ROBECO

Robeco Direct N.V.

Annual report 2009

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The Shareholder's Meeting of 17 January 2005 decided to draft Robeco Direct's annual report in English.

GENERAL INFORMATION

Supervisory Board Robeco Direct N.V.

Roderick M.S.M. Munsters, Chairman (as from 3 November 2009)
George A. Möller (till 31 August 2009)
Constant Th. L. Korthout
Hans A.A. Rademaker (as from 26 February 2010)
Sander van Eijkern (from 5 March 2009 till 31 January 2010)

Management Board Robeco Direct N.V.

Leni M.T. Boeren, Chairman
Hester W.D.G. Borrie (as from 1 April 2010)
Peter T.N. Bruin
Jean-Louis Laurens (from 5 March till 1 June 2009)

Address

Robeco Direct N.V.
Coolsingel 120
P.O. Box 2100
3000 CC Rotterdam
The Netherlands
www.robecodirect.nl
Tel. +31 (0) 10 224 1199
Fax +31 (0) 10 411 8700

REPORT OF THE SUPERVISORY BOARD

Composition of the Supervisory Board
Effective 1 September 2009, Mr. George A. Möller resigned as member (and Chairman) of the Supervisory Board, following his resignation as CEO of Robeco Groep N.V. He was succeeded by Mr. Roderick M.S.M. Munsters as from 3 November 2009. Effective 1 February 2010, Mr. Sander van Eijkern resigned as member of the Supervisory Board, following his resignation as member of Robeco Groep N.V.'s Management Board. On 26 February 2010, Mr. Hans Rademaker was appointed as a Supervisory Board member.

Meetings of the Supervisory Board/Audit Committee
In 2009, the Supervisory Board met four times. As in the previous year, the Board discussed the investment policy and the development of the investment portfolio, more in particular the ABS part of the portfolio. The development of the ABS book was also discussed in the Audit Committee Robeco Direct too. Next to that, the development of the entrusted funds, interest margin and the reinvestment yields were discussed. Moreover, the state of affairs of the residential mortgage activities was reported and the current private equity investments and commitments were discussed.

An Audit Committee was installed early 2009. Members of the Audit Committee for Robeco Direct are Messrs. Izeboud (chairman), Bruggink and Verbeek. Messrs. Izeboud and Verbeek are independent within the meaning of the Dutch Corporate Governance Code. They are also member of the Supervisory Board of Robeco Groep N.V., the parent of Robeco Direct N.V. On behalf of the Management Board of Robeco Direct N.V., Mrs. Boeren is represented in this Committee. She is accompanied by Messrs. Munsters and Korthout as Supervisory Board members of Robeco Direct N.V. The Head Internal Audit attends the Committee as well. For compliance-related subjects, the Head of Corporate Compliance attends the meetings. The Audit Committee will fulfill the responsibility to monitor the financial reporting process and the effectiveness of the internal control framework.

Before the appointment of an Audit Committee for Robeco Direct N.V., relevant subjects for Robeco Direct were addressed on a consolidated Robeco Group level and discussed from that responsibility in the Audit & Compliance Committee of Robeco Groep N.V. The Audit Committee has the responsibility to monitor the financial reporting process and the effectiveness of the internal control framework. During 2009, as an example of subjects related to the activities of Robeco Direct, this committee discussed the effects of the financial crisis on Robeco Direct's business, pricing and valuation issues, the audit reports, the semi-annual and annual reports and follow up of operational incidents and outsourcing matters.

Due attention was given to the French activities in the meetings held in the course of the reporting period. The Management Board also reported on the settlement of the dispute with Ordina.

In June 2009, the Management Board, following capital adequacy scenarios made by Group Risk Management, made the request to the shareholder of Robeco Direct N.V., for a EUR 50 million increase of the share premium. This request was endorsed by the Supervisory Board and subsequently effectuated by the shareholder.

The Charter for the Audit Committee Robeco Direct was agreed upon in the meeting of the Audit & Compliance Committee held on 12 March 2009. An adjustment to the Charter was agreed upon in the Audit Committee meeting held on 3 September 2009. The Audit Committee Robeco Direct has the responsibility to monitor the financial reporting process and the effectiveness of the internal control framework.

The 2008 Annual Report of Robeco Direct was submitted to the Audit Committee and subsequently approved by the Supervisory Board on 29 April 2009. The 2009 Condensed Consolidated Interim Financial Statements was also discussed within the Audit Committee and subsequently approved by the Supervisory Board on 14 August 2009.

Composition of the Management Board
Effective 1 June 2009, Mr. Jean-Louis Laurens resigned as member of the Management Board, following his resignation as member of Robeco Groep N.V.'s Management Board. His responsibilities were taken over by the other members of the Management Board. On 1 April 2010, Mrs. Hester Borrie was appointed to the Management Board.

Financial Statements 2009
We herewith present Robeco Direct N.V.'s financial statements for the financial year 2009 together with the Report of the Management Board.

We have taken note of the contents of the Auditor's Report presented by Ernst & Young Accountants LLP, which have given an unqualified opinion on the annual financial statements as presented, and recommend approval thereof. We concur with the Management Board's proposal to deduct the 2009 result from retained earnings.

Rotterdam, 9 April 2010

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 2009 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.

Market environment
The year 2009 may very well go down in history as the year in which the worst recession since the 1930s came to an end. In the first few months of the year, the economic outlook was still very bleak: the economy had grinded to a halt, industrial production plummeted and it was extremely difficult to obtain bank loans as the capital markets were frozen. Concerns about the possibility of widespread bankruptcies and mass unemployment caused companies to reduce inventories on a massive scale and cut back production. Fortunately, the situation turned out better than expected. This was largely attributable to the decisive actions taken by central banks and governments in the form of highly stimulative policies. In the second half of 2009, global economic growth exceeded expectations, whereas inflation showed a downward trend. By the end of the year, the decline in housing prices in the United States appeared to have come to a standstill. In Europe, the situation is still less clear: in Ireland and Spain, where house prices have risen the most and building has been most expansionary, price declines will most likely persist. In the UK, one can observe positive house price developments for several quarters now, while in countries like the Netherlands, Germany and France price movements, both up and downwards, have been fairly subdued during this economic downturn.

Equity markets got off to a very poor start. By the time markets hit their lows on 9 March 2009, the Euro Stoxx 50 had lost 26% and the S&P 500 had plunged 25%. Thereafter, the situation took a turn for the better. Several reports on first-quarter corporate earnings turned out to be better than anticipated. Capital markets started to open up again. Companies were able to refinance by issuing corporate bonds. Although some concerns remained, stock prices recovered. Over the year as a whole, the MSCI World Index gained a handsome 27%. However, this figure was surpassed by some considerable margin by the performance in emerging markets: the MSCI Emerging Markets Index (net return) soared by 73%. At the end of the year, average stock-market valuations were neutral.

Government-bond yields showed a mixed picture over the course of the year under review. They rose in the first quarter, especially in the United States. This was partly a correction following the bond rally of the last few months of 2008, and also partly driven by worries about the enormous supply of government bonds. However, the U.S. 10-year yield took a nosedive following the Federal Reserve Bank's historical announcement in March that it would purchase U.S. Treasuries to support lending to consumers and companies.

Later on in the year, government bonds came under pressure again. Several positive reports on the economy boosted optimism that the worst of the economic crisis was over. As a result, risky assets such as stocks and credits recovered. The situation was made worse by the fact that significant fiscal and monetary stimulus pushed up long-term inflation expectations, and the market had trouble absorbing the new supply of U.S. government bonds.

Halfway through the year, long-term interest rates started to decline again. The large supply of liquidity from central banks pushed returns on cash to levels close to zero, causing investors to turn to bonds. Despite this, in December, U.S. Treasuries were hit by favorable U.S. labor-market data, which supported investors' belief in a global economic recovery.

On balance, German ten-year bond yields rose from 2.96% to 3.39% in 2009, while U.S. ten-year Treasuries were hit even harder, as yields surged from 2.84% to 3.84%. In contrast, the Dutch ten-year bond yield remained unchanged at 3.55%.

The corporate-bond market showed a strong rally. Many companies were able to issue new bonds, making 2009 a record year for non-financial corporate issuance. Both institutional and private investors started to invest in high yield again. After the summer, the market was dominated by a large number of bond issues, including issues by an increasing number of lower-rated companies. As a result, the number of bankruptcies declined, boosting sentiment among investors.

Developments in the savings market in the Netherlands

On a macro-economic level, data released in the first quarter revealed that the crisis was far from limited to the financial industry. The real economy suffered due to growing uncertainties, resulting in sharp decreases in consumer demand, imploding producers' output and worsening employment conditions. This malaise made consumers and companies decide to abruptly change their spending behavior. Personal (Household) savings increased and businesses refrained from new investments. As mentioned, conditions tend to become less negative and risk aversion seems to be abating. Caution and carefulness however will continue to be the main theme with respect to personal finance decisions.

Dutch consumer cautiousness can be read in the statistics with regard to savings in the Netherlands. The pool for retail savings increased rapidly by another 14 % from EUR 251 billion at the start of the year to EUR 287 billion at the end of June. This might indicate that the peak of risk averseness is behind us since as in the second half of the year savings declined slightly to EUR 284 billion.

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

Source: CBS

Taking a closer look at the composition of these savings one could observe that clients during the year preferred holding on demand deposits with still artificially elevated interest rates as compared to fixed term deposits which mirrored the subdued EURIBOR tariffs.

Saving rates have stayed at elevated levels in the Netherlands. Some (new) market participants, who have difficulty in raising sufficient wholesale funding, make eye at the enormous pool of resources. The side effects should not be underestimated. Funding costs for all financial institutions have been rising, since loans and mortgages have become more expensive, hampering economic recovery. Additionally, the stability of entrusted savings is harder to assess by banks, resulting in higher liquidity buffers and inefficiencies.

Worth mentioning is the effect of the increased amount guaranteed under the Deposit Guarantee System (DGS). The Dutch Ministry of Finance increased the amount – temporarily – from EUR 20,000 to EUR 100,000 in October 2008. This measure has been prolonged after one year and will become the new euro zone standard as of 31 December 2010.

This has changed clients' behavior drastically: deposit holders paid much more attention to the highest bidding bank without having to look into its risk profile, knowing DGS will in any case guarantee their funds. Efforts should be taken to redesign the guarantee system since recently observed incidents have too much an impact on the sponsoring banking community. One should avoid the distortions of the level-playing field in the savings market. Banks that have been financially supported or acquired by the government are regaining their financial robustness. Preferential treatment therefore can come to an end allowing the market to find its new equilibrium.

As mentioned above, Dutch households continued to see their total savings increase, while reversing their appetite for fixed-term savings solutions, back into sight deposits. In these market dynamics, the bank's share of the savings market reduced slightly. Meanwhile, the appetite for investment products rose.

Key figures

<u>Operating results</u>

Net interest income declined from EUR 77.7 million to EUR 26.6 million. For the traditional banking activities, the margin dropped to EUR 19.4 million, being a quarter of last year's margin. It is only in the last quarter of the year that a normalization of margins is observed. The remainder of the interest results comes from improved structured finance activities.

In the first half of 2009, the negative sentiments in the financial markets continued to exist. Official interest rates declined to levels not seen before in the history of the euro. Since short-term investments represent a large part of the total investment portfolio of the bank, interest income came under severe pressure. Reinvestments into longer term bonds were yielding less as an anticipation of the grim economic conditions. The credit conditions worsened and credit risk limits were tightened. Consequently, cash was kept at bay and the interest result nosedived. In the third and more pronouncedly the last quarter, margins recovered considerably.

The entrusted funds at the beginning of the year were characterized by a large portion of high-yielding time deposits. Competition on the Dutch retail savings market remained intense, as banks assessed the relevance of savings as core funding, to the benefit of retail clients. As a result thereof, the interest margins came under pressure since interest return on assets eroded during that same period.

The Dutch residential mortgage market has changed drastically, with foreign mortgage loan providers withdrawing as their ability to securitize loans grinded to a halt. Due to the situation in the housing market, the bank observed a low production of mortgage loans.

Net fee and commission income decreased by EUR 7.6 million to EUR 41.1 million. Asset management fees declined by EUR 8.2 million, or 17.5%, mainly due to the adverse situation in the financial markets in the first half of the year. Sales of insurance products – predominantly through Banque Robeco, the bank's French subsidiary – strongly declined with insurance fees falling by two-thirds to EUR 0.9 million.

The returns on financial assets in 2009 amount to EUR 6.4 million, leaving the negative returns from 2008 behind (-EUR 30 million). The 2008 results were to a great extent adversely impacted by decreasing fair values on the held-for-trading financial instruments. In 2009, the results on financial assets have been built up steadily during the year, partly as a reflection of improved financial market conditions.

