or loss | 10 | -0.2 | 1.3 | 1.1 |
| Results on financial assets available-for-sale | 11 | 3.2 | 1.2 | 4.4 |
| Results on financial assets held-to-maturity | 12 | -0.4 | - | -0.4 |
| Other income | 13 | 5.1 | - | 5.1 |
| **Net operating income** | | **116.0** | **13.4** | **129.4** |
| | | | | |
| Operating expenses | | | | -75.2 |
| Result from group companies | 18 | | | -10.6 |
| **Operating result before tax** | | | | **43.6** |
| | | | | |
| Income tax | 19 | | | -13.0 |
| **Result for the year** | | | | **30.6** |
| | | | | |
| **Statement of financial position** | | | | |
| Segment assets | | 8,421.6 | 511.2 | 8,932.8 |
| **Total assets** | | **8,421.6** | **511.2** | **8,932.8** |
| | | | | |
| Segment liabilities | | 8,035.8 | 486.0 | 8,521.8 |
| Total equity | | | | 411.0 |
| **Total equity and liabilities** | | **8,035.8** | **486.0** | **8,932.8** |
| | | | | |
| **Other segmental information** | | | | |
| Interest, fee and commission income: | | | | |
| - External | | 304.6 | 6.4 | 311.0 |
| *- Domestic* | | *289.1* | *6.5* | *295.6* |
| *- Foreign* | | *15.5* | *-0.1* | *15.4* |
| Non-cash items: | | | | |
| - Capital expenditures | | 0.5 | - | 0.5 |
| *- Property and equipment* | | *0.3* | - | *0.3* |
| *- Intangible assets* | | *0.2* | - | *0.2* |
| - Depreciation and amortization expenses | 16 | 0.5 | - | 0.5 |
| - Impairment loss/reversal of impairment loss | 17 | 4.1 | -2.2 | 1.9 |
| - Result from group companies | 18 | -10.6 | - | -10.6 |

# NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

## 42. Net cash flows used in operating activities

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

## 43. Net cash flows from investing activities

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

## 44. Cash and cash equivalents

Cash and cash equivalents can be broken down as follows:

| In millions of euro | Notes | 2011 | 2010 |
|---|---|---|---|
| | | | |
| Cash and balances with central banks | 20 | 141.8 | 133.7 |
| Due from other banks – available on demand | 21 | 671.4 | 192.7 |
| **Total** | | **813.2** | **326.4** |

# COMPANY FINANCIAL STATEMENTS 2011
Robeco Direct N.V.

# COMPANY INCOME STATEMENT
for the year ended 31 December

| In millions of euro | Notes | 2011 | 2010 |
|---|---|---|---|
| Interest income | | 255.3 | 261.3 |
| Interest expense | | 204.9 | 195.3 |
| **Net interest income** | | **50.4** | **66.0** |
| Fee and commission income | | 29.0 | 35.6 |
| Fee and commission expense | | 3.5 | 4.4 |
| **Net fee and commission income** | | **25.5** | **31.2** |
| Results on financial assets held for trading | | -2.1 | 6.0 |
| Results on financial assets at fair value through profit or loss | | -9.1 | 1.1 |
| Results on financial assets available-for-sale | | 3.0 | 3.9 |
| Results on financial assets held-to-maturity | | - | -0.4 |
| Other income | | 1.1 | 0.1 |
| **Net operating income** | | **68.8** | **107.9** |
| Employee benefits expenses | | - | 0.8 |
| Administrative expenses | | 56.7 | 57.8 |
| Depreciation and amortization expenses | | - | 0.1 |
| Impairment loss/reversal of impairment loss | | 6.4 | -1.9 |
| **Operating expenses** | | **63.1** | **56.8** |
| Result from group companies | | 0.7 | -10.6 |
| **Operating result before tax** | | **6.4** | **40.5** |
| Income tax | | -1.3 | -13.0 |
| Income from investments in subsidiaries (after tax) | 48 | 0.2 | 0.1 |
| **Result for the year** | | **5.3** | **26.6** |

