ROBECO

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REPORT OF THE SUPERVISORY BOARD

Financial statements 2012

We herewith present Robeco Direct's financial statements for the financial year 2012 together with the report of the Management Board. We have taken notice of the Auditor's report presented by Ernst & Young Accountants LLP which have given an unqualified opinion on the financial statements as presented and recommend approval thereof. We concur with the Management Board's proposal to add the 2012 results to the retained earnings.

Composition of the Supervisory Board

The composition of the Supervisory Board did not change in 2012. The Chairman, Mr. Munsters, was reappointed in the Annual Meeting of Shareholders held on 17 April 2012.

As from 1 January 2013, Dutch law requires to aim for a Supervisory Board and Management Board composition, which comprises at least 30% female members. The Supervisory Board's current composition does not meet this legal requirement. Therefore, in future appointments, femininity will be an important item in an appointee's profile.

Meetings of the Supervisory Board

The Supervisory Board met 3 times in 2012. In the April meeting, the Board reviewed the Annual report 2011 and agreed to present the report for approval to the annual meeting of shareholders. The Audit report 2011 by Ernst & Young was also discussed. Both documents were on the agenda of the March meeting of the Audit Committee.

In April, the Board reviewed the 'Toepassing Code Banken door Robeco; 2011' report by Group Internal Audit (i.e., the audit findings on how the principles of Code Banken are applied), an issue on the agenda of the Audit Committee's January meeting. The retail strategy, and in particular the progress of implementation, were discussed too. Other items on the Supervisory Board's agenda were the semi-annual report, the mortgage portfolio and updates on the investments portfolio. In November, the proposal for a Supervisory Board Regulation was discussed and agreed to.

Next to separate meetings, the Supervisory Board met on several occasions without holding a separate meeting. The Supervisory Board discussed the Bank's capital position in view of Rabobank evaluating its shareholding in Robeco Groep N.V. and the process of Robeco's acquisition in the presence of the Management Board members.

In 2013, 3 permanent education sessions were attended by all Supervisory and Management Board members. The issues dealt with in these sessions related to sustainability, the Alternative Investment Fund Managers Directive (AIFMD) and cybercrime. Based on presentations by experts in the respective fields, issues relevant for the operations of the Bank were discussed. Moreover, various publications and research papers regarding the banking industry were circulated on a regular basis throughout the year.

Meetings of the Audit Committee

The Audit Committee met six times in 2012. In January, the 'Toepassing Code Banken door Robeco; 2011' report by Group Internal Audit was on the agenda. Both the implementation of Code Banken and the assessment of the governance and internal controls were discussed. In March, the Audit Committee reviewed the Annual report 2011 and the Audit report 2011 by Ernst & Young.

In its meetings, the Audit Committee also paid attention to matters such as the development of the results and financial position, internal audit, compliance and risk management issues (based on quarterly reports), valuation developments and impairments. In the context of the process of the intended sale of Robeco by Rabobank Nederland, capital requirements to be met were a regular item of discussion

Composition of the Management Board

The composition of the Management Board remained unchanged: Ms. Leni Boeren (Chairman), Ms. Hester Borrie and Mr. Peter Bruin.

Rotterdam, 9 April 2013

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. ("the Bank" or "Robeco Direct") offers savings products, investment funds and several other services to retail clients enabling them to achieve their financial goals with regard to wealth management. In addition, Robeco Direct employs its banking infrastructure for structuring, co-investing and seeding activities and for supporting other entities of the Robeco group.

On 19 February 2013, ORIX Corporation (”ORIX”), Rabobank Nederland and Robeco Groep N.V. announced that ORIX is acquiring approximately 90.01% of the shares in Robeco Groep N.V. from Rabobank Nederland. ORIX and Rabobank Nederland have also agreed that banking activities will be transferred to Rabobank Nederland, which will be further detailed in the period prior to closing. Closing of the transaction is subject to legal and regulatory approvals, which are expected to be completed in the second half of 2013.

General

We hereby present the annual report for the financial year 2012 of Robeco Direct N.V. The financial statements have been prepared in accordance with the International Financial Reporting Standards as adopted by the European Union and with Part 9 of Book 2 of the Dutch Civil Code.

Market environment

In 2012, the global economy had to cope with the structural problems that are hindering a traditional economic recovery. Once again, the focus in developed markets was on controlling sovereign debt, while economic growth was moderate and inflation was low. It was also the year that central banks made their voices heard. Getting a grip on sovereign debt would be easier if the world economy was growing more robustly. In the first few months of 2012, growth came mainly from the U.S. There, unemployment fell to 7.5%, while the housing market started to recover.

In Europe, some worries were alleviated because the European Central Bank (ECB) made low interest loans available to banks. Part of the available funding was used to buy high-interest government bonds. However, risks in Europe’s peripheral countries remained; largely because of the threat of further fall-out should Greece leave the euro. Later on in the year, financial turbulence increased after the Greek government was unable to meet all the demands of the Troika (the IMF, the ECB and the EU) and needed a third financial support package. Furthermore, the problems in the Spanish housing market became increasingly visible. In an attempt to stabilize financial markets, Mario Draghi, the ECB president, stated in July that he would do “whatever it takes” to save the euro. Government bond markets in Italy and Spain reacted favorably to the announcement of an ECB bond purchasing program and yields fell sharply.

As break-up risk receded, European assets showed a strong rebound across equities, credit and sovereign bonds. Core government bonds underperformed in the face of increased risk appetite. The corporate credit market also performed positively as spreads tightened. In general: risky assets outperformed in 2012 (unlike in 2011).

Economic growth in emerging markets was lower than in previous years. Overall, some worries in the global macro picture were alleviated in 2012 but there is still much to be done. The global financial system remains fragile. In particular, European policymakers need to continue the good work via a banking union and further fiscal and economic integration.

A good year for equities

Despite ongoing troubles in Europe’s peripheral countries and the possible impact of the looming U.S. fiscal cliff, 2012 was a good year for equities. This robust performance was driven by investors seeking yield and the decreasing risk of a break-up of the euro. U.S. equities rose by 16% over the year. A strong start to the year was followed by a difficult second quarter, but the U.S. equity market recovered strongly in the second half of the year. European equities also did well, with the Euro STOXX 50 gaining 18%. Individual country performance was mixed: the German market rallied by 29%, while Spain was in negative territory. This reflects the divergence in economic performance within the euro zone.