As in the previous year, the bank had to take its share of the costs associated to yet another bankruptcy in the Dutch banking sector. These costs are recorded as an administrative expense. Nevertheless, as a result of the cost control measures taken, total administrative expenses have come down to EUR 78.2 million as compared to EUR 82.1 million in 2008. The turmoil in the financial markets has in some areas led to illiquid markets and reductions of the fair value of financial instruments. Based on the economic circumstances and the market situation, impairments have been recorded for an amount of EUR 34.1 million (2008: EUR 69.1 million). Total operating expenses decreased by EUR 41.5 million to an amount of EUR 125.6 million.

Net result for the year amounts to EUR 31.8 million negative, as compared to a net loss of EUR 44.8 million over the previous year.

Composition of the statement of financial position
Total assets of the bank slightly decreased from EUR 9.65 billion to EUR 9.58 billion. The bank started the year with a disproportionately high cash position as a reaction to the uncertainties in financial markets. As tension during the year abated, the bank converted its entrusted funds in investments again, especially in loans and advances.

With respect to the balances due to customers, saving deposits available on demand increased by EUR 2.0 billion, while time deposits decreased by EUR 2.4 billion in the same year. This reflects the retail clients' preferences in the Dutch market and results into a net outflow of EUR 0.4 billion, leading to total entrusted funds of EUR 7.2 billion. This outflow was compensated by a EUR 0.4 million higher balance of savings money provided by third-party distributors, as reported under Due to banks.

Total equity of the bank increased by EUR 95.3 million from EUR 260.4 million to EUR 355.7 million, mainly as a result of the strongly improved, unrealized available-for-sale result and the additional EUR 50 million share premium that the bank raised to ascertain a robust capital base.

Capital base
At year end, the bank's equity totals EUR 355.7 million. The BIS ratio – the bank's solvency ratio – amounts to 16.22%. The minimum required statutory norm is 8% as set by DNB, the Dutch central bank.

Strategy
Robeco Direct has made considerable progress in making the organization fit for the future as a leading online fund bank. The speed of execution however, has been adversely impacted by the budgetary constraints the bank, as many other financial service providers, has been confronted with during the year.

In the second half of the year, the change program regained momentum, delivering visible result. Various new building blocks of infrastructure have been put at work, focusing entirely at servicing our clients better: online access with respect to portfolio recommendations, online account statements, online individual portfolio returns and an award-winning redesigned website. The introduction of third-party funds in 2008 was followed by embedding these funds in the portfolio advice, enabling our clients to fully meet their needs. This all underscores the proposition as being the online fund bank in the Netherlands. With these new services, Robeco Direct has made a huge step forward in helping clients realize their wealth accumulation

The banking infrastructure of Robeco Direct continued to play a pivotal role as a facilitator for various Robeco Group entities to introduce investment products for private and professional clients. In 2009, investments have been made in a robust pricing, risk monitoring and position-keeping system. The bank continued its financial engineering activities despite the financial market unrest, requiring seeding and/or co-investments for building up track records and giving proof of its commitment. Robeco Direct provides secondary market support for structured products, where pricing is complex and liquidity limited.

In order for Robeco Direct to execute its strategy, long-term profitability is critical. In 2009, the profitability of the bank was not satisfactory. The cost reduction program Top Shape aimed to reduce costs, complexity and to streamline the organization. In 2009, this program was completed. As expected, the reorganization had a significant impact on Robeco's business operations and employees; our organization is still adapting to the new functional organizational structure and governance. During 2009, the implementation of measures resulting from Top Shape was closely monitored and Robeco Direct achieved the financial targets set by Top Shape and managed to reduce the bank's overall cost level.

On 1 February 2010, Robeco introduced a comprehensive policy on responsible investing (RI). An important pillar of this policy is the integration of environmental, social and governance (ESG) criteria into our investment processes. We believe that this will add value by improving the long-term risk-return profile of our clients' portfolios. The implementation of Robeco's RI policy follows thorough consultation with clients and years of research. For Robeco, RI consists of five interrelated elements: 1. Engagement (active dialogue and voting); 2. Transparency about risk, return and costs; 3. Sustainability theme funds; 4a. ESG integration; 4b. Exclusion policy; 5. Responsible operational management.

Risk Management and Compliance

Introduction
The credit crisis, that erupted in 2008 and continued in 2009, also had an impact on Robeco Direct. This chapter will address a number of topics related to the credit crisis from a risk management perspective. In addition to elaborating on the credit crisis, this chapter also discusses Robeco's risk management and compliance functions.

The economic crisis in the financial markets which started in 2007 spread to the real economy in 2008 and 2009, leading to reorganizations and bankruptcies in virtually all sectors. The impact was not limited to financial institutions and businesses, but entire countries such as Iceland, Greece and Dubai were also hit, causing parties in the financial markets to have serious doubts about their creditworthiness. The first signs of recovery emerged in the second half of 2009, when share prices started to rise and credit spreads fell. By the end of 2009, most markets were more liquid than in 2008, but various asset categories remained volatile and the solvency of banks and other financial institutions remained a source of concern.

More strict regulations have been implemented or announced in various areas. Robeco maintains close contact with local regulators to ascertian meeting the requirements applicable.

A number of measures have been taken to further improve the management of financial risks relating to positions for the bank's own risk and account. An application, Sophis, has been implemented to monitor and report on the market risk of the trading books. In this area, we are also working on further integrating our systems with the infrastructure of Rabobank Group. In terms of credit risk, we are working on developing stress tests to enable the Company to ascertain whether there is sufficient capital available to cover potential losses in extreme situations. An internal framework has been developed for liquidity risk that makes it possible to make independent liquidity assumptions for all types of assets and liabilities, and to assess effects on the bank's net liquidity position. Every quarter, a capital-adequacy analysis will be performed by the bank's management and the Asset & Liability Committee to supplement the annual ICAAP analysis that the bank makes for the regulator. The conclusions from this analysis will be actively used in establishing limits for different types of risks and for the bank's capitalization.

Risk Management
Robeco Direct is firmly committed to the development of quality products and services, and to careful compliance with agreements made with clients. In addition, Robeco Direct strives to achieve efficient use of shareholder capital. Although Robeco Direct actively stimulates entrepreneurship throughout the organization and encourages its staff to identify and seize opportunities, it recognizes that the risks inherent in entrepreneurship must be assessed and controlled. Robeco Direct aims for maximum transparency in terms of those risks that might influence the results of the organization.

Risk control governance

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

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

- The Group Risk & Compliance Committee within Robeco is responsible for non-financial risk types (operational risk and business risk). This committee evaluates and ratifies group-wide policies relating to compliance and risk-management topics. Meetings are held quarterly. The Risk Management Committee of Robeco Direct is responsible for monitoring the quality and comprehensiveness of risk oversight within the bank. Meetings are held monthly.
- The Financial Crisis Committee is responsible for identifying the risks that could arise from a financial distress event, as well as identifying the impact that such an event would have on client portfolios and Robeco's reputation. This committee formulates, initiates and coordinates necessary actions, and is chaired by the Head of GRM. Meetings are held when there is any indication that a financial distress event may occur.
- The Asset & Liability Committee is responsible for setting limits to and monitoring financial risk types (credit risk, interest rate risk and market risk), for monitoring economic and regulatory capital and RAROC figures for internal management purposes and to ensure that entities under regulatory supervision comply with the capital and solvency requirements. Meetings are held on a monthly basis.
- The Valuation Committee is responsible for establishing valuation methodologies for the instruments on Robeco Direct's trading and investment books. The Valuation Committee also decides on trading-book/investment-book classifications and the use of specific models and parameters to determine economic and regulatory capital. This committee convenes on a monthly basis.
- The In Control Board was established in 2009 and is responsible for ensuring effective governance of the different internal control topics, such as SOx 404, SAS70, business continuity management, information security and internal control awareness. The In Control Board decides on and monitors scope, annual planning, progress, and prioritization of the different internal control topics. Meetings are held once every two months.
- An Audit Committee was installed early 2009 The Audit Committee fulfills the responsibility to monitor the financial reporting process and the effectiveness of the internal control framework.

Internal control framework

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

Robeco Direct has developed a sound management control framework, which is mainly based on COSO, Basel II, Sarbanes-Oxley and Robeco Group's corporate policies regarding IT security, compliance and business continuity management. This framework sets the standards for the management controls in place and is assessed on a regular basis.

Centralized and appropriate process documentation within Robeco Direct, including risk and control reporting, is essential for maintaining and extending the internal control framework. In 2009, the organization changed as the measures resulting from the cost reduction program – Top Shape – were incorporated in the business processes. Monitoring activities are regularly carried out via internal control procedures, risk & control self-assessments, compliance reviews and internal audits. A group-wide action management tool was implemented in 2009 that promotes timely execution of risk mitigating actions and encompasses a procedure and tooling to record, monitor follow-up and report on these actions

Robeco Direct issued a SAS 70 report regarding Robeco's Pension Providers. Robeco Direct also contributed successfully to the Rabobank 'In control statement on financial reporting'.

Risk types

Robeco Group recognizes several types of risks that are actively managed throughout the Robeco organization, of which Robeco Direct N.V. forms an integral part. The risks described in this chapter are those risks currently considered to be significant within Robeco. The risks mentioned are not exhaustive. There may be other significant risks that Robeco has not yet identified or that have been assessed as not having a significant potential impact on the business, but that could materialize as such at a later stage. Our systems for controlling risks are designed to provide timely insight into such risks.

Strategic risk

Robeco Direct's ambition level for 2010 and onwards is to strengthen its proposition as the online fund bank in the Netherlands. Additionally, Robeco Direct aims at playing a pivotal role as a facilitator for Robeco to introduce investment solutions for private and institutional clients.

The financial result of the bank is under pressure due to a decrease in assets under management as a result of stock-market developments, increased competition in the retail savings market and existing cost levels. This reduces Robeco Direct's ultimate effectiveness since investments in new products and services are a prerequisite to meet clients' requirements and expectations.

In order for Robeco Direct to execute its strategy, long-term profitability is critical. In 2009, the profitability of the Company was not satisfactory. The earlier mentioned cost reduction program Top Shape aimed to reduce costs, complexity and to streamline the organization. In 2009, this program was completed.

Operational risk

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

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

Investment selection process

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

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

At the end of 2009, a formal Middle Office was established. The objective of the Middle Office is to increase control over several investment related operational processes. Previously, these activities took place on a more fragmented basis throughout Robeco. The Middle Office is expected to be fully operational by the end of the first quarter of 2010.

Transaction processing

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

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

Valuation
The valuation process consists of the pricing and valuation of holdings and classifications. These elements have their own specific controls, such as automatically imported prices and exception reporting, the four-eye principle applied to actions carried out by individuals. The methods used are validated by the Valuation Committee.

In 2009, the volatility of the financial markets was substantially higher normal, which affected the process of importing prices provided by external pricing vendors. The process is controlled using the principle of exception reporting. Due to the overwhelming number of exceptions, the process was temporary adjusted to be able to cope with the effects of the increased volatility in markets.

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

At the start of 2009, Robeco, and consequently Robeco Direct outsourced the IT infrastructure and related activities for Robeco's Rotterdam based operations to Hewlett Packard (HP). In 2009, HP started the transformation of the Robeco IT infrastructure to the HP datacenters, hardware, services and standards. This transformation is expected to be completed in the first half of 2010. Such a transformation process is inherently complex as IT applications need to be moved to new infrastructure, processes and procedures need to be adapted, and improved services need to be implemented. Robeco and HP established extensive contractual agreements as a basis for the outsourcing, detailing the scope and services included in the outsourcing and the responsibilities of both parties. However, experience shows that not all operational details can be covered by such a contract. Therefore there is a risk that a lack of clarity on the division of responsibilities and the scope of services may result in a decline of in the level of service and a weakening of the control environment. To address this risk, Robeco has formed a joint program team with HP to ensure that all changes resulting from the migration are executed in a coordinated and controlled manner, with sufficient testing and additional resources to ensure effective aftercare in the immediate period after the changes have occurred. In addition to the transfer program, strong governance at a strategic, tactical and operational level was implemented. Where any weaknesses were detected in the control environment, Robeco initiated the necessary remedial action in cooperation with HP. In cases where service levels declined initially, HP started service-improvement initiatives to meet the agreed service levels.

IT-related risks
Given the nature of trading and transaction processes, the investment-management industry is heavily dependent on IT systems. This also applies to Robeco Direct and results in a high dependency on the reliability of systems and data and on the availability of such systems. Deficiencies in these areas might result in a significant threat to Robeco's continuity and financial position. Robeco has now integrated the information security management function, responsible for policy setting and overall monitoring, into GRM. By doing so, Robeco aims to achieve maximum alignment between both operational-risk management and information security management. In 2009, Robeco adopted the renewed Group Information Security Policy issued by Rabobank.

Another IT risk that Robeco recognizes is the risk of Robeco's key business processes or critical systems failing as a result of a severe disruption or complete interruption. This would result in Robeco's key business processes or critical systems being unavailable for a number of hours, causing financial damage for Robeco and its clients. In order to limit this risk, Robeco has taken appropriate measures and incorporated these into a group-wide business continuity management program to minimize the damage resulting from such an interruption to its services. In the context of outsourcing the IT infrastructure and related activities to HP, GRM has imposed requirements on HP to ensure effective IT disaster recovery.