# COMPANY STATEMENT OF COMPREHENSIVE INCOME

for the year ended 31 December

| In millions of euro | Notes | 2011 | 2010 |
|---|---|---|---|
| | | | |
| **Result for the year** | | **5.3** | **26.6** |
| | | | |
| Net unrealized results on financial assets available-for-sale | | -5.2 | 63.0 |
| Realized gains and losses on financial assets available-for-sale reclassified to the income statement on disposal | | -3.0 | -4.4 |
| Impairment of financial assets available-for-sale | | 6.2 | -2.9 |
| Income tax effect | | 0.4 | -13.7 |
| | | | |
| **Other comprehensive income** | | **-1.6** | **42.0** |
| | | | |
| Exchange differences on translation of foreign operations | | 1.3 | -0.7 |
| Other items | | - | -0.6 |
| | | | |
| **Other comprehensive income for the year, net of taxes** | | **-0.3** | **40.7** |
| | | | |
| | | | |
| **Total comprehensive income for the year, net of taxes** | | **5.0** | **67.3** |

## COMPANY STATEMENT OF FINANCIAL POSITION
at 31 December

| In millions of euro | Notes | 2011 | 2010 |
|---|---|---|---|
| **ASSETS** | | | |
| Cash and balances with central banks | | 141.8 | 133.8 |
| Due from banks | | 706.8 | 264.2 |
| Derivative financial instruments | | 20.3 | 25.5 |
| Financial assets held for trading | | 447.7 | 704.8 |
| Financial assets at fair value through profit or loss | | 1,790.2 | 1,749.2 |
| Financial assets available-for-sale | | 3,039.6 | 3,469.9 |
| Loans and advances | | 2,057.2 | 2,183.2 |
| Financial assets held-to-maturity | | 113.9 | 222.2 |
| Investments in subsidiaries | 48 | 11.3 | 28.1 |
| Deferred tax assets | | 0.4 | 0.7 |
| Other assets | | 112.5 | 118.4 |
| Assets classified as held for sale | 49 | - | 12.3 |
| **Total assets** | **47** | **8,442.2** | **8,932.8** |

| In millions of euro | Notes | 2011 | 2010 |
|---|---|---|---|
| **EQUITY AND LIABILITIES** | | | |
| Due to banks | | 1,186.6 | 1,140.4 |
| Derivative financial instruments | | 285.8 | 401.8 |
| Due to customers | | 6,194.3 | 6,524.0 |
| Issued securities | | 194.1 | 271.7 |
| Other liabilities | | 128.3 | 126.8 |
| Subordinated loans | | 37.7 | 37.7 |
| **Total liabilities** | | **8,027.4** | **8,521.8** |
| Issued share capital | | 0.3 | 0.3 |
| Share premium | | 245.4 | 245.4 |
| Available-for-sale reserve | | -36.5 | -34.9 |
| Foreign currency translation reserve | | 0.6 | -0.7 |
| Retained earnings | | 205.1 | 199.8 |
| **Total equity** | **50** | **414.9** | **409.9** |
| **Total equity and liabilities** | **47** | **8,441.7** | **8,912.3** |

# COMPANY STATEMENT OF CHANGES IN EQUITY

for the year ended 31 December 2011 and 2010

| In millions of euro | 1 January 2011 | Result for the year | Other comprehensive income | Total comprehensive income | 31 December 2011 |
|---|---|---|---|---|---|
| | | | | | |
| Issued share capital | **0.3** | - | - | **-** | **0.3** |
| Share premium | **245.4** | - | - | **-** | **245.4** |
| Available-for-sale reserve | **-34.9** | - | -1.6 | **-1.6** | **-36.5** |
| Foreign currency translation reserve | **-0.7** | - | 1.3 | **1.3** | **0.6** |
| Retained earnings | **199.8** | 5.3 | - | **5.3** | **205.8** |
| **Total equity (company statements)** | **409.9** | **5.3** | **-0.3** | **5.0** | **414.9** |
| | | | | | |
| Adjustment (net of taxes):<br>Income from investments in subsidiaries: | | | | | |
| - 2011 | **-** | -1.0 | - | **-1.0** | **-1.0** |
| - previous years | **0.5** | - | - | **-** | **0.5** |
| **Total equity (consolidated statements)** | **410.4** | **4.3** | **-0.3** | **4.0** | **414.4** |