In Asia, the Nikkei 225 made a strong comeback from the weak performance in 2011 after the earthquake and subsequent tsunami and nuclear disaster, rising by 26% in 2012. The MSCI China gained 23%. In June 2012, China’s central bank lowered interest rates to prevent a further slowdown of the country’s economy. This was the first rate cut since 2008. Emerging markets performed strongly with a 17% rise. These markets did not share the same economic problems as developed markets in 2012. On the sector front, the best performers were financials and consumer discretionary and real estate. Financials were boosted by central banks' interventions. The laggards in 2012 were utilities and energy. Utilities performed strongly in 2011, while energy stocks suffered as a result of lower WTI crude oil prices and cheaper US natural gas.

Bond markets helped by central banks

Bond markets also made strong gains. The credit market environment was friendly: inflation and economic growth remained low and markets were helped by central bank activity. These developments enticed investors to take more risk. Top gainers were European high yield bonds (+28%), Italian government bonds (+21%) and emerging market debt (+17%). Investment-grade corporate bonds in the U.S. (+10%) and Europe (+14%) also did well. Companies reported high earnings, but were still reluctant to make new investments. This resulted in high cash flows and stronger balance sheets. However, not all sections of the bond market did so well. U.S. (+2%) and Japanese (+2%) government bonds made only small gains, as there was little room for yields to fall further. German government bonds fared better with a 5% gain.

In all, 2012 will be remembered as a year in which the economic situation for our Dutch retail clients remained uncertain, but where it paid off handsomely to be invested in funds.

Developments in the Dutch savings market

While the economy in the Netherlands had difficulty in regaining traction, the Dutch continued like in previous years to set aside considerable amounts of money in their bank savings accounts. The Central Bureau of Statistics (CBS) informed that at the end of December 2012, the total amount of savings was at an all-time high of EUR 324 billion euro, an amount exceeding the prior year end by EUR 18 billion. Simultaneously, house prices continued their downward path during 2012, while labor conditions worsened. Consequently, consumer confidence and spending behavior remained under pressure and understandably Dutch households set aside a growing part of their income in order to further reduce their financial vulnerability.

In billions of euro	2012	2011	2010	2009	2008	2007	2006	2005	2004	2003
Saving deposits in the Netherlands	324	306	291	284	251	237	222	210	200	185

Source: CBS

While the amount of consumer savings increased considerably, consumers were confronted with declining interest rate levels on savings accounts, often below the rate of inflation. In relative terms however, savings rates continued to be at a high level in the Netherlands, compared to other Western European countries and even more if compared to Euribor rates. The main driver for this is the structural shortage of the retail deposit base, in proportion to the requirements for banks to fund their loans to businesses and (mortgage) retail clients. Future banking regulations, known as Basel III, put additional pressure on banks to fund themselves by retail savings, probably leading to an increased competition. As a consequence, retail funding costs continued to be high and loans and residential mortgages rates remained relatively elevated, further frustrating the housing market and delaying the so much wanted economic recovery.

Strategy

In an evolving distribution landscape where changes such as eliminating retrocession fees are anticipated, Robeco believes it is of strategic importance to build on a direct retail proposition. A comprehensive plan to strengthen Robeco's leading position in the Dutch retail market was finalized in 2011 and rolled out in 2012. The plan envisages cementing Robeco Groep N.V.'s positioning as the specialist in the area of fund investing and its role as thought leader. More focus will be put on the proposition of fund investing, supplemented by a relevant savings offering. Investing should be made accessible to a broad range of clients and Robeco is committed to offer a differentiating service via its online fund investments store. This proposition will make Robeco's retail offering fit for the longer future, both from an efficiency perspective as well as an value-added perspective.

Clients first

In everything we do, we put clients first at Robeco Direct. Just like in previous years, we continue to make significant efforts for meeting the fulfillment of our clients' needs, as ultimately their success and satisfaction is an essential ingredient of the Bank's success in this highly competitive market.

Further increasing and improving online service

In 2012, Robeco Direct invested in its online offerings and services for its clients and worked on launching a new website. Furthermore, the Bank invested in a complete new infrastructure (back office system). In the beginning of April 2013, the Bank has launched this new infrastructure and website. The main purpose of this project is to make fund investing more accessible for a broader target group.

It is our aim to significantly strengthen the Bank's competitive position with its new, state-of-the-art online proposition. Primarily, it allows retail investors to carry out almost any transaction with a few mouse clicks. The more independent retail investors can buy from a range of 80 funds. Those who are unable to follow their portfolios actively can opt for Robeco ONE, our newly launched discretionary management fund. And it offers much more.

Advanced technology allows us to better adapt our services and offering to what our clients actually want. The direct offering also gives us a huge competitive advantage, because of our capabilities in creating and sharing content in order to engage current and potential consumer bases. Robeco has over 100 fund managers supported by even more analysts, economists and strategists. Tapping into this in-house expertise, we are able to engage with our retail customers, sharing our vision with them directly and exclusively which is valued by our customers. As a medium-sized player, Robeco Direct is flexible and can react swiftly to changes in both financial markets and customer requirements. Finally, it should be emphasized that the move to an online, execution-only service is a natural development for Robeco Direct. It suits us better than any of our major competitors. For one thing, Robeco never had its own branch network. Serving customers at a distance is thus in the genes of the organization and its employees. That has been reflected in the awards we have won. In the last year, we won two (customer relationship management) awards and the "Golden Ear" award for the best complaints management.

Key figures

Operating result

In line with last year's trend the net interest income continued to be under pressure. The yields of many asset categories continued to decline during the year, while simultaneously the balance sheet decreased due to less entrusted funds. As Rabobank, the 100% shareholder of Robeco Groep N.V., and therefore the ultimate shareholder of Robeco Direct, further tightened the investment universe of the bank, the yield of the investment portfolio further eroded. The net interest income declined from EUR 50 million to EUR 30 million, equal to the interest result from our Retail Banking activities (2011: EUR 53 million). As providing residential mortgages no longer fitted within the Bank's strategy, it was decided in 2011 to discontinue offering new mortgage loans to new clients. As a consequence, the existing portfolio has started to decrease, albeit slowly.