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

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

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

IFRS 7 has been in effect since 1 January 2007. This accounting standard focuses on ensuring insight into financial instruments and their effects on the financial positions and results of a company. The diversity of the applicable financial risks, their size and the policies in place to mitigate these risks need to be stated explicitly.

Compliance risk
The compliance function supports the Management Board and the departmental management teams in maintaining a high level of compliance and aims to ensure that all business principles are understood and implemented. Robeco Direct defines compliance risk as the risk of harm to its reputation and/or financial position as a result of legislation, policies or contractual obligations not being observed.

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

Senior management assessment
In 2009, Robeco Direct considered its risk management and internal control practices on a regular basis. This provided insight into the significant risks applicable to Robeco Direct. All related significant aspects are discussed with senior management and the Audit and Compliance Committee. Regular reports on these aspects are submitted to the Supervisory Board.

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

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

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

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

Outlook 2010
In 2009, investments have been made in a robust pricing, risk-monitoring and position-keeping system. The bank will continue its financial engineering activities despite the financial market's unrest, requiring seeding and/or co-investments for building up track records and giving proof of its commitment. Furthermore, Robeco Direct will provide secondary market support for structured products where pricing is complex and liquidity limited.

Robeco Direct is committed to the retail market and has made considerable progress in making the organization fit for the future as a leading online fund bank. The bank will continue to offer a suite of relevant savings propositions and principal protected solutions.

In the first months of 2010, the bank observed a normalization of margins, but given the ongoing uncertainties of financial markets the bank withholds to forecast the results for 2010.

We would like to thank our people for the effort and dedication they have shown during 2009. We look forward to co-operating with them in the future.

Rotterdam, 9 April 2010

Management Board Robeco Direct N.V.

Leni M.T. Boeren, chairman
Peter T.N. Bruin

CONSOLIDATED FINANCIAL STATEMENTS 2009
Robeco Direct N.V.

CONSOLIDATED INCOME STATEMENT
for the year ended 31 December

In millions of euro	Notes	2009	2008
Interest income	5	306.8	393.5
Interest expense	6	280.2	315.8
Net interest income		**26.6**	**77.7**
Fee and commission income	7	47.2	58.1
Fee and commission expense	8	6.1	9.4
Net fee and commission income		**41.1**	**48.7**
Results on financial assets designated at fair value through profit or loss	9	10.9	11.5
Results on financial assets available-for-sale	10	-2.8	-0.8
Results on financial assets held for trading	11	-1.7	-40.7
Other income	12	8.1	9.2
Net operating income		**82.2**	**105.6**
Employee benefits expense	13	12.7	15.5
Administrative expenses	14	78.2	82.1
Depreciation and amortization expenses	15	0.6	0.4
Impairment losses	16	34.1	69.1
Operating expenses		**125.6**	**167.1**
Operating result before tax		**-43.4**	**-61.5**
Income tax	17	11.6	16.7
Result for the year		**-31.8**	**-44.8**
Attributable to:			
- Equity holder of the parent		-34.1	-41.4
- Non-controlling interests	38	2.3	-3.4
Result for the year		**-31.8**	**-44.8**

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
for the year ended 31 December

In millions of euro	Notes	2009	2008
Result for the year		**-31.8**	**-44.8**
Net unrealized results on financial assets available-for-sale		80.9	-228.2
Realized gains and losses on financial assets available-for-sale reclassified to the income statement on disposal	10	2.8	0.8
Impairment of financial assets available-for-sale	16	28.6	67.4
Income tax effect	17	-28.6	39.3
Other comprehensive income		**83.7**	**-120.7**
Exchange differences on translation of foreign operations		-	3.7
Other comprehensive income for the year, net of taxes		**83.7**	**-117.0**
Total comprehensive income for the year, net of taxes		**51.9**	**-161.8**
Attributable to:			
- Equity holder of the parent		49.6	-158.4
- Non-controlling interests	38	2.3	-3.4
Total comprehensive income for the year, net of taxes		**51.9**	**-161.8**

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
at 31 December

In millions of euro	Notes	2009	2008
ASSETS			
Cash and balances with central banks	18	163.8	154.4
Due from banks	19	580.6	1,435.4
Derivative financial instruments	20	17.2	80.5
Financial assets held for trading	21	702.8	1,096.1
Financial assets designated at fair value through profit or loss	22	1,607.2	1,168.0
Loans and advances	23	2,330.9	1,287.9
Financial assets available-for-sale	24	3,544.9	3,762.2
Financial assets held-to-maturity	25	425.8	504.9
Property and equipment	26	0.7	0.8
Intangible assets	27	0.6	0.4
Deferred tax assets	28	1.5	-
Other assets	29	196.9	158.5
Total assets		**9,572.9**	**9,649.1**

In millions of euro	Notes	2009	2008
EQUITY AND LIABILITIES			
Due to banks	30	1,061.7	684.2
Derivative financial instruments	20	379.1	707.2
Financial liabilities held for trading	31	6.2	0.7
Due to customers	32	7,180.1	7,567.8
Issued securities	33	360.9	167.4
Other liabilities	34	191.2	223.4
Provisions	35	0.3	0.3
Subordinated loans	36	37.7	37.7
Total liabilities		**9,217.2**	**9,388.7**
Issued share capital		0.3	0.3
Share premium		245.4	195.4
Available-for-sale reserve		-76.9	-160.6
Foreign currency translation reserve		-	-
Retained earnings		170.3	204.4
Total equity attributable to the equity holder of the parent	37	**339.1**	**239.5**
Non-controlling interests	38	16.6	20.9
Total equity		**355.7**	**260.4**
Total equity and liabilities		**9,572.9**	**9,649.1**

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
for the year ended 31 December 2009 and 2008

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

In millions of euro	Issued share capital	Share premium	Available-for-sale reserve	Foreign currency translation reserve	Retained earnings	Attributable to equity holder of the parent	Non-controlling interests	Total equity
At 1 January 2008	**0.3**	**145.4**	**-39.9**	**-3.7**	**296.2**	**398.3**	**2.0**	**400.3**
Result for the year	-	-	-	-	-41.4	-41.4	-3.4	-44.8
Other comprehensive income	-	-	-120.7	3.7	-	-117.0	-	-117.0
Total comprehensive income	**-**	**-**	**-120.7**	**3.7**	**-41.4**	**-158.4**	**-3.4**	**-161.8**
Capital increase	-	50.0	-	-	-	50.0	-	50.0
Dividend payment	-	-	-	-	-50.4	-50.4	-	-50.4
Movements in non-controlling interests	-	-	-	-	-	-	22.3	22.3
At 31 December 2008	**0.3**	**195.4**	**-160.6**	**-**	**204.4**	**239.5**	**20.9**	**260.4**

CONSOLIDATED STATEMENT OF CASH FLOWS
for the year ended 31 December

In millions of euro	Notes	2009	2008
Operating activities			
Operating result before tax from continuing operations		-43.4	-61.5
Non-cash adjustments to operating result:			
- Depreciation and amortization		0.6	0.4
- Impairments		34.1	69.1
- Result financial assets (excluding dividends received)		20.4	73.8
- Movements in provisions		-	-0.3
Other movements from operations:			
- Operating assets and liabilities		460.9	242.0
Net cash flows from operating activities	43	**472.6**	**323.5**
Investing activities			
Purchase of property and equipment		-0.3	-0.3
Purchase of financial assets available-for-sale		-1,156.7	-1,211.1
Purchase of financial assets held-to-maturity		-108.9	-304.1
Purchase of financial assets at fair value through profit or loss		-654.8	-302.4
Purchase of loans and advances		-1,573.3	-213.1
Purchase of intangible assets		-0.5	-0.4
Proceeds from sale of property and equipment		0.1	0.1
Proceeds from sale of financial assets available-for-sale		1,454.6	1,140.2
Proceeds from redemptions of financial assets held-to-maturity		185.0	732.0
Proceeds from sale of financial assets at fair value through profit or loss		226.1	233.4
Proceeds from redemptions of loans and advances		482.0	108.2
Proceeds from sale of intangible assets		-	0.1
Net cash flows (used in)/from investing activities	44	**-1,146.7**	**182.6**
Financing activities			
Capital increase		50.0	50.0
Dividends paid to the parent		-	-50.4
Net cash flows from/(used in) financing activities	45	**50.0**	**-0.4**
Net movement in cash and cash equivalents		**-624.1**	**505.7**
Cash and cash equivalents at 1 January		1,146.4	640.7
Cash and cash equivalents at 31 December	46	**522.5**	**1,146.4**
Cash flows from interests and dividends			
Interest paid		-242.7	-257.4
Interest received		313.9	211.0
Dividends paid		-	-50.4
Dividends received		26.8	43.8

ACCOUNTING POLICIES FOR THE CONSOLIDATED FINANCIAL STATEMENTS

1. Corporate information

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

The consolidated financial statements of Robeco Direct N.V. for the year ended 31 December 2009 relate to Robeco Direct N.V. and its subsidiaries (together referred to as the 'Company'). All shares of Robeco Direct N.V. are owned through Robeco Groep N.V. by Coöperatieve Centrale Raiffeisen-Boerenleenbank B.A. (referred to as "Rabobank Nederland"), which is also the ultimate parent. The consolidated financial statements of Robeco Groep N.V. are included in the Rabobank Group consolidated financial statements.

The financial statements were authorized for issue by the directors on 9 April 2010.

2. Accounting policies

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

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

IFRS developments

Adopted International Financial Reporting Standards
Several new or revised IFRS standards were issued for the purpose of the consolidated financial statements as of 2009. Only those standards mentioned below are applicable to the financial statements 2009 of Robeco Direct N.V.

IAS 1, Presentation of Financial Statements
In 2007, the IASB issued the revised IAS 1, Presentation of Financial Statements. The revisions to IAS 1 represent the first step in the IASB's comprehensive project on reporting financial information. The revised IAS 1 is effective for annual periods beginning on or after 1 January 2009. The revised standard has been applied in preparing these financial statements. The revised standard distinguishes owner and non-owner changes in equity. The statement of changes in equity includes only details of transactions with owners, with non-owner changes in equity presented in reconciliation to each component of equity. In addition, the standard introduces the statement of comprehensive income: it presents all items of recognized income and expense, either in one single statement, or in two linked statements. The Company has elected to present two statements. IAS 1 changes have also affected the titles of financial statements:

- 'balance sheet' has become 'statement of financial position';
- 'cash flow statement' has become 'statement of cash flows'.

Also, IAS 1 Revised introduced the following word changes that are reflected in the financial statements and the notes:

- 'balance sheet date' has been changed to 'reporting date'
- 'reporting date' has been changed to 'end of reporting period'
- 'minority interest' has been changed to 'non-controlling interest'.

IFRS 7, Financial Instruments Disclosures
The amended standard requires additional disclosures about fair value measurement and liquidity risk. Fair value measurements related to items recorded at fair value are to be disclosed by source of inputs using a three-level fair value hierarchy, by class, for all financial instruments recognized at fair value. In addition, reconciliation between the opening and closing balance for Level-3 fair value measurements is required as well as significant transfers between levels in the fair value hierarchy. The amendments also clarify the requirements for liquidity risk disclosures with respect to derivative transactions and assets used for liquidity management. Fair value measurement and liquidity risk disclosures are presented in Note 40.

IFRS 8, Operating Segments
IFRS 8, Operating Segments specifies how an entity should report information about its operating segments. It was issued in November 2006 and is effective for annual periods beginning on or after 1 January 2009. IFRS 8 applies to the separate or individual (consolidated) financial statements of an entity:

- whose debt or equity instruments are traded in a public market; or
- that files, or is in the process of filing, its (consolidated) financial statements with a securities commission or other regulatory organization for the purpose of issuing any class of instruments in a public market.

This standard requires disclosure about the Company's operating segments and replaced the requirement to determine business reporting segments of the Company.

During 2009, prior to application of IFRS 8, management reassessed the presentation of the Company in line with the areas in which it operates. Management identified 2 business segments (Retail Banking and Structured Finance) compared to 3 last year: Distribution, Asset & Liability Management and Other. Subsequently, the Company concluded that the operating segments determined in accordance with IFRS 8 are similar to the newly identified business segments previously identified under IAS 14; IFRS 8 disclosures are shown in Note 42.

IAS 16, Property, Plant and Equipment
In the amendment to IAS 16, Property, Plant and Equipment, the term 'net selling price' has been replaced by 'fair value less costs to sell' in the definition of recoverable amount. The Company amended its accounting policy accordingly, which did not result in any change in the financial position.