| In millions of euro | 1 January 2010 | Result for the year | Other comprehensive income | Total comprehensive income | 31 December 2010 |
|---|---|---|---|---|---|
| | | | | | |
| Issued share capital | **0.3** | - | - | **-** | **0.3** |
| Share premium | **245.4** | - | - | **-** | **245.4** |
| Available-for-sale reserve | **-76.9** | - | 42.0 | **42.0** | **-34.9** |
| Foreign currency translation reserve | **-** | - | -0.7 | **-0.7** | **-0.7** |
| Retained earnings | **173.8** | 26.6 | -0.6 | **26.0** | **199.8** |
| **Total equity (company statements)** | **342.6** | **26.6** | **40.7** | **67.3** | **409.9** |
| | | | | | |
| Adjustment (net of taxes):<br>Income from investments in subsidiaries: | | | | | |
| - 2010 | **-** | 4.0 | - | **4.0** | **4.0** |
| - previous years | **-3.5** | - | - | **-** | **-3.5** |
| **Total equity (consolidated statements)** | **339.1** | **30.6** | **40.7** | **71.3** | **410.4** |

## COMPANY STATEMENT OF CASH FLOWS

for the year ended 31 December

| In millions of euro | Notes | 2011 | 2010 |
|---|---|---|---|
| | | | |
| **Operating activities** | | | |
| Operating result before tax | | 6.4 | 40.5 |
| Non-cash included in operating result before tax: | | | |
| - Impairment loss/reversal of impairment loss | | 6.4 | -1.9 |
| - Result from financial assets (excluding dividends received) | | 9.9 | -8.8 |
| - Result from group companies | | -0.7 | 10.6 |
| Other movements from operations: | | | |
| - Change in operating assets | | 351.4 | 118.2 |
| - Change in operating liabilities | | -474.3 | -673.3 |
| - Income tax paid | | -1.3 | -14.0 |
| | | | |
| **Net cash flows used in operating activities** | | **-102.2** | **-528.7** |
| | | | |
| **Investing activities** | | | |
| Purchase of: | | | |
| - investments in subsidiaries, net of cash acquired | 48 | -19.3 | -48.3 |
| - financial assets at fair value through profit or loss | | -295.3 | -226.8 |
| - financial assets available-for-sale | | -1.193.3 | -1,182.6 |
| - loans and advances | | -351.6 | -457.8 |
| - financial assets held-to-maturity | | -2.9 | - |
| Proceeds from: | | | |
| - sale of investments in subsidiaries, net of cash sold | 48 | 13.5 | 53.4 |
| - sale/redemption of financial assets at fair value through profit or loss | | 252.8 | 145.9 |
| - sale/redemption of financial assets available-for-sale | | 1,596.9 | 1,303.5 |
| - sale/redemption of loans and advances | | 476.3 | 578.2 |
| - sale/redemption of financial assets held-to-maturity | | 110.0 | 200.5 |
| | | | |
| **Net cash flows from investing activities** | | **587.1** | **366.0** |
| | | | |
| | | | |
| **Net movement in cash and cash equivalents** | | **484.9** | **-162.7** |
| | | | |
| Cash and cash equivalents at 1 January | | 326.0 | 488.7 |
| | | | |
| **Cash and cash equivalents at 31 December** | | **810.9** | **326.0** |
| | | | |
| | | | |
| **Cash flows from interests and dividends** | | | |
| Interest received | | 291.6 | 293.5 |
| Interest paid | | -207.3 | -142.4 |
| Dividends received | | 1.7 | 1.8 |

# NOTES TO THE COMPANY FINANCIAL STATEMENTS

## 45. General accounting policies

The accounting policies used in the company financial statements are in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union (EU), which comprise standards and interpretations approved by the International Accounting Standards Board (IASB), and with Part 9 of Book 2 of the Dutch Civil Code.

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

### 45.1 Investments in subsidiaries

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

Subsidiaries are accounted for at cost. Upon acquisition, any difference between the cost of an investment and the Bank's share in the net fair value of an investment's identifiable assets, liabilities and contingent liabilities is accounted for as goodwill and included in the carrying value of that investment.