Credit spreads on non-AAA sovereigns widened materially during the Euro crisis, but returned to more normal levels in 2012, positively affecting the results of these financial instruments. The asset-backed securities market also experienced tightening credit spreads, which is reflected in recovering market prices. In the first half of 2012, three earlier impaired asset-backed securities were sold at a substantially higher price compared to the fair value at year-end 2011, positively impacting the results on financial instruments. No new instruments were impaired, while the impairment losses of two asset-backed securities got reversed. In addition, the net fair value changes of the majority of other earlier impaired financial instruments contributed positively to the 2012 operating income.

Helped by all these effects, the returns on financial instruments significantly improved to a EUR 56 million benefit from a EUR 9 million loss in 2011. Main contributors to this outcome were the Italian sovereigns bonds held by the Bank, as these assets held at fair value through profit or loss benefited from sharply tightened credit spreads. Moreover, Structured Finance's trading results gained from the weakening U.S. dollar versus the euro as these assets were hedged against adverse currency movements.

The shares held by the Bank in its subsidiary Banque Robeco S.A. were transferred to Oddo & Cie. on 31 March 2011. As a consequence, the operating expenses further reduced in 2012. On the other hand, other income decreased also as a result of the disposal of the French banking activities. The administrative expenses additionally decreased due to cost savings in the Netherlands. Hence, the operating result improved from EUR 5 million last year to EUR 64 million this year. After taxes, the net result for the year totaled EUR 48 million (2011: EUR 4 million).

Composition of the statement of financial position

The Bank's total assets decreased to EUR 7.2 billion at year-end (2011: EUR 8.4 billion). Its funds entrusted by its retail clients as well as from financial institutions declined. An amount of EUR 0.8 billion in retail savings were withdrawn as a result of the fierce competition in the Dutch savings markets and the more pronounced focus of the Bank on the fund investing proposition. Entrusted funds from financial institutions fell by EUR 0.5 billion, predominantly due to the termination of a savings agreement with another Rabobank subsidiary in view of the anticipated change of control of Robeco Groep N.V. As a liability-driven bank, its assets predominantly consist of liquid fixed-income instruments. This enables the Bank to efficiently scale its balance sheet in line with the behavior of its savings clients.

Capital base

The Bank's total equity improved to EUR 525 million versus EUR 415 million at the beginning of the year. The increase is mainly attributable to the net result for the year as well as the price recovery of available-for-sale financial instruments as materialized in the increased available-for-sale reserves. The Core Tier 1 ratio, the Bank's solvency ratio, rose to 20.9% versus 16.4% at year-end 2011, as the available capital increased by EUR 9 million primarily due to the addition of last year's result to the retained earnings.

Risk Management

Robeco's risk management framework was further optimized in 2012. The core risk management principles of Robeco group, and Robeco Direct as a part of it, remained stable and continued to be highly effective. These are:

Management responsibility

Line management is responsible for identifying risks within their business areas and ensuring that these are managed appropriately. Before taking decisions, clear analysis is vital to ensure all risks taken are consistent with Robeco Direct's strategy and risk appetite. Business ownership of risks is an essential element in understanding and controlling risk.

Global mandate

Group Risk Management (GRM), Group Compliance (GC) and Group Internal Audit (GIA) have a global mandate and are therefore responsible for all risk management, compliance and internal audit activities within the Robeco group, including Robeco Direct.

Independence

The Robeco group, and thus the Bank, adopted a model incorporating 3 lines of defense. The first line of defense is the business itself which has primary responsibility for risk management. GC and GRM are the second line of defense, providing independent oversight. GIA acts as the third line of defense, auditing the activities of the first two lines.

Development of new products and services

Robeco Direct aims to create a diversified range of products and services that is actively managed, profitable and scalable. Processes are in place to ensure that new products and services as provided by the Bank are aligned with its strategy and are in the best interest of its clients.

Continuous assessment and monitoring

The responsibility for identifying, monitoring, reporting and controlling all risk categories on a daily basis lies with the 3 lines of defense.

Governance

Risk control governance is exercised by line management and GRM, GC and GIA. For the Bank, the primary responsibility of the risk management function lies with the various management teams. Risk managers perform the day-to-day risk management activities and have a functional reporting line to GRM on risk-related matters.

As the second line of defense, GRM aims to ensure that the operational and financial risks related to Robeco Direct's activities are identified, monitored and controlled. GRM supports the Management Board and line management by developing and implementing policies, methodologies and tools for the identification, measurement, monitoring and reporting of the different risk types. Policies are aligned with Rabobank to the extent relevant or necessary.

GC acts as the second line of defense in supporting the Management Board and line management in maintaining a high level of compliance. GC also aims to ensure that all business principles are understood and implemented. GC monitors adherence to policies and procedures and participates in local and group committees.

GIA acts as the third line of defense, auditing the activities of the first two lines. GIA uses an in-depth annual risk analysis to maintain and execute a medium-term audit plan. It also uses input from line management, GC and GRM in assessing risks and compiling an audit plan. This plan is not only adjusted every quarter to reflect new developments, but also focuses on keeping the overall audit coverage at an appropriate level.

Besides operational audits, IT audits, project reviews and management control assessments, GIA also tests the operating effectiveness of controls relevant for financial reporting. In executing its audit plan, GIA closely co-operates with the external auditors Ernst & Young. Audits generally result in audit reports with an audit rating. On the basis of these audits, measures of improvement are agreed with management and for each measure an owner, a deadline and its significance are documented. GIA monitors the progress made in implementing the measures of improvement and reports on this on a quarterly basis.

In addition to the functional organization, Robeco has a number of cross-functional committees in place that have decision-making power in specific areas.

Audit & Risk Committee
The Supervisory Board of Robeco Groep N.V. has established the Audit & Risk Committee (A&RC) to supervise the financial reporting process, control environment, systems of internal control, risk management and internal audit. The A&RC also reviews the process used to monitor compliance with legislative and regulatory requirements and its own internal policies. The A&RC relies on reporting from GRM, GC, GIA, Group Finance (GF), the external auditor and updates from the business entities. The A&RC also acts as the Audit & Risk Committee for Robeco Direct N.V.

Group Risk Management Committee
There are several risk management committees to ensure comprehensive and consistent risk oversight throughout the Robeco group. For the Bank, the local risk management committee is the RDRMC. Risk oversight involves a combination of internal audit and risk-management functions. The GRMC is the highest body within the Robeco group that focuses on risks. It consists of all members of the MB and representatives of GIA, GRM, Group Legal Affairs (GLA) and of the front and back office. It is the responsibility of the GRMC, chaired by the CEO of Robeco Groep N.V., to evaluate and approve group-wide policies relating to risk-management topics. Furthermore, it reviews root cause analyses of operational incidents and the results of risk assessments.