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

IFRS 3 Revised, Business Combinations
IFRS 3 Revised, Business Combinations was issued in January 2008, in combination with IAS 27 Revised, and applies to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after 1 July 2009. Amongst other changes, the new standard requires transaction costs to be recognized immediately in the income statement and recognition of subsequent changes in the fair value of contingent consideration in the income statement rather than against goodwill. Fair value gains or losses on existing investments in an acquired company are recognized in the income statement at the date of acquisition. This statement will affect future business combinations and, as a consequence, this standard will not impact the business combinations currently recorded in the Company's financial statements.

IFRS 9 Classification and measurement, first phase of the IAS 39 replacement project
In this IFRS standard, which was published in July 2009, a reduction is proposed in the categories of financial assets and liabilities. This standard has not yet been adopted by the EU and will be effective for annual periods beginning on or after 1 January 2013. Earlier adoption is allowed.

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

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

The financial statements of the subsidiaries are included in the consolidated financial statements from the date control commences until the date control ceases. A complete list of the subsidiaries is shown in Note 41, Related parties. The subsidiaries are accounted for by integral consolidation showing non-controlling interests in the statement of changes in equity.

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

3. Significant accounting judgments and estimates

The preparation of financial statements in conformity with IFRS requires the use of judgment and estimates that affect the recognition and valuation of assets and liabilities, the disclosure of contingent liabilities as of the date of the financial statements and the reported amounts of income and expenses during the reporting period. Although these estimates are based on management's best knowledge of current events and actions, the actual results may differ ultimately from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to an accounting estimate is recognized in the period in which the estimate is revised.

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

Impairment of financial instruments available-for-sale
The Company reviews its financial assets classified as available-for-sale at each reporting date to assess whether they are impaired. See also Note 4.27, 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 Company presents its income statement using a nature of expense view. This presentation gives a clear insight in the profitability of its main activities.

4.1 Foreign currency translation
As stated before, the euro is Robeco Direct's functional currency. Each entity of the Company determines its own functional currency and the items included in the financial statements of each entity are measured using that functional currency.

Monetary assets and liabilities denominated in foreign currencies are translated into euros at the spot rates prevailing at the reporting date.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

4.12 Financial assets held for trading

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

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

4.13 Financial assets designated at fair value through profit or loss

Financial assets designated at fair value through profit or loss are non-trading financial assets that have been 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.

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

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

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

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

4.14 Loans and advances

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

4.15 Financial assets available-for-sale

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

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

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

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

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

4.16 Financial assets held-to-maturity

When management has both the intention and the ability to hold them 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 carried at amortized cost using the effective yield method. Interest earned on financial assets held-to-maturity is reported as Interest income.

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

4.17 Property and equipment

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

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

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

4.18 Intangible assets

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

The intangible assets of the Company are all finite and acquired. Amortization is recognized on a straight-line basis for the period of 4 years.

4.19 Other assets

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

4.20 Due to banks
This item represents (short-term) loans and advances from banks and is stated at amortized cost using the effective interest method.

4.21 Due to customers
This item represents saving accounts and deposits of private and business customers and is stated at amortized cost using the effective interest method.

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

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

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

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

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

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

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

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

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

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

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

4.27 Impairment of financial assets

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

Objective evidence of impairment includes observable data about:

- significant financial difficulty of the issuer;
- an actual breach of contract, such as a default or delinquency in interest or principal payments;
- probability of bankruptcy or other financial reorganization of the borrower;
- the disappearance of an active market for that financial asset due to financial difficulties;
- observable data indicating that there is 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.

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

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

NOTES TO THE CONSOLIDATED INCOME STATEMENT

5. Interest income

Interest income can be broken down as follows:

In millions of euro	2009	2008
Cash and balances with central banks	2.2	6.6
Due from banks	14.2	46.7
Loans and advances	68.2	54.5
Financial assets available-for-sale	123.2	170.2
Financial assets held-to-maturity	19.0	24.3
Interest income on financial assets not at fair value through profit or loss	**226.8**	**302.3**
Derivative financial instruments	17.9	26.6
Financial assets held for trading	10.7	16.9
Financial assets designated at fair value through profit or loss	51.4	47.7
Interest income on financial assets at fair value through profit or loss	**80.0**	**91.2**
Total	**306.8**	**393.5**

The interest income as generated by the investment portfolio declined considerably as a result of ongoing interest rate decreases as observed in the money and bond market.

6. Interest expense

Interest expense can be broken down as follows:

In millions of euro	2009	2008
Due to customers	233.9	287.0
Due to banks	0.8	2.8
Subordinated loans	0.8	1.9
Other	0.1	0.1
Interest expense on financial assets not at fair value through profit or loss	**235.6**	**291.8**
Derivative financial instruments	44.6	24.0
Interest expense on financial assets at fair value through profit or loss	**44.6**	**24.0**
Total	**280.2**	**315.8**

The interest expenses on fixed-term deposits represent a material part of the entrusted funds and have not kept pace with the interest rate reduction as observed in the money market. Only in the latter part of 2009, interest expenses normalized.

7. Fee and commission income

Fee and commission income can be broken down as follows:

In millions of euro	2009	2008
Management fees	38.7	46.9
Securities transactions	2.6	3.5
Insurance fees	0.9	2.9
Other	5.0	4.8
Total	**47.2**	**58.1**

8. Fee and commission expense

Fee and commission expense can be broken down as follows:

In millions of euro	2009	2008
Distribution and maintenance fees	5.3	8.1
Securities transactions	0.2	0.1
Payment services	0.1	0.4
Other	0.5	0.8
Total	**6.1**	**9.4**

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

The results on financial assets designated at fair value through profit or loss (EUR 10.9 million; 2008: EUR 11.5 million) fully comprise of results on debt securities.

10. Results on financial assets available-for-sale

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

In millions of euro	2009	2008
Realized results on debt instruments	-2.5	-2.0
Realized results on equity securities	-0.3	1.2
Total	**-2.8**	**-0.8**

11. Results on financial assets held for trading

Results on financial assets held for trading are as follows:

In millions of euro	2009	2008
Results on debt securities	-22.7	37.3
Results on equity securities	21.9	-63.3
Results on derivative financial instruments	-2.4	-11.9
Results on foreign currencies	2.6	-3.2
Other results	-1.1	0.4
Total	**-1.7**	**-40.7**

The results on equity securities include dividends received totaling EUR 26.8 million (2008: EUR 43.8 million).

12. Other income

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

13. Employee benefits expense

Employee benefits expense can be broken down as follows:

In millions of euro	2009	2008
Wages and salaries	6.7	9.4
Social security costs	2.3	2.0
Pension costs	1.7	1.7
Temporary staff	1.9	2.2
Other staff costs	0.1	0.2
Total	**12.7**	**15.5**

In the Netherlands, the Company does not employ personnel itself; Robeco Nederland B.V. is the actual employer, recharging personnel-related costs to the Company. On average, the recharged costs – classified as Administrative expenses – concern 254 FTE's in 2009 (2008: 295 FTE's). In other countries, employees are directly employed by Robeco Direct N.V. On average, the Company had in those countries a workforce of 107 employees in 2009 (2008: 117 employees), which are distributed as follows:

Average employed number of employees (FTE's)	2009	2008
Belgium	3	3
France	104	114
Total	**107**	**117**

14. Administrative expenses

Administrative expenses can be broken down as follows:

In millions of euro	2009	2008
Administrative expenses – lump-sum recharge	64.4	72.0
Administrative expenses – foreign offices	6.0	6.7
Other administrative expenses	7.8	3.4
Total	**78.2**	**82.1**

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

15. Depreciation and amortization expenses

Depreciation and amortization expenses can be broken down as follows:

In millions of euro	2009	2008
Depreciation of property and equipment	0.3	0.3
Amortization of intangible assets	0.3	0.1
Total	**0.6**	**0.4**

16. Impairment losses

The impairment losses can be broken down as follows:

In millions of euro	2009	2008
Impairment of financial assets available-for-sale:		
- asset-backed securities	25.2	52.8
- other debt securities	1.7	7.3
- equity securities	1.7	7.3
Value adjustments on credits to customers	5.5	1.7
Total	**34.1**	**69.1**

The impairment of financial assets available-for-sale relates to asset-backed securities (ABSs) as well as to investments in real estate bonds and private equity funds. Based on the economic circumstances and market situation in 2008 and 2009, the Company made an assessment of its entire investments portfolio. The outcome of this in-depth analysis resulted in an additional impairment of a few ABSs, an investment in a real estate bond and a private equity fund together with the recognition of fair value changes of earlier impaired instruments. The value adjustments on credits to customers mainly regard additions to the provision for mortgages.

17. Income tax

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

In millions of euro	2009	2008
Income statement		
Current year	11.6	14.7
Adjustments for tax assessments previous years	-	2.0
Income tax reported in the income statement	**11.6**	**16.7**
Statement of comprehensive income		
Unrealized loss on financial assets available-for-sale	-28.6	39.3
Income tax charged directly to equity	**-28.6**	**39.3**

The reconciliation between the income tax expense and the accounting result for the years 2009 and 2008 is as follows:

In millions of euro	2009	2008
Accounting result before tax	**-43.4**	**-61.5**
Income tax at statutory tax rate (25.5%)	**11.1**	**15.7**
Result of minority interests in consolidated products	0.6	-0.9
Adjustments for tax assessments previous years	-	2.0
Other	-0.1	-0.1
Income tax reported in income statement	**11.6**	**16.7**
Effective tax rate	**26.7%**	**27.2%**

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

NOTES TO THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION

18. Cash and balances with central banks

Cash and balances with central banks can be broken down as follows:

In millions of euro	2009	2008
Cash on hand	0.0	0.0
Mandatory reserve central banks	163.8	154.4
Total	**163.8**	**154.4**

During the period from 8 December 2009 to 20 January 2010, EUR 171.1 million (from 10 December 2008 to 21 January 2009: EUR 154.6 million) on average was held during to satisfy regulatory liquidity requirements set by DNB, which is therefore restricted.

19. Due from banks

Due from banks can be broken down as follows:

In millions of euro	2009	2008
Banks – available on demand	358.7	992.0
Banks – not available on demand	196.6	372.9
Cash receivables securities	25.3	70.5
Total	**580.6**	**1,435.4**

Cash receivables securities regard broker positions at year-end due to differences between trading and settlement dates. The 2008 loans and advances to banks (EUR 55.1 million) have been reclassified from Due from banks to Loans and advances.

20. Derivative financial instruments

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

In millions of euro			2009			2008
	Contract/		**Fair value**	**Contract/**		**Fair value**
	Notional	**Assets**	**Liabilities**	**Notional**	**Assets**	**Liabilities**
Funded total return swaps	239.4	4.0	243.4	563.8	56.3	620.1
Equity swaps	18.3	2.6	20.9	8.6	8.7	0.1
Interest rate swaps	2,064.0	8.6	112.0	1,882.4	7.0	80.6
Swaptions	71.7	0.8	-	85.3	2.1	2.1
Credit default swaps	133.0	0.1	1.9	69.6	2.6	0.2
Foreign currency forwards	129.6	0.1	0.4	184.8	1.9	2.8
Other	-	1.0	0.5	-	1.9	1.3
Total		**17.2**	**379.1**		**80.5**	**707.2**

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

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

21. Financial assets held for trading

Financial assets held for trading include EUR 243.4 million (2008: EUR 620.2 million) held to back total return swaps to meet specific investment objectives of note holders bearing the investment risk arising from financial assets held for trading. The fair values of financial assets held for trading can be broken down as follows:

In millions of euro			**2009**			**2008**
	Listed	**Unlisted**	**Total**	**Listed**	**Unlisted**	**Total**
Debt securities	227.5	-	227.5	402.2	2.7	404.9
Equity securities	59.5	415.8	475.3	80.1	611.1	691.2
Total	**287.0**	**415.8**	**702.8**	**482.3**	**613.8**	**1,096.1**

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

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

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

In millions of euro			**2009**			**2008**
	Listed	**Unlisted**	**Total**	**Listed**	**Unlisted**	**Total**
Government bonds	439.5	-	439.5	129.3	-	129.3
Bank bonds	367.2	4.8	372.0	311.5	4.8	316.3
Other debt securities	131.8	-	131.8	69.0	-	69.0
Mortgage portfolio	-	663.0	663.0	-	652.2	652.2
Equity securities	0.9	-	0.9	1.2	-	1.2
Total	**939.4**	**667.8**	**1,607.2**	**511.0**	**657.0**	**1,168.0**

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

Government bonds, bank bonds and other debt securities (all with fixed rates) are managed as one portfolio. Although the interest rate risk of this portfolio is largely hedged by interest rate swaps, the Company decided not to apply hedge accounting. The mortgage portfolio (nominal value: EUR 600 million) was bought together with accompanying saving deposits and interest rate swaps. The package is part of the fair value portfolio following the fair value option, which the Company could apply as it manages the package's financial assets and liabilities as a group, while evaluating its performance on a fair value basis. From an interest rate perspective, there is no accounting mismatch. The package's total nominal value equaled the fair value on all of the above dates. Hence, there were no revaluation results. The fair value of this particular package at year-end amounts to:

In millions of euro	**2009**	**2008**
Mortgage portfolio	663.0	652.2
Less: Saving deposits	-27.0	-24.8
Less: Interest rate swaps	-47.9	-41.8
Total	**588.1**	**585.6**

The maximum credit exposure of purchased loans and mortgages amounts to EUR 667.8 million (2008: EUR 657.0 million). In the Credit risk section of Note 40, disclosure of the maximum credit exposure of all financial assets designated at fair value through profit or loss is presented. The change in fair value of the purchased loans and mortgages attributable to changes in credit risk amounts to EUR 0.0 million (2008: EUR -0.2 million).