## 46. Income statement – reconciliation and disclosures

Unless otherwise indicated, reference is made to the consolidated income statement for disclosures on profit and loss items in the company income statement.

| Income statement – 2011<br>In millions of euro | Company statement | Subsidiaries | Consolidated statement | Notes |
|---|---|---|---|---|
| Interest income | 255.3 | 0.1 | 255.4 | 5 |
| Interest expense | -204.9 | - | -204.9 | 6 |
| **Net interest income** | **50.4** | **0.1** | **50.5** | |
| Fee and commission income | 29.0 | 3.4 | 32.4 | 7 |
| Fee and commission expense | -3.5 | -0.4 | -3.9 | 8 |
| **Net fee and commission income** | **25.5** | **3.0** | **28.5** | |
| Results on financial assets held for trading | -2.1 | 0.5 | -1.6 | 9 |
| Results on financial assets at FV through profit or loss | -9.1 | -1.2 | -10.3 | 10 |
| Results on financial assets available-for-sale | 3.0 | - | 3.0 | 11 |
| Other income | 1.1 | 0.5 | 1.6 | 13 |
| **Net operating income** | **68.8** | **2.9** | **71.7** | |
| Employee benefits expense | - | -2.3 | -2.3 | 14 |
| Administrative expenses | -56.7 | -1.3 | -58.0 | 15 |
| Depreciation and amortization expenses | - | -0.1 | -0.1 | 16 |
| Impairment loss/reversal of impairment loss | -6.4 | - | -6.4 | 17 |
| **Operating expenses** | **-63.1** | **-3.7** | **-66.8** | |
| Result from group companies | 0.7 | - | 0.7 | 18 |
| **Operating result before tax** | **6.4** | **-0.8** | **5.6** | |
| Income tax | -1.3 | - | -1.3 | 19 |
| Income from investments in subsidiaries after tax | 0.2 | -0.2 | - | |
| **Result for the year** | **5.3** | **-1.0** | **4.3** | |

## 47. Statement of financial position – reconciliation and disclosures

Unless otherwise indicated, reference is made to the consolidated statement of financial position for disclosures on assets and liabilities in the company statement of financial position.

| Statement of financial position – 31 December 2011<br>In millions of euro | Company statement | Subsidiaries | Consolidated statement | Notes |
|---|---|---|---|---|
| | | | | |
| Cash and balances with central banks | 141.8 | - | 141.8 | 20 |
| Due from banks | 706.8 | 2.3 | 709.1 | 21 |
| Derivative financial instruments | 20.3 | - | 20.3 | 22 |
| Financial assets held for trading | 447.7 | - | 447.7 | 23 |
| Financial assets at fair value through profit or loss | 1,790.2 | 9.3 | 1,799.5 | 24 |
| Financial assets available-for-sale | 3,039.6 | - | 3,039.6 | 25 |
| Loans and advances | 2,057.2 | - | 2,057.2 | 26 |
| Financial assets held-to-maturity | 113.9 | - | 113.9 | 27 |
| Investments in subsidiaries | 11.3 | -11.3 | - | |
| Deferred tax assets | 0.4 | - | 0.4 | 28 |
| Other assets | 112.5 | 0.2 | 112.7 | 29 |
| **Total assets** | **8,441.7** | **0.5** | **8,442.2** | |
| | | | | |
| Due to banks | 1,186.6 | 0.4 | 1,187.0 | 30 |
| Derivative financial instruments | 285.8 | - | 285.8 | 22 |
| Due to customers | 6,194.3 | - | 6,194.3 | 31 |
| Issued securities | 194.1 | - | 194.1 | 32 |
| Other liabilities | 128.3 | 0.2 | 128.5 | 33 |
| Subordinated loans | 37.7 | - | 37.7 | 34 |
| Total equity (attributable to the equity holder) | 414.9 | -0.5 | 414.4 | |
| Non-controlling interests | - | 0.4 | 0.4 | 36 |
| **Total equity and liabilities** | **8,441.7** | **0.5** | **8,442.2** | |

## 48. Investments in subsidiaries

Movements in investments in subsidiaries are as follows:

| In millions of euro | 2011 | 2010 |
|---|---|---|
| | | |
| **At 1 January** | **28.1** | **84.2** |
| Acquisitions of seedings and co-investments | 19.3 | 48.3 |
| Divestments of seedings and co-investments | -13.5 | -53.4 |
| Transfer to financial assets held for trading | -23.5 | -28.2 |
| Reclassification to assets classified as held for sale | - | -22.9 |
| Foreign currency translation results | 0.7 | - |
| **At 31 December** | **11.3** | **28.1** |

Investments in subsidiaries regard seedings and co-investments, representing the share in funds in which the Bank exerts temporarily control to build a track record and prove commitment.

## 49. Assets classified as held for sale

These assets regard the former participation in Banque Robeco S.A. After signing a binding sale and purchase agreement with Oddo & Cie to sell Banque Robeco in 2010, the ownership was transferred on 31 March 2011.