The GRMC is supported by various local risk- management committees, responsible for individual business entities, and by (sub)committees that focus on specific issues, e.g. valuation, security, new products, and asset and liability management. A crisis management team has been set up to ensure the continuity of the critical processes and services in times of disasters.

In Control Board
The In Control Board (ICB) ensures effective governance of the different cross-domain internal control topics like activities for the control statement on financial reporting to Rabobank, ISAE 3402, business continuity management, information security and internal control awareness. The ICB consists of the CFO and COO of Robeco Groep N.V. and representatives of GIA, GRM, GF and Group Information Services (GIS) and of the front and back office (depending on the issue). In 2013, the set-up of the ICB was evaluated and it was decided to transform the ICB into a Security Board with focus on tactical security management whereby the other internal control topics are transferred to the GRMC and local Risk Management Committees.

Financial Crisis Committee
In the event of a financial distress situation, the Financial Crisis Committee (FCC) is responsible for identifying any risks that could arise and their potential impact on investment portfolios and of Robeco's reputation.

Robeco Control Framework
During 2012, GRM further optimized its risk and control framework, the Robeco Control Framework (RCF). This renewed framework has a stronger focus on significant risks and ensures transparent reporting by the first line of defense on the effectiveness of risk management in their own domain. For this purpose, GRM consolidates information from the different Robeco group entities and reports to relevant committees and regulators. Risk responsibility can be achieved by the (further) integration of risk management responsibilities into the existing business processes. Risk appetite plays a central role in the RCF. It defines the scope of the framework and determines the definition and implementation of controls.

Ernst & Young has been actively involved in the rollout, implementation, deployment and monitoring phases of the RCF. When comparing the Robeco group's approach to that of other institutions in the financial services industry, we believe that Robeco is further advanced than many in terms of creating a culture where risk management is a primary responsibility of business management. The RCF provides senior management with a framework, which enables them to monitor and report on significant risks at a Robeco entity level.

Risk appetite

Robeco Direct's risk appetite is the level and type of risk that the Bank is able and willing to accept in the pursuit of its business objectives. This willingness to pursue or accept risks is linked to the Bank's financial resilience and the reputation it intends to maintain with clients, regulators and other stakeholders. As part of an asset manager with limited financial buffers, Robeco Direct endeavors to keep its reputation risk to a minimum and seeks to reduce net income volatility. The Bank's risk appetite is a balanced mix of qualitative and quantitative measures and fits within the overarching risk appetite of the Robeco group.

The following qualitative measures have been defined for Robeco Direct:

- aspires to longer term, profitable relationships with a diversified client base;
- aims to offer a diversified range of actively managed, profitable and scalable products and services;
- hedges financial risks to the extent that this is efficient and practically possible;
- actively reduces IT and organizational complexity;
- seeks to attract and retain top talent and aims to avoid key personnel risk;
- has zero tolerance towards bribery, finance or support of terrorism; and
- keeps a close eye on new developments in the regulatory environment and complies with relevant rules and regulations.

The Bank's risk profile is quantified in terms of Economic Capital (EC) relative to available capital. In the EC framework, risk types are converted to the amounts of capital required to support them. EC covers credit risk, market risk, interest rate risk, operational risk and business risk. For all risk types, EC models are based on relevant risk measures and appropriate horizons. On an annual basis, the overall risk budget for EC is captured by a Common Tier 1 ratio, which is set at a minimum of 13%. In addition, the Bank has committed itself to timely comply with the upcoming Basel III requirements (overall quantitative risk appetite). The risk budget is allocated to various risk types and, if relevant, to activities for which strict limits and controls apply.

Risk types

Risk Management and monitoring

Robeco Direct defines two broad categories of risk, fiduciary risk for client portfolios and corporate risk, which includes both balance sheet, including but not limited to the Bank's trading and investment books, and operational risk. Reputational risk is considered to be derived from fiduciary and corporate risks. Certain risks, including those described below, may impact Robeco Direct's ability to execute its strategy and directly affect its business activities, financial condition, the results of its operations and its future prospects.

The business of a financial institution is inherently exposed to risks that become apparent only with the benefit of hindsight. These are risks of which we are not currently aware or do currently consider being not material, but which could materially affect our business activities, financial condition, results of our operations and future prospects. The sequence in which the risks are presented below is not indicative of the likelihood that they will occur or the potential magnitude of the related financial consequences.

This chapter covers the risks that are currently considered to be significant within Robeco, which means that this list of risks is not exhaustive. There may be other risks that have not yet been identified or that have been assessed as not having a significant potential impact on the business, but that could materialize as such in the future. The control framework is designed to provide timely insight into such risks.

Complexity risk

Complexity risk is the risk that the Bank is unable to make changes and achieve its strategic ambition, because the organizational landscape including applications is too complex, potentially resulting in high costs, financial losses and reputation risk.

In 2012, a program was executed within Robeco to harmonize and centralize certain activities in the investment domain: portfolio implementation and monitoring, trading and transaction processing. The project to implement the trading platform was another effort to control costs, reduce complexity and increase standardization. During any project phase, there is an inherent higher level of risk for those processes, systems and methodology that were being changed. There was a strong focus on executing daily operations and maintaining awareness of internal controls in order to mitigate the project risk. Ultimately, these projects will result in cost savings, increased efficiency and more system/process stability.

Credit risk and Basel III

Credit risk for Robeco Direct is the risk of a loss stemming from a borrower's failure to repay a loan or otherwise meet a contractual obligation.

As part of the transition to Basel III, the Bank set up a migration plan with the aim of becoming compliant with relevant Basel III areas such as capital, solvency, liquidity and leverage. In this plan, target ratios for measures in these areas were defined (Core Tier 1 ratio, leverage ratio, liquidity coverage ratio and net stable funding ratio). By the end of 2012, the Bank met almost all set targets for these ratios.

In 2012, the Bank further enhanced its stress testing framework by developing overarching stress scenarios specifically applicable to the balance sheet. The framework consists of a combination of sensitivity, historic and hypothetic scenarios. Stress testing helps us to gain an insight into vulnerable areas within specific scenarios and provides an indication on how much capital is required to absorb losses should large shocks occur. The results of these stress scenarios help management to make strategic decisions.