23. Loans and advances

Loans and advances can be broken down as follows:

In millions of euro	2009	2008
Mortgages	967.9	1,011.0
Loans and advances to governments	463.2	54.5
Loans and advances to banks	66.1	55.1
Private sector – commercial loans	786.8	90.3
Private sector – overdrafts	12.7	55.5
Credits collateralized by securities	33.0	21.3
Other	1.2	0.2
Total	**2,330.9**	**1,287.9**

The Company holds collateral in relation to private sector loans, consisting of securities and properties. The 2008 figures contain a reclassification of loans and advances to banks (EUR 55.1 million) from Due from banks to Loans and advances.

24. Financial assets available-for-sale

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

In millions of euro			2009			2008
	Listed	Unlisted	Total	Listed	Unlisted	Total
Government bonds	1,625.2	-	1,625.2	1,762.1	-	1,762.1
Bank bonds	993.1	-	993.1	981.7	-	981.7
Asset-backed securities	664.4	-	664.4	633.7	-	633.7
Commercial deposits/commercial paper	-	-	-	-	36.9	36.9
Other debt securities	206.5	4.3	210.8	292.9	4.6	297.5
Equity securities	-	51.4	51.4	-	50.3	50.3
Total	**3,489.2**	**55.7**	**3,544.9**	**3,670.4**	**91.8**	**3,762.2**

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

Accrued interest income on impaired financial assets available-for-sale amounts to EUR 0.1 million at 31 December 2009 (2008: EUR 0.3 million).

25. Financial assets held-to-maturity

The Company's financial assets held-to-maturity can be broken down as follows:

In millions of euro	2009	2008
	Listed	Listed
Government bonds	359.5	463.4
Bank bonds	66.3	41.5
Total	**425.8**	**504.9**

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

26. Property and equipment

Movements in property and equipment are as follows:

In millions of euro	2009	2008
Cost	3.9	3.7
Accumulated depreciation	-3.1	-2.9
Net carrying amount at 1 January	**0.8**	**0.8**
Additions	0.3	0.3
Disposals	-0.1	-
Depreciation	-0.3	-0.3
Net carrying amount at 31 December	**0.7**	**0.8**
Cost	3.3	3.9
Accumulated depreciation	-2.6	-3.1
Net carrying amount at 31 December	**0.7**	**0.8**

27. Intangible assets

Movements in the intangible assets are as follows:

In millions of euro	2009	2008
Cost	5.2	4.9
Accumulated amortization	-4.8	-4.8
Net carrying amount at 1 January	**0.4**	**0.1**
Additions	0.5	0.5
Disposals	-	-0.1
Amortization	-0.3	-0.1
Net carrying amount at 31 December	**0.6**	**0.4**
Cost	3.7	5.2
Accumulated amortization	-3.1	-4.8
Net carrying amount at 31 December	**0.6**	**0.4**

28. Deferred tax assets and liabilities

Movements in the deferred tax assets are as follows:

In millions of euro	2009	2008
At 1 January	**-**	**-**
Release from current income tax	1.5	-
At 31 December	**1.5**	**-**

In 2009, a deferred tax asset has been recognized related to the difference between fiscal and commercial treatment of the loan loss provision. No deferred tax asset is recognized for Banque Robeco’s taxable losses amounting to EUR 1.6 million (2008: EUR 0.9 million). Movements in the deferred tax liabilities are as follows:

In millions of euro	2009	2008
At 1 January	**-**	**8.3**
Change in previous years	-	-0.8
Income statement charge due to changed fiscal accounting principle	-	0.9
Release to current income tax	-	-8.4
At 31 December	**-**	**-**

Following a covenant with the Dutch tax authorities, tax returns will to a large extent be drawn up in compliance with IFRS. Therefore, no deferred tax liabilities are recognized in 2009 and 2008.

29. Other assets

Other assets can be broken down as follows:

In millions of euro	**2009**	**2008**
Interest receivable and accrued income	115.9	114.1
Capitalized structuring fee	16.8	20.4
Cash transfers	42.2	0.8
Other	22.0	23.2
Total	**196.9**	**158.5**

30. Due to banks

Due to banks can be broken down as follows:

In millions of euro	**2009**	**2008**
Call money and balances available on demand	1,017.9	666.5
Liability securities transactions	43.8	17.7
Total	**1,061.7**	**684.2**

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

31. Financial liabilities held for trading

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

32. Due to customers

Due to customers can be broken down as follows:

In millions of euro	**2009**	**2008**
Savings available on demand	6,519.6	4,501.7
Savings not available on demand	648.6	3,055.4
Current accounts and settlement accounts	10.7	10.5
Other	1.2	0.2
Total	**7,180.1**	**7,567.8**

The saving deposits available on demand refer to the saving accounts of private and business customers. Time deposits are fixed-term saving accounts and deposits from customers and funds managed by the Company.

33. Issued securities

Issued securities can be broken down as follows:

In millions of euro	**2009**	**2008**
Issued securities designated at fair value through profit or loss	358.7	165.1
Issued securities at amortized cost	2.2	2.3
Total	**360.9**	**167.4**

At 31 December 2009, the nominal amount equals EUR 386.8 million (2008: EUR 216.9 million). Robeco Direct issued principal protected (nominal value: EUR 207.8 million; fair value: EUR 204.8 million) and non-principal protected (nominal value: EUR 179.0 million; fair value: EUR 156.1 million) structured notes. All notes are linked

to Robeco's private equity, commodity trading advisor and fixed-income capabilities. The Company did not observe any credit events during 2009 and 2008 that affected the fair value of the issued securities.

34. Other liabilities

Other liabilities can be broken down as follows:

In millions of euro	2009	2008
Accrued interest payable	159.7	197.2
Creditors	24.0	18.3
Accruals	7.5	7.9
Total	**191.2**	**223.4**

35. Provisions

Movements in the provisions are as follows:

In millions of euro	Legal, tax and social security provisions	
	2009	2008
At 1 January	**0.3**	**0.4**
Disposals	-	-0.1
At 31 December	**0.3**	**0.3**

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

36. Subordinated loans

Two loans totaling EUR 37.7 million (2008: EUR 37.7 million) have been granted by Rabobank Nederland at a variable interest rate (EURIBOR + 40 basis points) to Robeco Direct N.V. The loans are subordinated to all other present and future liabilities of Robeco Direct N.V. The term is indefinite and subject to a five-year notice period. The loans were granted as a result of solvency rules set by the Dutch central bank and can only be repaid when the Dutch central bank removes the subordination in writing.

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

In millions of euro	Nominal value	Average interest rate	
		2009	2008
Rabobank Nederland	26.3	2.01%	5.02%
Rabobank Nederland	11.4	2.08%	5.08%

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

The authorized share capital amounts to EUR 1.0 million (2008: EUR 1.0 million), consisting of 200,000 shares with a nominal value of EUR 5 each, of which EUR 340,340 is paid in full. The Shareholder is entitled to receive dividends when declared and to vote on a one vote per share basis at Robeco Direct N.V.'s Shareholder's Meetings.

In 2009 and 2008, the Shareholder provided Robeco Direct N.V. with an additional EUR 50 million share premium to assure that, despite the adverse results in those years, the solvency ratio would not decrease.

38. Non-controlling interests

This relates to interests in the equity of VCM Emerging Managers Fund (1%), Robeco Multi Alternatives (34%), Robeco 130/30 Emerging Markets Equities (30%), Robeco 130/30 European Equities (36%) and Robeco European Dividend Extension (12%).

In 2008, non-controlling interest regarded interests in the equity of Robeco Structured Finance Fund Listed Private Equity (15%), VCM Emerging Managers Fund (1%), Robeco Multi Alternatives (41%), Robeco 130/30 Emerging Markets Equities (15%), Hermes Investment Fund (41%), Robeco Infrastructure Equities (20%), SAM Sustainable Long Short Global Fund (17%), Robeco All Weather Global (17%) and Rabobank Opbouwhypotheek & ToekomstRekening (1%).

Movements in non-controlling interests are as follows:

In millions of euro	2009	2008
At 1 January	**20.9**	**2.1**
Net result for the financial year	2.3	-3.4
Change in assets and liabilities third parties	-6.6	22.2
At 31 December	**16.6**	**20.9**

39. Contingent liabilities

Rental commitments
The Company has rental commitments totaling EUR 4.0 million (2008: EUR 4.8 million) with regard to buildings. These rental agreements have remaining terms of 3 to 6 years.

Capital commitments
The Company has a commitment to repurchase specific bonds when requested by bondholders. It can unwind these securities with nominal amount of EUR 605.1 million (2008: EUR 830.0 million) without a loss. At 31 December 2009, the Company has EUR 563.0 million in irrevocable credit facilities related to mortgages, credits and guarantees (2008: EUR 525.6 million). These are secured by customers' assets. The Company has capital commitments of EUR 95.2 million regarding co-investments in private equity funds (2008: EUR 99.5 million).

Pledged assets
Assets pledged by the Company at 31 December 2009 regard financial assets available-for-sale and held-to-maturity with carrying amounts of EUR 269.8 million (2008: EUR 296.0 million) and EUR 148.6 million and notional amounts of EUR 255.5 million (2008: EUR 290.0 million) and EUR 145.0 million, respectively. The assets pledged by the Company are strictly for the purpose of providing collateral to counterparties for funds entrusted by them to the Company and any interest due over these entrusted funds. The pledged assets can neither be sold nor repledged by the counterparties, unless a default event should occur.

40. Financial risk management objectives and policies

Introduction
The Company applies various indicators for the assessment of financial performance. The use of these indicators is part of the strategic capital allocation process and enables the Company 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. Economic capital is determined by the Company's available capital, its risk appetite and the portfolio of activities.

In determining economic capital, the Company distinguishes financial risk types (credit risk, market risk and interest rate risk) and non-financial risk types (operational risk and business risk). It is recognized that both operational and business risk are not of easy steerage in the short run. The risk appetite for the financial risk types is therefore the result of the available capital and the required capital for the non-financial risk types.

The Company does however allocate capital to the financial risk types, notably market risk and credit risk, since banking activities form an integral part of the Company's activities. The capital allocation is influenced by the requirements for seed capital and co-investments, secondary market support and (dynamic) hedging of structured products issued by Robeco. The provision of seed capital and co-investments serves to build a track record for a fund or trading strategy and/or to achieve alignment of interest between investment manager and investor. Limits for these activities, both in terms of notional amounts and of risk and risk capital, are reviewed on an annual basis.

The objective of the Company's Asset and Liability Management activity 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 risk and interest rate risk depend on availability of risk capital and on the opportunities in the markets.

The financial crisis broken out in 2008 produced a second wave at the beginning of 2009. Close monitoring of the risks continued to be required in times where the robustness of financial institutions, the financial system as a whole, and even sovereigns were put under great stress. The Crisis Consultation Committee, consisting of members of the board of Robeco Group's different companies, supported by representatives of several departments, such as Corporate Compliance and Risk Management, continued to show its value.

Credit risk

Credit risk is governed by the credit risk policies approved by Asset and Liability Committee and the Management Board. It relates mainly to the Asset and Liability Management activity in which entrusted funds are invested in predominantly investment-grade bonds. Additional sources of credit risk are domestic residential mortgages, private loans collateralized by securities, counterparty credit risk in the bank's trading and investment books and co-investment positions. The Company significantly revised its credit risk monitoring process over the last years. It received an approval for the use of the Advanced Internal Rating Based approach to calculate regulatory capital requirements for credit risk as from 1 January 2009.

An overall limit in terms of economic capital applies. For most of the credit exposures, capital requirement calculations are based on internal models for Probability of Default, Loss Given Default, Exposure at Default and Maturity. For securitizations, the Company uses the Rating Based approach of the Basel II Securitization Framework. For equity exposures, the Simple Risk Weight approach is applied. For small portfolios (loans collateralized by securities, non-retail mortgages, and corporate bonds), the Standardized Approach is used.

The overall economic capital limit is complemented by a set of controls aimed at preventing concentration risk in the portfolio. Controls relate to the exposure by issuer, issue and by sector. Additionally, the size of portfolios of corporate exposures, mortgages and asset-backed securities is contained by a strict limit and control structure. Dealings may only be undertaken in authorized products to secure correct processing in front, mid and back office systems.

Credit risk reports are sent on a weekly basis to the Company's management and on a monthly basis to the Asset and Liability Committee. Besides detailed overviews on the different types of exposure and corresponding capital requirements and an analysis of changes in credit risk exposure, the reports contain market developments.