## 50. Equity

The authorized share capital amounts to EUR 1.0 million (2010: EUR 1.0 million), consisting of 200,000 shares with a par value of EUR 5 each, of which EUR 340,340 is fully paid in. The number of shares did not change in

2011. The Shareholder is entitled to receive dividends when declared and to vote on a one vote per share basis at Robeco Direct N.V.'s Shareholder's Meetings.

The available-for-sale reserve concerns fair value changes on available-for-sale financial assets. The foreign currency translation reserve includes exchange rate differences resulting from the translation of the financial statements of foreign subsidiaries.

It is proposed to add the result for the year (EUR 5.3 million) to retained earnings. For the amount the revaluation reserves are negative, Section 390 of Book 2 of the Dutch Civil Code restricts the distribution of capital out of retained earnings for that same amount.

## 51. Contingent liabilities

**Capital commitments**

The Bank has entered into a commitment to repurchase specific bonds when requested by bondholders. It can unwind these securities with a nominal amount of EUR 342.8 million (2010: EUR 570.4 million) without incurring a loss. At 31 December 2011, the Bank has EUR 580.3 million (2010: EUR 576.3 million) in irrevocable credit facilities relating to mortgages, credits and guarantees, that are all secured by customers' assets. At year-end, the Bank has capital commitments of EUR 48.7 million regarding co-investments in private equity funds (2010: EUR 66.2 million).

**Pledged assets**

Assets pledged by the Bank are strictly for the purpose of providing collateral to counterparties for funds entrusted by them to the Bank and any interest due on these entrusted funds. The assets pledged cannot be sold by the counterparties, unless a default event should occur.

| In millions of euro | 31 December 2011 | | 31 December 2010 | |
|---|---|---|---|---|
| | Carrying amount | Notional | Carrying amount | Notional |
| Financial assets at FV through profit or loss | 87.8 | 100.6 | - | - |
| Financial assets available-for-sale | 295.2 | 285.5 | 330.0 | 312.8 |
| Financial assets held-to-maturity | 51.6 | 50.0 | 152.5 | 150.0 |
| **Total** | **434.6** | **436.1** | **482.5** | **462.8** |

**Income tax liabilities**

Robeco Direct N.V. forms part of a fiscal unity with its parent Robeco Groep N.V. for income tax purposes. As a consequence, the Bank is jointly and severally liable for the income tax liabilities of the fiscal unity.

Rotterdam, 17 April 2012

Supervisory Board Robeco Direct N.V.

Management Board Robeco Direct N.V.

# OTHER INFORMATION

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

# RESPONSIBILITY STATEMENT

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

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

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

Rotterdam, 17 April 2012

Management Board Robeco Direct N.V.

Leni M.T. Boeren, Chairman

Hester W.D.G. Borrie

Peter T.N. Bruin

# INDEPENDENT AUDITOR'S REPORT

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

## Report on the financial statements

We have audited the accompanying financial statements 2011 of Robeco Direct N.V., Rotterdam (as set out on pages 17 to 70). The financial statements consist of the consolidated financial statements and the company financial statements. The consolidated financial statements comprise the consolidated statement of financial position as at 31 December 2011, the income statement,  the statements of comprehensive income, changes in equity and cash flows for the year then ended and notes, comprising a summary of the significant accounting policies and other explanatory information. The company financial statements comprise the company statement of financial position as at 31 December 2011, the company income statement, the company statements of comprehensive income, changes in equity and cash flows for the year then ended and the notes.

### Management's responsibility

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

### Auditor's responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

### Opinion with respect to the financial statements

In our opinion, the financial statements give a true and fair view of the financial position of Robeco Direct N.V. as at December 31, 2011 and of its result for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union and with Part 9 of Book 2 of the Dutch Civil Code.

## Report on other legal and regulatory requirements

Pursuant to the legal requirement under Section 2:393 sub 5 at e and f of the Dutch Civil Code, we have no deficiencies to report as a result of our examination whether the management board report , to the extent we can assess, has been prepared in accordance with Part 9 of Book 2 of this Code, and whether the information as required under Section 2:392 sub 1 at b-h has been annexed. Further we report that the management board report, to the extent we can assess, is consistent with the financial statements as required by Section 2:391 sub 4 of the Dutch Civil Code.

Amsterdam, 17 April 2012

Ernst & Young Accountants LLP

signed by Kees de Lange