Market risk

Market risk is the risk of financial markets being disrupted as a result of a market crisis possibly affecting liquidity, net income, reputation and/or the execution of the Bank's strategy. Since 2011, Robeco has been actively focusing on the (possible) direct and indirect impacts of the euro crisis. The Bank assessed exposure in terms of direct investments in government debt and the additional effects the crisis may have on liquidity and the creditworthiness of banks.

The Financial Crisis Committee's risk assessment identified certain measures for Robeco Direct's account. As a result of this, steps were taken including a reduction in direct exposure and temporary reduction in indirect exposure to peripheral euro zone countries and their financial institutions. In addition, a financial crisis plan including scenario planning was developed to be able to effectively deal with turmoil in the financial markets.

Reputation risk

Reputation risk is the risk that the Bank's reputation is harmed due to misalignment between a client's expectations (risk, return, quality) and actual performance. As a bank, Robeco Direct has a fiduciary function. Clients confide their money for the longer term, trusting that Robeco will generate attractive returns. As the future is unsure, their decision is also based on Robeco's track record and reputation. Consequently, a strong and stable reputation is absolutely vital for the Bank.

The first of the strategic pillars of Robeco is to act in the best interests of clients. Its success is based on the ability to consistently think and act in the best interests of clients, within the framework of a profitable investment-management company. This means making clear choices and focusing on those areas where we provide the highest added value for our clients.

Product development and approval processes ensure that new products are carefully examined by relevant departments and that these products are transparent and compliant with Robeco's standards and regulations. Product-at-Risk reports are used to inform the Management Board if products do not perform as expected.

Robeco Direct and its employees are well aware that the Bank is primarily managing the money of its clients, not its own money. In order to justify the trust placed in Robeco Direct, the Bank has set itself specific integrity requirements. Robeco Direct demands integrity in all internal and external dealings, consistently and uncompromisingly. The Robeco Code of Conduct outlines the conduct expected of Robeco Direct employees and acts as an umbrella for its compliance policies and behavior. It describes what the Bank stands for, and what we expect from our employees.

The behavior of our employees is essential in consolidating and strengthening this reputation. GC is committed to helping employees to achieve this. It does this by assessing market materials, advising employees, checking that clients are treated fairly and monitoring compliance with investment and other agreements entered into with clients. Investment restrictions are monitored by the investment-restrictions team that forms part of GC. Compliance with these agreements is considered a cornerstone of Robeco Direct's business.

IT risk

<u>Cybercrime</u>

Cyber criminals are especially interested in activities that offer financial benefits and an e-banking service is therefore an attractive target. The Bank is aware of the potential risks and specific controls are in place to manage those risks.

Particular attention has been focused on implementing and testing the necessary security measures for the new retail e-banking system.

Cybercrime is not only applicable to Robeco Direct, as our outsourcing partners are also exposed to this threat. Together with these partners, the Bank has implemented advanced technical solutions to manage security risks related to cybercrime. Security threats and vulnerable areas are continuously monitored, using network penetration tests, for example, and further enhancement will be implemented where necessary. This, in combination with a professional security organization and employees trained in security-awareness, adds to a secure IT environment.

Outsourcing and cloud computing

Outsourcing risk is the risk that the outsourced activities are insufficiently controlled, which could have a range of effects, also on Robeco's reputation. In several areas of Robeco's business, activities are outsourced to third parties and the scope of such activities is growing. As Robeco remains responsible, the decision-making process for outsourcing activities is supported by internal guidelines such as the Outsourcing Policy, including risk assessments.

In 2012, cloud computing was implemented for some services. Special attention was paid to the benefits and risks involved. Despite the increased risks, cloud computing has important advantages for Robeco, such as the scalability and flexibility associated with large multi-tenancy IT environments. We have therefore been investigating using cloud computing. Our research covered important topics such as data location, external assurance and security certifications, the exit plan and the rights of supervisory bodies such as the Dutch central bank (De Nederlandsche Bank, DNB) to audit the cloud provider.

Compliance with laws and regulations

Compliance risk is the risk of legal or regulatory sanctions, substantial financial loss, or the loss of reputation a financial institution may suffer as a result of its failure to comply with sound business practices, laws, regulations, rules, related self-regulatory organizational standards and code of conducts applicable to its activities.

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

In 2012, the number of rules and regulations worldwide and their diversity and complexity increased even more. As a consequence of this, the inherent risk of non-compliance has also increased. To manage and mitigate this risk, Robeco's Group Compliance department employs specialists for designated compliance areas. GC initiates and monitors the implementation of new laws and regulations together with Group Legal Affairs to ensure that Robeco's products, activities and conduct is in line with stakeholders' expectations.

Robeco has implemented a set of fund governance principles that are consistent with the industry's best practices. Policies and procedures within the group are consistent with these principles.

Management Review

Ongoing monitoring of risk management and internal control systems is embedded in the Robeco Control Framework. This provides an insight into the significant risks that are applicable to the Bank. These risks are discussed with senior management and/or the A&RC. In addition, regular reports are submitted to and discussed with the Management Board and Supervisory Board in the presence of relevant staff.

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

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

Based on the monitoring of the Bank's risk management and internal control systems, and our awareness of their inherent limitations as described above, we have concluded that there is reasonable assurance that Robeco Direct has sufficient insight into the extent to which its objectives will be realized and the reliability of its internal and external (financial) reporting. In view of the above, the Management Board believes that Robeco Direct complies with best practice provision II.1.5 of the Dutch Corporate Governance Code.

Based on this assessment and to the best of our knowledge, nothing has come to our attention that causes us to believe that we are not in compliance with the applicable laws and regulations are not being complied with.

Human Capital

A substantial part of Robeco Direct's income consists of fees and interest margin derived from the assets under management. The amount of assets under management depends on the performance of the Robeco funds, the paid interest rate of savings accounts and the cash inflow and outflow. The Bank's key staff is essential for servicing our clients. At strategic level, human capital is therefore a vital element in enabling Robeco Direct to distinguish itself from its competitors.

Attracting and retaining key staff that perform and are expected to contribute to our clients and the Bank's results is correlated with financial incentives as outlined in Robeco's remuneration policy, which aims to place Robeco Direct in a competitive position in the Dutch retail market. Moreover, the Robeco employment package and remuneration systems are structured to promote a long-term relationship between employees and the organization.