In millions of euro	**Notes**	**2009**	**2008**
Cash and balances with central banks	18	163.8	154.4
Due from banks	19	580.6	1,435.4
Derivative financial instruments	20	17.2	80.5
Financial assets designated at fair value through profit or loss	22	1,607.2	1,168.0
Loans and advances	23	2,330.9	1,287.9
Financial assets available-for-sale	24	3,544.9	3,762.2
Financial assets held-to-maturity	25	425.8	504.9
		8,670.4	**8,393.3**
Contingent liabilities – credit-related obligations	39	658.2	625.1
Total		**9,328.6**	**9,018.4**

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

The credit-related obligations comprise at 31 December 2009 EUR 563.0 million in irrevocable credit facilities related to mortgages, credits and guarantees (2008: EUR 525.6 million). These are secured by customers' assets. The Company has capital commitments of EUR 95.2 million regarding co-investments in private equity funds (2008: EUR 99.5 million).

Risk concentrations of the maximum exposure to credit risk

Concentration of risk is managed by counterparty. The maximum credit exposure to one client or counterparty as of 31 December 2009 is EUR 703 million (2008: EUR 1,492 million) in the category Institutional investors.

In millions of euro		2009		2008
Central governments and central banks	4,001.2	42.9%	2,662.8	29.5%
Institutional investors	1,936.4	20.7%	2,931.6	32.6%
Corporates	185.0	2.0%	363.0	4.0%
Retail	2,209.8	23.7%	2,186.3	24.2%
Equity	175.9	1.9%	159.7	1.8%
Securitizations	820.3	8.8%	715.0	7.9%
Total	**9,328.6**	**100.0%**	**9,018.4**	**100.0%**

Collateral and other credit enhancements
The amount and type of collateral required depends on the assessment of the credit risk of the counterparty. Procedures are in place regarding the acceptability of types of collateral and valuation parameters. The main types of collateral obtained are cash and securities for securities lending, mortgages on residential properties for retail lending and securities for credits. Management monitors the market value of collateral and requests additional collateral in accordance with the underlying agreement, if necessary.

Credit quality per class of financial assets
The credit quality of financial assets is managed by using mostly internal and in certain cases external credit ratings. The table below shows the credit quality by class of asset, based on the rating methodology applied:

Credit quality	**Neither past due nor impaired**			**Past due but not impaired**	**Individually impaired**	**Total**
In millions of euro	**High grade**	**Standard grade**	**Sub-standard grade**			
Financial assets:						
- available-for-sale	3,195.6	232.7	49.8	-	15.4	3,493.5
- government bonds	*1,557.8*	*21.8*	*45.6*	-	-	*1,625.2*
- bank bonds	*870.5*	*122.6*	-	-	-	*993.1*
- asset-backed securities	*590.1*	*58.9*	*2.6*	-	*12.8*	*664.4*
- other securities	*177.2*	*29.4*	*1.6*	-	*2.6*	*210.8*
- held-to-maturity	385.9	15.0	24.9	-	-	425.8
- at FV through profit or loss	951.9	632.2	0.3	22.5	-	1,606.9
- loans and advances	1,412.2	879.7	26.9	18.2	-	2,337.0
Due from banks	580.3	0.3	-	-	-	580.6
Cash and cash equivalents	163.8	-	-	-	-	163.8
At 31 December 2009	**6,689.7**	**1,759.9**	**101.9**	**40.7**	**15.4**	**8,607.6**
Financial assets:						
- available-for-sale	3,462.9	193.7	38.1	-	17.3	3,712.0
- government bonds	*1,702.9*	*25.0*	*34.2*	-	-	*1,762.1*
- bank bonds	*905.9*	*75.8*	-	-	-	*981.7*
- asset-backed securities	*561.2*	*55.8*	-	-	*16.7*	*633.7*
- other securities	*292.9*	*37.1*	*3.9*	-	*0.6*	*334.5*
- held-to-maturity	479.9	-	25.0	-	-	504.9
- at FV through profit or loss	601.8	548.1	0.2	17.3	-	1,167.4
- loans and advances	540.9	715.7	6.0	26.8	-	1,287.4
Due from banks	1,429.3	6.1	-	-	-	1,435.4
Cash and cash equivalents	154.4	-	-	-	-	154.4
At 31 December 2008	**6,669.2**	**1,463.6**	**69.3**	**44.1**	**17.3**	**8,263.5**

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

Loan loss allowance In millions of euro	**Loans and advances**	**At FV through profit or loss**	**2009**	**Loans and advances**	**At FV through profit or loss**	**2008**
At 1 January	**1.6**	**0.5**	**2.1**	**-**	**0.4**	**0.4**
Additions	5.1	0.3	5.4	1.6	0.1	1.7
Write-offs and other charges	-0.6	-0.1	-0.7	-	-	-
At 31 December	**6.1**	**0.7**	**6.8**	**1.6**	**0.5**	**2.1**

Aging analysis of past due but not impaired loans per class of financial assets
Of the total amount of gross loans to customers past due but not impaired, the fair value of collateral held by the Company was EUR 45.2 million on 31 December 2009 (2008: EUR 51.7 million). See 'Collateral and other credit enhancements' for details on the types of collateral held.

Aging analysis			**Days past due**		**Total**
In millions of euro	**<30**	**31-60**	**61-90**	**>90**	
Financial assets designated at fair value through profit or loss	4.4	11.7	3.1	3.3	22.5
Loans and advances	2.1	1.6	0.3	14.2	18.2
At 31 December 2009	**6.5**	**13.3**	**3.4**	**17.5**	**40.7**
Financial assets designated at fair value through profit or loss	12.4	1.8	1.5	1.6	17.3
Loans and advances	7.2	3.7	1.3	14.6	26.8
At 31 December 2008	**19.6**	**5.5**	**2.8**	**16.2**	**44.1**

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

Interest rate risk is measured through the Value at Risk of equity on a mark-to-market (fair value) basis. Value at Risk is calculated using historical simulation: 7 years of pricing history, a 99% one-tailed confidence level and a 1 month holding period. The Value at Risk at year end (at a 99% confidence level and 1 month holding period) is EUR 5.6 million (2008: EUR 6.4 million) versus a EUR 15 million limit, excluding trading positions in the market risk Value at Risk.

Given the positions in the investment books, the Value-at-Risk calculations provide senior management insight in a potential loss threshold (EUR 5.6 million at year end) and the (inverse) probability (1%) that this threshold is exceeded due to extreme interest rate movements in the holding period. The main benefit of the historical simulation approach is that it does not rely on statistical assumptions regarding price/interest rate changes. The main disadvantage is the relative importance of the defined sample period and the implicit assumption that 7 years of history are representative for the next holding period. Therefore, from a risk management perspective, Value-at-Risk calculations are complemented by several trading controls. Delta vectors are calculated, representing the absolute change in the market value of equity upon a 1 basis point shock in a single maturity (time bucket) of the yield curve. Level control controls the overall level of deltas. Curvature control is in place to detect positions that have an extreme barbell character; barbell positions tend to be duration-neutral. Finally, steepness control restricts the unequal distribution of positive and negative deltas over time buckets.

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

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

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

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

At 31 December 2008 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	154.4	-	-	-	-	-	154.4
Due from banks	1,149.1	115.4	50.0	50.4	-	70.5	1,435.4
Financial assets:							
- derivative financial instruments	0.3	2.3	24.2	-	36.0	17.7	80.5
- held for trading	-	19.2	11.8	207.8	166.0	691.3	1,096,1
- at fair value through profit or loss	70.7	10.3	63.4	373.7	649.5	0.4	1,168.0
- loans and advances	618.4	15.0	-	305.8	330.8	17.9	1,287.9
- available-for-sale	638.2	759.4	431.6	1,796.6	86.1	50.3	3,762.2
- held-to-maturity	-	-	185.0	319.9	-	-	504.9
Other assets	16.3	-	-	-	-	142.2	158.5
Total assets	**2,647.4**	**921.6**	**766.0**	**3,054.2**	**1,268.4**	**990.3**	**9,647.9**
Due to banks	681.5	-	-	-	-	2.7	684.2
Derivative financial instruments	20.1	52.8	6.2	-	-	628.1	707.2
Financial liabilities held for trading	-	-	-	-	-	0.7	0.7
Due to customers	5,098.4	922.7	1,483.0	1.1	23.6	39.0	7,567.8
Issued securities	-	-	-	-	-	167.4	167.4
Other liabilities	6.9	-	-	-	-	216.4	223.3
Subordinated loans	-	37.7	-	-	-	-	37.7
Total liabilities	**5,806.9**	**1,013.2**	**1,489.2**	**1.1**	**23.6**	**1,054.3**	**9,388.3**
- on-balance sheet	-3,159.5	-91.6	-723.2	3,053.1	1,244.8	-64.0	259.6
- off-balance sheet	-51.7	-	-137.9	-820.3	-858.7	-	-1,868.6
Interest sensitivity gap	**-3,211.2**	**-91.6**	**-861.1**	**2,232.8**	**386.1**	**-64.0**	**-1,609.0**

Expected repricing and maturity dates do not differ significantly from the contractual dates except for the maturity of EUR 503.4 million (2008: EUR 476.8 million) in 'Loans and advances' and EUR 7,561 million (2008: EUR 5,126 million) in 'Due to customers and banks' up to 1 month, of which 73.6% (2008: 86.1%) represent balances on current accounts considered by the Company as a relatively stable core source of funding of its operations.

The change in the interest sensitivity gap (up to 1 month) mirrors the changed retail client behavior. Clients abruptly converted their savings into time deposits at the end of 2008. During 2009, this trend reversed.

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

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

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

In the tables below, equity securities are classified as no maturity, unless they regard participations in special purpose companies established for the issuance of bonds. In those cases, the maturity of the equity securities equals that of the issued bonds. Financial instruments held for trading (other than equities) are classified based on the maturity dates of these instruments.

At 31 December 2009 In millions of euro	**On demand**	**Up to 1 month**	**1-3 months**	**3-12 months**	**1-5 years**	**Over 5 years**	**No maturity**	**Total**
Cash and balances central banks	163.8	-	-	-	-	-	-	163.8
Due from banks	358.7	162.7	25.5	33.7	-	-	-	580.6
Financial assets:								
- held for trading	-	-	-	0.4	150.5	71.2	475.3	697.4
- at FV through profit or loss	-	-	10.0	106.4	518.5	889.0	1.0	1,524.9
- loans and advances	1.1	130.3	39.3	172.7	804.2	1,229.5	4.9	2,382.0
- available-for-sale	-	136.6	257.2	696.9	2,437.6	157.7	31.7	3,717.7
- held-to-maturity	-	53.5	-	122.8	244.5	-	-	420.8
Other assets	6.0	94.0	43.7	178.1	536.6	200.6	-	1,059.0
Total financial assets	**529.6**	**577.1**	**375.7**	**1.311.0**	**4,691.9**	**2,548.0**	**512.9**	**10,546.2**
Due to banks	490.0	571.7	-	-	-	-	-	1,061.7
Fin. liabilities held for trading	-	-	-	-	-	-	6.2	6.2
Due to customers	4,316.0	2,476.1	350.5	10.6	1.0	25.9	-	7,180.1
Issued securities	-	-	-	67.3	153.6	165.9	-	386.8
Other liabilities	-	179.5	13.6	1.8	-	-	-	194.9
Subordinated loans	-	-	-	-	-	37.7	-	37.7
Total financial liabilities	**4,806.0**	**3,227.3**	**364.1**	**79.7**	**154.6**	**229.5**	**6.2**	**8,867.4**
Financial assets	0.4	0.9	-	9.6	15.8	9.8	-	36.5
Financial liabilities	0.1	2.0	2.5	33.9	219.6	204.0	-	462.1
Gross-settled derivatives not held for trading	**0.3**	**-1.1**	**-2.5**	**-24.3**	**-203.8**	**-194.2**	**-**	**-425.6**
Commitments & guarantees	**658.2**	**-**	**-**	**-**	**-**	**-**	**-**	**658.2**
Net financial assets/liabilities	**-4,934.3**	**-2,651.3**	**9.1**	**1,207.0**	**4,333.5**	**2,124.3**	**506.7**	**595.0**

At 31 December 2008 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
Due to banks	666.5	17.7	-	-	-	-	-	684.2
Fin. liabilities held for trading	-	-	0.7	-	-	-	-	0.7
Due to customers	4,480.2	505.6	1,055.2	1,502.0	-	24.8	-	7,567.8
Issued securities	-	-	-	-	-	-	167.4	167.4
Other liabilities	10.7	171.3	26.5	14.8	-	-	-	223.3
Subordinated loans	-	-	-	-	-	37.7	-	37.7
Total financial liabilities	**5,157.4**	**694.6**	**1,082.4**	**1,516.8**	**-**	**62.5**	**167.4**	**8,681.1**
Financial liabilities	-	4.0	3.9	24.0	12.3	288.3	374.7	707.2
Gross-settled derivatives not held for trading	**-**	**4.0**	**3.9**	**24.0**	**12.3**	**288.3**	**374.7**	**707.2**
Commitments & guarantees	**625.1**	**-**	**-**	**-**	**-**	**-**	**-**	**625.1**
Total financial liabilities	**5,782.5**	**698.6**	**1,086.3**	**1,540.8**	**12.3**	**350.8**	**542.1**	**10,013.4**

The tables above reflect the maturity profile of the Company's net financial assets and liabilities at 31 December 2009 (2008: only financial liabilities). The repayments subject to notice are treated as if notice were to be given immediately. However, the Company expects that many customers will not request a repayment on the earliest date it could be required to pay. The tables do not include expected cash flows indicated by the Company's deposit retention history. Contrary to 2008, the 2009 totals presented before do not reconcile to the consolidated statement of financial position due to recognition of undiscounted cash flows. The 2008 totals are based on discounted cash flows. Future interest receivables have been included in the line item Other assets and future interest payables in the line item Other liabilities.