Compliance with the Banking Code

In 2010, the decision was taken to implement the Banking Code at both Robeco Groep N.V. and Robeco Direct N.V. In 2012, the Bank applied the principles of the Banking Code. Like in previous years, GIA assessed the governance and internal control within Robeco Direct as required by the Banking Code. From this assessment, it appears that the Bank complies with the Banking Code, except for the following principles:

- Principle 2.1.2: Robeco Direct's Supervisory Board does not have Board members from outside Robeco. Because all aspects of governance and internal control are also covered by the Supervisory Board of Robeco Groep N.V., the organizational structure as such is adequately designed and implemented. In this respect, it is noted that the Audit & Risk Committee of Robeco Groep N.V. is also appointed as the Audit & Risk Committee of Robeco Direct N.V. The majority of the Audit Committee members are independent in the sense of the Dutch Corporate Governance Code and the Banking Code, so that independence of supervision has been safeguarded.
- Principle 2.1.10: This principle states that in addition to the Supervisory Board's annual self-evaluation, the functioning of the Supervisory Board shall be evaluated under independent supervision once every three years. The regulations of both the Supervisory Board of Robeco Groep N.V. and Robeco Direct N.V. are now aligned to reflect the prescribed frequency of once every three years. However, in 2012 no self-evaluation or evaluation under independent supervision was carried out. The self-evaluation under independent supervision will take place for the first time in 2013.

With regard to management remuneration, reference is made to the Remuneration report in the Annual Report 2012 of Robeco Groep N.V.

Outlook

As mentioned earlier it has been announced that, subject to legal and regulatory approval, ORIX will acquire the shares of Robeco Groep N.V. from Rabobank Nederland. In this same transaction, it has been agreed that serving the Bank's clients will remain at Robeco, while banking activities will be transferred to Rabobank Nederland. Details have to be worked out in the coming period.

The year 2013 will be very important to the Bank's clients as they will experience the visible results of the strategic decisions made in the form of enhanced services, systems and solutions. The low point of financial markets seems to be well behind us. This is good news for clients and prospects who share the notion that their money has to be put at work in the financial markets. Keeping money on savings accounts has lost attractiveness as interest rates are expected to remain low for a prolonged period of time and most likely appetite for fund investing will gain traction again. For these clients, Robeco Direct makes available a wealth of information and investments insights enabling clients to make their well-considered fund investment decision. With respect to savings, the Bank expects the competition for retail savings to remain fierce as many traditional banks continue to rely heavily on this source of funding. As a result, interest rate margins will remain under pressure.

Last but not least, we thank our staff for their dedication and their efforts in 2012 and look forward to a challenging 2013.

Rotterdam, 9 April 2013

Management Board Robeco Direct N.V.

Leni M.T. Boeren, Chairman

Hester W.D.G. Borrie

Peter T.N. Bruin

CONSOLIDATED FINANCIAL STATEMENTS 2012
Robeco Direct N.V.

CONSOLIDATED INCOME STATEMENT
for the year ended 31 December

In millions of euro	Notes	2012	2011
Interest income	5	219	255
Interest expense	6	189	205
Net interest income		**30**	**50**
Fee and commission income	7	24	32
Fee and commission expense	8	2	4
Net fee and commission income		**22**	**28**
Results on financial assets held for trading	9	-5	-2
Results on financial assets at fair value through profit or loss	10	43	-10
Results on financial assets available-for-sale	11	18	3
Other income	12	1	2
Net operating income		**109**	**71**
Employee benefits expenses	13	-	3
Administrative expenses	14	56	58
(Reversal of) impairment loss	15	-11	6
Operating expenses		**45**	**67**
Result from group companies	16	-	1
Operating result before tax		**64**	**5**
Income tax	17	-16	-1
Result for the year		**48**	**4**
Attributable to:			
- Equity holder of the parent		48	4
- Non-controlling interests	34	0	0
Result for the year		**48**	**4**

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

for the year ended 31 December

In millions of euro	Notes	2012	2011
Result for the year		**48**	**4**
Net unrealized results on financial assets available-for-sale		109	-5
Realized gains and losses on financial assets available-for-sale reclassified to the income statement on disposal	11	-18	-3
(Reversal of) impairment loss of financial assets available-for-sale	15	-13	6
Income tax effect	17	-20	1
Other comprehensive income		**58**	**-1**
Exchange differences on translation of foreign operations		-1	1
Other items		2	-
Other comprehensive income for the year, net of taxes		**59**	**-**
Total comprehensive income for the year, net of taxes		**107**	**4**
Attributable to:			
- Equity holder of the parent		107	4
- Non-controlling interests	34	0	0
Total comprehensive income for the year, net of taxes		**107**	**4**

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
at 31 December

In millions of euro	Notes	2012	2011
ASSETS			
Cash and balances with central banks	18	65	142
Due from banks	19	615	709
Derivative financial instruments	20	18	20
Financial assets held for trading	21	485	448
Financial assets at fair value through profit or loss	22	1,005	1,799
Financial assets available-for-sale	23	3,001	3,040
Loans and advances	24	1,814	2,057
Financial assets held-to-maturity	25	55	114
Other assets	26	97	113
Total assets		**7,155**	**8,442**
EQUITY AND LIABILITIES			
Due to banks	27	738	1,187
Derivative financial instruments	20	178	286
Due to customers	28	5,406	6,194
Issued securities	29	163	194
Deferred tax liabilities	30	7	-
Other liabilities	31	100	128
Subordinated loans	32	38	38
Total liabilities		**6,630**	**8,027**
Issued share capital		0	0
Share premium		245	245
Available-for-sale reserve		22	-36
Foreign currency translation reserve		-	1
Retained earnings		255	205
Total equity attributable to the equity holder of the parent	33	**522**	**415**
Non-controlling interests	34	3	0
Total equity		**525**	**415**
Total equity and liabilities		**7,155**	**8,442**

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the year ended 31 December 2012 and 2011

In millions of euro	1 January 2012	Result for the year	Other compre-hensive income	Total compre-hensive income	Movement non-controlling interests	31 December 2012
Issued share capital	**0**	-	-	**-**	-	**0**
Share premium	**245**	-	-	**-**	-	**245**
Available-for-sale reserve	**-36**	-	58	**58**	-	**22**
Foreign currency translation reserve	**1**	-	-1	**-1**	-	**-**
Retained earnings	**205**	48	2	**50**	-	**255**
Total equity attributable to the equity holder of the parent	**415**	**48**	**59**	**107**	**-**	**522**
Non-controlling interests	**0**	0	-	**0**	3	**3**
Total equity	**415**	**48**	**59**	**107**	**3**	**525**