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

Currency risk

The Company is exposed to the impact of movements in prevailing foreign currency rates on its financial position and cash flows. The Management Board sets limits on the exposure level by currency and in total, which limits are monitored daily for trading financial instruments or monthly for non-trading currency exposures as part of managing translation risks. The currency risk as of 31 December 2009 is EUR 3.2 million (2008: EUR 2.0 million).

Market risk

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

The Value at Risk of a portfolio is the maximum loss in that portfolio over 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 it. To attain this objective, the Value at Risk methodology is able to represent risk in equivalent units across products traded, permitting consolidation, and effective comparison of risk factors across the various trading activities.

Market risk is calculated using the Value-at-Risk engines in Rabobank International's Global Market Risk infrastructure. In line with Rabobank's methodology for trading portfolios, the Company's Value at Risk figure is computed using historical simulation with a sample period of 12 months of non-weighted daily data (approximately 260 daily scenarios for the risk factors). For each instrument, the individual risk factors are defined and taken into account. Historical scenarios with market risk factors are obtained from several suppliers and stored in a historical market database. Data are evaluated and diagnosed for data outliers on a daily basis.

Several Value-at-Risk figures are calculated: a Value at Risk at a 97.5% confidence interval and a 1-day close-out period for limit setting and daily monitoring purposes. To demonstrate model integrity, a 1-day 99% Value at Risk is back-tested against hypothetical and actual results on a daily basis. The Value at Risk at 31 December 2009 (with a 97.5% confidence level and a 1-day holding period) amounts to EUR -0.7 million (2008: EUR -0.7 million) versus a limit of EUR -1.2 million.

The main benefit of the historical simulation approach is that it does not rely on statistical assumptions (known as a normal distribution for daily returns of the trading portfolio assets). The main disadvantages are the relative importance of the defined sample period and the implicit assumption that 260 historical scenarios are representative for the next holding period. Therefore, Value at Risk calculations are complemented by trading controls and operational restrictions, designed to directly control behavior in trading areas and risk factors. Trading controls aim to prevent concentrations of exposure in risk factors and serve to influence the portfolio structure. Dealings may only be undertaken in authorized products to secure correct processing through front, mid and back office systems.

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

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 at arm's length transaction.

In millions of euro	31 December 2009		31 December 2008	
	Carrying amount	**Fair value**	**Carrying amount**	**Fair value**
Cash and balances with central banks	163.8	163.8	154.4	154.4
Due from banks	580.6	580.6	1,435.4	1,435.4
Derivative financial instruments	17.2	17.2	80.5	80.5
Financial assets held for trading	702.8	702.8	1,096.1	1,096.1
Financial assets at fair value through profit or loss	1,607.2	1,607.2	1,168.0	1,168.0
Loans and advances	2,330.9	2,343.9	1,287.9	1,326.6
Financial assets available-for-sale	3,544.9	3,544.9	3,762.2	3,762.2
Financial assets held-to-maturity	425.8	431.4	504.8	508.9
Financial assets	**9,373.2**	**9,391.8**	**9,489.3**	**9,532.1**
Due to banks	1,061.7	1,061.7	684.2	684.2
Derivative financial instruments	379.1	379.1	707.2	707.2
Financial liabilities held for trading	6.2	6.2	0.7	0.7
Due to customers	7,180.1	7,181.4	7,567.8	7,582.6
Issued securities	360.9	360.9	167.4	167.4
Other liabilities	191.2	191.2	223.3	223.3
Subordinated loans	37.7	37.7	37.7	37.7
Financial liabilities	**9,216.9**	**9,218.2**	**9,388.3**	**9,403.1**

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

For the valuation of Transtrend options in Structured Products, a (standard) option valuation model is used in combination with a volatility-observing rule. The initial Volatility Rule methodology was set by the Valuation Committee in 2008. The initial method did however not distinguish between different option maturities. With a growing number of option positions with different maturities, the Valuation Committee decided to refine the Volatility Rule methodology in 2009 by introducing a term structure of volatilities. The new method differentiates between volatilities for different option maturities.

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

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

The tables below show the valuation methods applied to determine the fair value of financial instruments carried at fair value:

At 31 December 2009 In millions of euro	**Quoted market prices in active markets (Level 1)**	**Valuation techniques** **market observable inputs (Level 2)**	**non-market observable inputs (Level 3)**	**Total**
Financial assets				
- available-for-sale	3,023.2	429.4	92.3	3,544.9
- government bonds	*1,625.2*	-	-	*1,625.2*
- bank bonds	*993.1*	-	-	*993.1*
- asset-backed securities	*201.2*	*426.6*	*36.6*	*664.4*
- other debt securities	*203.7*	*2.8*	*4.3*	*210.8*
- equity securities	-	-	*51.4*	*51.4*
- at fair value through profit or loss	939.4	667.8	-	1,607.2
- government bonds	*439.5*	-	-	*439.5*
- bank bonds	*367.2*	*4.8*	-	*372.0*
- mortgages	-	*663.0*	-	*663.0*
- other debt securities	*131.8*	-	-	*131.8*
- equity securities	*0.9*	-	-	*0.9*
- held for trading	75.9	501.4	125.5	702.8
- debt securities	*24.7*	*202.8*	-	*227.5*
- equity securities	*51.2*	*298.6*	*125.5*	*475.3*
- derivative financial instruments	-	17.2	-	17.2
- funded total return swaps	-	*4.0*	-	*4.0*
- equity swaps	-	*2.6*	-	*2.6*
- interest rate swaps	-	*8.6*	-	*8.6*
- swaptions	-	*0.8*	-	*0.8*
- credit default swaps	-	*0.1*	-	*0.1*
- forward currency contracts	-	*0.1*	-	*0.1*
- other	-	*1.0*	-	*1.0*
Financial liabilities				
- held for trading	6.2	-	-	6.2
- derivative financial instruments	-	379.1	-	379.1
- funded total return swaps	-	*243.4*	-	*243.4*
- equity swaps	-	*20.9*	-	*20.9*
- interest rate swaps	-	*112.0*	-	*112.0*
- credit default swaps	-	*1.9*	-	*1.9*
- forward currency contracts	-	*0.4*	-	*0.4*
- other	-	*0.5*	-	*0.5*

At 31 December 2008 In millions of euro	Quoted market prices in active markets (Level 1)	Valuation techniques market observable inputs (Level 2)	 non-market observable inputs (Level 3)	Total
Financial assets				
- available-for-sale	3,707.3	50.3	4.6	3,762.2
- government bonds	*1,762.1*	-	-	*1,762.1*
- bank bonds	*981.7*	-	-	*981.7*
- asset-backed securities	*633.7*	-	-	*633.7*
- other debt securities	*329.8*	-	*4.6*	*334.4*
- equity securities	-	*50.3*	-	*50.3*
- at fair value through profit or loss	455.8	712.2	-	1,168.0
- government bonds	*129.3*	-	-	*129.3*
- bank bonds	*311.5*	*4.8*	-	*316.3*
- mortgages	-	*652.2*	-	*652.2*
- other debt securities	*13.8*	*55.2*	-	*69.0*
- equity securities	*1.2*	-	-	*1.2*
- held for trading	38.7	970.9	86.5	1,096.1
- debt securities	-	*404.8*	-	*404.8*
- equity securities	*38.7*	*566.1*	*86.5*	*691.3*
- derivative financial instruments	-	80.5	-	80.5
- funded total return swaps	-	*56.3*	-	*56.3*
- equity swaps	-	*8.7*	-	*8.7*
- interest rate swaps	-	*7.0*	-	*7.0*
- swaptions	-	*2.1*	-	*2.1*
- credit default swaps	-	*2.6*	-	*2.6*
- forward currency contracts	-	*1.9*	-	*1.9*
- other	-	*1.9*	-	*1.9*
Financial liabilities				
- held for trading	-	0.7	-	0.7
- derivative financial instruments	-	707.2	-	707.2
- funded total return swaps	-	*620.1*	-	*620.1*
- equity swaps	-	*0.1*	-	*0.1*
- interest rate swaps	-	*80.6*	-	*80.6*
- swaptions	-	*2.1*	-	*2.1*
- credit default swaps	-	*0.2*	-	*0.2*
- forward currency contracts	-	*2.8*	-	*2.8*
- other	-	*1.3*	-	*1.3*

The following transfers between Level 1 and Level 2 of the fair value hierarchy for financial assets and liabilities recorded at fair value were made:

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

The above financial assets are transferred from Level 1 to Level 2 due to their values being obtained applying valuation techniques with market-observable inputs as the majority of asset-backed securities were not actively traded during the year. The financial liabilities are transferred from Level 2 to Level 1, as the short position in equity securities were valued applying listed market prices during the year.

During 2009, certain asset-backed securities are transferred from Level 1 to Level 3. The reason is that these securities (carrying amount: EUR 53.7 million) ceased to be actively traded and that their valuation incorporated non market-observable inputs. Moreover, certain equity securities are transferred from Level 2 to Level 3. The reason for transferring these equity securities (carrying amount: EUR 62.2 million) to Level 3 is that the effect of non-market observable inputs on prices calculated by the applied valuation models is deemed to have increased from minor to significant.

For Level-3 financial instruments held for trading, the Company adjusted the latest valuations to reduce the time lag between the moment of valuation and the availability of information at the reporting date by assessing additional required information from underlying independent fund managers. The fair value sensitivity of Level-3 financial instruments mainly consists of held-for-trading securities. After the reporting date, the sensitivity analysis results in a fair value variance of about 6% representing EUR 4.9 million for these titles.

The following table shows the movements of Level-3 financial instruments recorded at fair value:

In millions of euro	At 1 January 2009	Fair value results: income statement	Fair value results: other comprehensive income	Purchases	Sales	Redemptions	Transfers from Level 1 and 2	At 31 December 2009
Financial assets:								
- available-for-sale								
- equity securities	*-*	*-1.6*	*1.0*	*3.0*	*-1.3*	*-*	*50.3*	*51.4*
- asset-backed securities	*-*	*-4.5*	*-11.9*	*-*	*-*	*-0.7*	*53.7*	*36.6*
- other debt securities	*4.6*	*-1.8*	*-0.2*	*1.7*	*-*	*-*	*-*	*4.3*
- held for trading								
- equity securities	*86.5*	*-1.4*	*-*	*36.4*	*-8.3*	*-*	*12.3*	*125.5*
Total	**91.1**	**-9.3**	**-11.1**	**41.1**	**-9.6**	**-0.7**	**116.3**	**217.8**

Results on Level-3 financial instruments in the income statement for the year 2009 comprise:

In millions of euro	Realized results	Unrealized results	Total
Results on financial assets held for trading	-	-1.4	-1.4
Impairment losses	-7.9	-	-7.9
Fair value results in the income statement	**-7.9**	**-1.4**	**-9.3**

Capital
At 31 December 2009, the total equity amounts to EUR 355.7 million (2008: 260.4 million), while the BIS II ratio is 16.2% (2008: 14.1%). The minimum required statutory ratio set by the Dutch central bank is to 8% as. Certain adjustments are made to the IFRS-based results and reserves as prescribed by the Dutch central bank.

In millions of euro	2009	2008
Issued share capital	0.3	0.3
Share premium	245.4	195.4
Available-for-sale reserve (equity securities with negative fair value changes)	-	-0.4
Retained earnings	170.3	204.4
Non-controlling interests	16.6	20.9
Tier 1 capital *	**432.6**	**420.6**
Available-for-sale reserve (equity securities with positive fair value changes)	6.6	6.3
Subordinated loans	37.7	37.7
Deduction securitizations	-13.4	-
Other adjustments	-0.2	-3.5
Tier 2 capital *	**30.7**	**40.5**
Total available capital	**463.3**	**461.1**
Regulatory capital	228.3	261.1
Risk-weighted assets *	2,853.9	2,902.3
Ratios:		
- Tier 1 capital ratio	15.2%	12.9%
- Total capital ratio	16.2%	14.1%

* Figures as of 31 December 2009 and 2008 as reported to the Dutch central bank.

41. Related parties

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

Subsidiaries	Country of incorporation	Equity interest 2009	Equity interest 2008
Banque Robeco S.A.	France	100%	100%
AIM Hermes Investment Fund *	Luxemburg	-	59%
Rabobank Opbouwhypotheek & ToekomstRekening *	Netherlands	100%	99%
Robeco Structured Finance Fund Listed Private Equity L.P. *	Luxemburg	-	85%
Robeco Multi Alternatives *	France	66%	59%
Robeco 130/30 Emerging Markets Equities *	Luxemburg	70%	85%
Robeco 130/30 European Equities *	Luxemburg	64%	-
Robeco European Dividend Extension *	Luxemburg	88%	100%
Robeco Life Cycle Funds *	Netherlands	-	100%
Robeco Infrastructure Equities *	Luxemburg	-	80%
Robeco All Weather Equities *	Luxemburg	-	83%
SAM Sustainable Long Short Global Fund *	Switzerland	-	83%
SAM Sustainable Multi-Theme *	Switzerland	100%	-
VCM Emerging Managers Fund *	Luxemburg	99%	99%

* These entities are funds temporarily controlled by the Company due to seed capital activities.

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

The table shows operating income and expenses and balance sheet positions from related party transactions:

Related party transactions In millions of euro	2009	2008
Income statement regarding related parties		
Operating income	159.7	-179.6
Operating expenses	58.7	72.4
Operating result before tax regarding related parties	**101.0**	**-252.0**
Statement of financial position regarding related parties		
Assets	742.6	1,530.6
Liabilities	1,429.7	1,355.2

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

Terms and conditions
Sales to and purchases from related parties are made at arm's length market prices. Outstanding receivables and payables at year-end are unsecured and interest free, with settlement being in cash. The Company has not created a provision for doubtful debts relating to amounts owed by related parties (2008: EUR nil), because the risks involved are not considered to be material. This assessment is made each year by examining the financial position of the related party and the market in which the party operates.

Remuneration of key management personnel
Both the Management Board and Supervisory Board are acknowledged as key management personnel having authority and responsibility for planning, directing and controlling activities of the Company. The Management Board is not entitled to salaries and benefits from the Company, 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 0.9 million (2008: EUR 1.3 million). Members of the Supervisory Board do not receive any remuneration from the Company. 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.

42. Segment information

The Company's segment reporting is determined based on operating segments. These segments are organized and managed separately to the nature of the products and services provided.

The below segmentation differs from last year's presentation in order to show the financial information in line with the way the Robeco Direct Management Board assesses the performance of the operating segments and reviews their results in relation to making decisions about the allocation of resources to those segments. The Management Board decided to simplify the business structure from 3 operating segments (Distribution; Asset & Liability Management; Other) to 2. For the purpose of comparability, the 2008 figures have been restated.

The Company's current operating segments are:
- Retail Banking: Banking activities (mainly individual client deposits and loans) and distribution services;
- Structured Finance: Structuring, co-investment and seeding activities.

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

Segmentation 2008 In millions of euro	Retail Banking	Structured Finance	Total
Income statement			
Interest income	389.3	4.2	393.5
Interest expense	-313.8	-2.0	-315.8
Fee and commission income	73.5	-15.4	58.1
Fee and commission expense	-27.7	18.3	-9.4
Results on financial assets designated at FVPL	11.5	-	11.5
Results on financial assets available-for-sale	-2.0	1.2	-0.8
Results on financial assets held for trading	-11.8	-28.9	-40.7
Other income	8.7	0.5	9.2
Net operating income	**127.7**	**-22.1**	**105.6**
Operating expenses			-167.1
Operating result before tax			**-61.5**
Income tax			16.7
Result for the year			**-44.8**
Statement of financial position			
Segment assets	8,868.1	781.0	9,649.1
Total assets	**8,868.1**	**781.0**	**9,649.1**
Segment liabilities	8,585.6	803.1	9,388.7
Total equity			260.4
Total equity and liabilities	**8,585.6**	**803.1**	**9,649.1**
Other segmental information			
Interest, fee and commission income:			
- external	462.8	-11.2	451.6
- domestic	447.6	-10.1	437.5
- foreign	15.2	-1.1	14.1
Capital expenditures:			
- Property and equipment	0.2	-	0.2
- Intangible assets	0.4	-	0.4
Depreciation and amortization expenses	0.4	-	0.4
Impairment losses	54.5	14.6	69.1

NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

43. Net cash flows from operating activities

Adjustments to the operating result are made for the depreciation of property and equipment, the 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).

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

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

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

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

46. Cash and cash equivalents

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

In millions of euro	**2009**	**2008**
Cash and balances with central banks	163.8	154.4
Due from other banks available on demand	358.7	992.0
Total	**522.5**	**1,146.4**

COMPANY FINANCIAL STATEMENTS 2009
Robeco Direct N.V.

COMPANY INCOME STATEMENT
for the year ended 31 December

In millions of euro	Notes	**2009**	**2008**
Operating income		62.2	104.8
Operating expenses		113.3	144.6
Operating result before tax		**-51.1**	**-39.8**
Income tax expense	17	11.6	16.7
Income from investments in subsidiaries and associates after tax	51	-9.7	3.1
Result for the year		**-49.2**	**-20.0**

COMPANY STATEMENT OF COMPREHENSIVE INCOME

for the year ended 31 December

In millions of euro	Notes	2009	2008
Result for the year		**-49.2**	**-20.0**
Net unrealized results on financial assets available-for-sale		80.9	-228.2
Realized gains and losses on financial assets available-for-sale reclassified to the income statement on disposal	10	2.8	0.8
Impairment of financial assets available-for-sale	16	28.6	67.4
Income tax effect	17	-28.6	39.3
Other comprehensive income		**83.7**	**-120.7**
Exchange differences on translation of foreign operations		-	3.7
Other comprehensive income for the year, net of taxes		**83.7**	**-117.0**
Total comprehensive income for the year, net of taxes		**34.5**	**-137.0**

COMPANY STATEMENT OF FINANCIAL POSITION
at 31 December

In millions of euro	Notes	2009	2008
ASSETS			
Cash and balances with central banks		163.2	153.9
Due from banks		536.3	1,425.8
Derivative financial instruments		16.2	78.6
Financial assets held for trading		651.6	1,050.3
Financial assets designated at fair value through profit or loss		1,607.2	1,168.0
Loans and advances		2,302.0	1,211.4
Financial assets available-for-sale		3,544.9	3,762.2
Financial assets held-to-maturity		425.8	504.8
Investments in subsidiaries and associates	51	84.2	109.4
Property and equipment		0.0	0.1
Intangible assets		0.0	0.0
Deferred tax assets		1.5	-
Other assets		184.1	149.4
Total assets		**9,517.0**	**9,613.9**

In millions of euro	Notes	2009	2008
EQUITY AND LIABILITIES			
Due to banks		1,073.1	697.0
Derivative financial instruments		378.6	705.9
Due to customers		7,140.7	7,536.8
Issued securities		360.9	167.4
Other liabilities		183.4	211.0
Subordinated loans		37.7	37.7
Total liabilities		**9,174.4**	**9,355.8**
Issued share capital		0.3	0.3
Share premium		245.4	195.4
Available-for-sale reserve		-76.9	-160.6
Foreign currency translation reserve		-	-
Retained earnings		173.8	223.0
Total equity	53	**342.6**	**258.1**
Total equity and liabilities		**9,517.0**	**9,613.9**

COMPANY STATEMENT OF CHANGES IN EQUITY

for the year ended 31 December 2009 and 2008

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

In millions of euro	Issued share capital	Share premium	Available-for-sale reserve	Foreign currency translation reserve	Retained earnings	Total
At 1 January 2008	**0.3**	**145.4**	**-39.9**	**-3.7**	**293.4**	**395.5**
Result for the year	-	-	-	-	-20.0	-20.0
Other comprehensive income	-	-	-120.7	3.7	-	-117.0
Total comprehensive income	**-**	**-**	**-120.7**	**3.7**	**-20.0**	**-137.0**
Capital increase	-	50.0	-	-	-	50.0
Dividend payment	-	-	-	-	-50.4	-50.4
At 31 December 2008	**0.3**	**195.4**	**-160.6**	**-**	**223.0**	**258.1**
Adjustment Income from investments in subsidiaries and associates (net of tax):						
- 2008	-	-	-	-	-21.4	-21.4
- previous years	-	-	-	-	2.8	2.8
At 31 December 2008 (in consolidated statements)	**0.3**	**195.4**	**-160.6**	**-**	**204.4**	**239.5**

NOTES TO THE COMPANY FINANCIAL STATEMENTS

47. General accounting policies

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

As Robeco Direct N.V.'s income statement for 2009 is included in the consolidated financial statements, a summary income statement is sufficient to comply with the provisions of Article 402, Book 2 of the Netherlands Civil Code. For more detailed information, please refer to the section Basis of consolidation drawn up for the consolidated statement of financial position and income statement.

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

48. Investments in subsidiaries and associates

Subsidiaries are entities under control from Robeco Direct N.V. Control exists when Robeco Direct has the power, directly or indirectly, to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, potential voting rights that are exercisable or convertible are taken into account to determine if Robeco Direct has more than 50% of the voting rights. Subsidiaries are accounted for at cost.

Associates are entities over which Robeco Direct N.V. has significant influence (normally 20-50% of the voting rights) and which are neither a subsidiary nor a joint venture. The financial statements of associates are used by Robeco Direct to apply the equity method. The end of the reporting periods of associates and Robeco Direct N.V. are identical and both use uniform accounting policies. The income statement reflects Robeco Direct's share in an associate's operating result. Where a change has been recognized directly in an associate's equity, Robeco Direct recognizes its share of that change and discloses this in the statement of changes in equity.

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

49. Income statement

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

- Interest income
- Interest expense
- Fee and commission income
- Fee and commission expense
- Results on financial assets designated at fair value through profit or loss
- Results on financial assets available-for-sale
- Results on financial assets held for trading
- Other income
- Employee benefits expense
- Administrative expenses
- Depreciation and amortization expenses
- Impairment losses
- Income tax

50. Assets

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

- Cash and balances with central banks
- Due from banks
- Derivative financial instruments
- Financial assets held for trading

- Financial assets designated at fair value through profit or loss
- Loans and advances
- Financial assets available-for-sale
- Financial assets held-to-maturity
- Property and equipment
- Intangible assets
- Deferred tax assets and liabilities
- Other assets

51. Investments in subsidiaries and associates

Movements in investments in subsidiaries and associates are as follows:

In millions of euro	2009	2008
At 1 January	**109.4**	**88.2**
Acquisitions of seedings and co-investments	34.1	59.8
Divestments of seedings and co-investments	-49.6	-40.2
Income from investments in subsidiaries and associates	-9.7	1.6
At 31 December	**84.2**	**109.4**

Acquisitions and divestments of seedings and co-investments regard the share in funds in which the Company exerts temporarily control to build up track records and prove its commitment.

52. Liabilities

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

53. Equity

The authorized share capital amounts to EUR 1.0 million (2008: EUR 1.0 million), consisting of 200,000 shares with a nominal value of EUR 5 each, of which EUR 340,340 is paid in full. The Shareholder is entitled to receive dividends when declared and to vote on a one vote per share basis at Robeco Direct N.V.'s Shareholder's Meetings.

In 2009 and 2008, the Shareholder provided Robeco Direct N.V. with an additional EUR 50 million share premium to assure that, despite the adverse results in those years, the solvency ratio would not decrease.

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

Movements in retained earnings result from the deduction (2008: deduction) of the result for the year.

Rotterdam, 9 April 2010

Supervisory Board Robeco Direct N.V.

Management Board Robeco Direct N.V.

OTHER INFORMATION

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

Result appropriation
It is proposed to deduct the result for the year 2009 (EUR -49.2 million) from retained earnings.

RESPONSIBILITY STATEMENT

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

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

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

Rotterdam, 9 April 2010

Management Board Robeco Direct N.V.

Leni M.T. Boeren, chairman

Hester W.D.G. Borrie

Peter T.N. Bruin

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

AUDITOR'S REPORT

Report on the consolidated financial statements

We have audited the accompanying financial statements 2009 of Robeco Direct N.V., Rotterdam, which comprise the consolidated and company statement of financial position as at 31 December 2009, the income statement, the statements of comprehensive income, changes in equity and cash flows for the year then ended, and notes comprising a summary of significant accounting policies and other explanatory information.

Management's responsibility

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

Auditor's responsibility

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

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

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

Opinion

In our opinion, the financial statements give a true and fair view of the financial position of Robeco Direct N.V. as at 31 December 2009, and of its result and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union and with Part 9 of Book 2 of the Netherlands Civil Code.

Report on other legal and regulatory requirements

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

Amsterdam, 9 April 2010

Ernst & Young Accountants LLP

signed by Kees de Lange