In millions of euro	1 January 2011	Result for the year	Other compre-hensive income	Total compre-hensive income	Movement non-controlling interests	31 December 2011
Issued share capital	**0**	-	-	**-**	-	**0**
Share premium	**245**	-	-	**-**	-	**245**
Available-for-sale reserve	**-35**	-	-1	**-1**	-	**-36**
Foreign currency translation reserve	**0**	-	1	**1**	-	**1**
Retained earnings	**201**	4	-	**4**	-	**205**
Total equity attributable to the equity holder of the parent	**411**	**4**	**-**	**4**	**-**	**415**
Non-controlling interests	**0**	0	-	**0**	0	**0**
Total equity	**411**	**4**	**-**	**4**	**-**	**415**

CONSOLIDATED STATEMENT OF CASH FLOWS
for the year ended 31 December

In millions of euro	Notes	2012	2011
Operating activities			
Operating result before tax		63	6
Adjustments for:			
- (Reversal of) impairment loss	15	-11	6
- Result from financial assets (excluding dividends received)		-56	11
- Result from group companies	16	-	-1
Other movements from operations:			
- Change in operating assets		-2	364
- Change in operating liabilities		-1,395	-493
- Income tax paid		-15	-1
Net cash flows used in operating activities	41	**-1,416**	**-108**
Investing activities			
Purchase of:			
- financial assets at fair value through profit or loss		-214	-262
- financial assets available-for-sale		-578	-1,193
- loans and advances		-239	-351
- financial assets held-to-maturity		-	-3
Proceeds from:			
- sale/redemption of financial assets at fair value through profit or loss		1,043	221
- sale/redemption of financial assets available-for-sale		707	1,597
- sale/redemption of loans and advances		481	476
- sale/redemption of financial assets held-to-maturity		58	110
Net cash flows from investing activities	42	**1,258**	**595**
Net movement in cash and cash equivalents		**-158**	**487**
Cash and cash equivalents at 1 January		813	326
Cash and cash equivalents at 31 December	43	**655**	**813**
Cash flows from interests and dividends			
Interest received		257	291
Interest paid		-172	-207
Dividend received	9	0	2

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. Corporate information

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

Robeco Direct N.V.'s consolidated financial statements for the year ended 31 December 2012 regard Robeco Direct N.V. and its subsidiaries (together 'the Bank'). All shares in Robeco Direct N.V. are held through Robeco Groep N.V. by Coöperatieve Centrale Raiffeisen-Boerenleenbank B.A. ('Rabobank Nederland'), which is also the ultimate parent. The consolidated financial statements of Robeco Groep N.V. are included in Rabobank Nederland's consolidated financial statements.

On 19 February 2013, ORIX Corporation ("ORIX"), Rabobank Nederland and Robeco Groep N.V. announced that ORIX is acquiring approximately 90.01% of the shares in Robeco Groep N.V. from Rabobank Nederland. ORIX and Rabobank Nederland have also agreed that banking activities will be transferred to Rabobank Nederland, which will be further detailed in the period prior to closing. Closing of the transaction is subject to statutory and regulatory approvals and is expected to be effected in the second half of 2013.

The financial statements were prepared by the Management Board on 9 April 2013; the shareholder has formal power to change the financial statements after issue.

2. Accounting policies

2.1 Statement of compliance

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

2.2 Basis of preparation

The financial statements are presented in millions of euro – the functional currency of Robeco Direct N.V. – unless explicitly stated otherwise. The financial statements have been prepared on a fair value or amortized cost basis.

2.3 IFRS developments

<u>Adopted International Financial Reporting Standards</u>
Several new or revised IFRS standards were issued for the purpose of the consolidated financial statements as of 2012. Those standards are not applicable to the 2012 financial statements of Robeco Direct N.V.

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

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

IAS 19, Employee Benefits (Revised)
Numerous amendments to IAS 19 have been issued, that are effective for annual periods beginning on or after 1 January 2013. One of the main changes in the revised standard results in an immediate recognition in equity of "unrecognized actuarial gains and losses" (i.e., removal of the corridor mechanism) as from the effective date. As revised, amounts recorded in profit or loss are limited to current and past service costs, gains or losses on settlements and net interest income (expense). All other changes in net defined benefit assets (liabilities) including actuarial gains and losses are recognized in Other comprehensive income without subsequent recycling to the income statement.

IAS 32, Offsetting Financial Assets and Financial Liabilities (Amendments)
These amendments clarify the meaning of "currently has a legally enforceable right to set-off". They also clarify the application of the IAS 32 offsetting criteria to settlement systems (such as central clearing house systems) which apply gross settlement mechanisms that are not simultaneous. These amendments are not expected to impact the Bank's financial position or performance and will be effective for annual periods beginning on or after 1 January 2014.

IFRS 7, Disclosures Offsetting Financial Assets and Financial Liabilities (Amendments)
These amendments require an entity to disclose information about rights to set-off and related arrangements (e.g., collateral agreements). The disclosures would provide users with information that is useful in evaluating the effect of netting arrangements on an entity's financial position. The new disclosures are required for all recognized financial instruments that are set off in accordance with IAS 32 Financial Instruments: Presentation. The disclosures also apply to recognized financial instruments that are subject to an enforceable master netting arrangement or similar agreement, irrespective of whether they are set off in accordance with IAS 32. These amendments will not impact the Bank's financial position or performance and are effective for annual periods beginning on or after 1 January 2013.

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

The standard has not yet been adopted by the EU and was initially effective for annual periods beginning on or after 1 January 2013. Amendments to IFRS 9 Mandatory Effective Date of IFRS 9 and Transition Disclosures, which were issued in December 2011, have moved the mandatory effective date for IFRS 9 from 1 January 2013 to 1 January 2015. Early adoption is permitted but is only possible after endorsement of this standard by the EU.

IFRS 10, Consolidated Financial Statements
IFRS 10 replaces the portion of IAS 27, Consolidated and Separate Financial Statements that addresses the accounting for consolidated financial statements. It also includes the issues raised in SIC 12, Consolidation – Special Purpose Entities. IFRS 10 establishes a single control model that applies to all entities including special purpose entities. The changes introduced by IFRS 10 will require management to exercise significant judgment to determine which entities are controlled, and therefore, required to be consolidated by a parent, compared to the requirements included in IAS 27. The Bank is currently assessing the effects of the introduction of IFRS 10. Based on the preliminary analyses performed, IFRS 10 is expected to have a slight impact on the investments currently held by the Bank. The standard has been adopted by the EU and will be effective for annual periods beginning on or after 1 January 2014.

IFRS 12, Disclosure of Involvement with Other Entities
IFRS 12 includes all disclosures previously included in IAS 27 relating to consolidated financial statements as well as all disclosures previously included in IAS 31 and IAS 28. These disclosures relate to an entity's interests in subsidiaries, associates and structured entities. A number of new disclosures are also required. The standard has been adopted by the EU and will be effective for annual periods beginning on or after 1 January 2014.

IFRS 13, Fair Value Measurement
IFRS 13 establishes a single source of guidance under IFRS for all fair value measurements. IFRS 13 does not change when an entity is required to use fair value, but rather provides guidance on how to measure fair value under IFRS when fair value is required or permitted. The Bank is currently assessing the impact that this standard will have on the financial position and performance. This standard is effective for annual periods beginning on or after 1 January 2013.

<u>Annual improvements</u>

IAS 1, Presentation of Financial Statements
This improvement clarifies the difference between voluntary additional comparative information and the minimum required comparative information. As a rule, the minimum required comparative information relates to the previous period. The improvement will not have an impact on the Bank and is effective for annual periods beginning on or after 1 January 2013.

2.4 Basis of consolidation

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

Subsidiaries

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

Financial statements of subsidiaries are included in the consolidated financial statements from the date on which control commences until the date control ceases. A complete list of subsidiaries is shown in Note 38, Related parties. Subsidiaries are accounted for by integral consolidation showing non-controlling interests in equity.

Transactions eliminated on consolidation

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

2.5 Business combinations

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

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

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

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

3. Significant accounting judgments and estimates

The preparation of financial statements in conformity with IFRS requires the use of judgments and estimates that affect the recognition and valuation of assets and liabilities, the disclosure of contingent liabilities as at the date of the financial statements and the reported amounts of income and expenses during the reporting period. Although these estimates are based on management's best knowledge of current events and actions, the actual results may ultimately differ from these estimates. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to an accounting estimate is recognized in the period in which the estimate is revised.

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

Going concern
Part of the agreement between ORIX and Rabobank Nederland is that Robeco Direct N.V. will be transferred to Rabobank Nederland. As from signing, the Bank's management is closely involved in this process. The transfer will lead to a change of ownership and may result in a changing composition of the balance sheet. It is not known yet how Robeco Direct N.V. and certain activities will be integrated in Rabobank Nederland. Despite the aforementioned uncertainty, the Bank's management is of the opinion that the 2012 Annual Report can be drawn up applying the going concern assumption.

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

Impairment of financial instruments available-for-sale and at amortized cost
The Bank reviews its financial assets classified as available-for-sale and those at amortized cost at each reporting date to assess whether they are impaired. See also Note 4.16, Impairment of financial assets for further details.

4. Summary of significant accounting policies

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

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

4.1 Foreign currency translation

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

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

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

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

4.2 Interest income

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

4.3 Interest expense

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

4.4 Fee and commission income

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

4.5 Fee and commission expense

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

4.6 Non-controlling interests

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

4.7 Cash and balances with central banks

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

4.8 Due from banks

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

4.9 Derivative financial instruments

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

Derivative financial instruments partly consist of total return swaps. The Bank enters into structured transactions, resulting in the recognition of total return swaps and other financial instruments in the statement of financial position. A total return swaps is a financial instrument whose value is derived from an underlying instrument or product. Through a total return swap, the market risk and economic returns of an underlying financial instrument is transferred to a client. Total return swaps are recognized at fair value at reporting date. Net changes in the fair value of the underlying financial instruments are recognized in Results on financial assets, while the economic returns are mostly recognized in Interest income or expense.

4.10 Financial assets held for trading

Financial assets are classified as held for trading if they are acquired for the purpose of selling in the near future. Initially, they are recognized at fair value with transaction costs being taken to the income statement. Subsequently, all other realized and unrealized changes in fair value are included in Results on financial assets held for trading upon remeasurement of trading financial assets. Interest earned and dividends received are also reported as Results on financial assets held for trading. All purchases and sales of financial assets held for trading that require delivery within the timeframe established by regulation or market convention (regular-way purchases and sales) are recognized at trade date.

4.11 Financial assets at fair value through profit or loss

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

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

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

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

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

4.12 Financial assets available-for-sale

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

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

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

4.13 Loans and advances

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

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

4.14 Financial assets held-to-maturity

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

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

4.15 Derecognition of financial instruments

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

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

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

4.16 Impairment of financial assets

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

Objective evidence of impairment includes observable data about:
- significant financial difficulties of the issuer;
- 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;
- disappearance of an active market for that financial asset due to financial difficulties;
- indications of a measurable decrease in the estimated future cash flows from a group of financial assets since the initial recognition of those assets.

For debt instruments classified as available-for-sale, held-to-maturity or loans and advances, impairment is assessed if there is objective evidence that an impairment loss has been incurred. If, in a subsequent period, the fair value of an impaired debt instrument increases and the increase can be objectively related to a credit event occurring after the impairment loss was recognized in the income statement, fair value increases will be reversed through the income statement up to the impaired amount, unless the credit event has been reversed in its entirety, in which case the impairment loss will be fully reversed through the income statement with any difference to the fair value reflected in other comprehensive income.

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

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

4.17 Other assets
Other assets are measured at cost, where applicable using the effective interest method. Other assets mainly comprise interest receivable, accrued income and capitalized structuring fees. Capitalized structuring fees are recognized upfront and amortized over the maturity of the related products.

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

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

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

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

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

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

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

4.20 Issued securities

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

4.21 Other liabilities

Other liabilities are initially recognized at amortized cost.

4.22 Subordinated loans

Subordinated loans are initially recognized at amortized cost.

4.23 Equity attributable to equity holder of the parent

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

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

NOTES TO THE CONSOLIDATED INCOME STATEMENT

5. Interest income

In millions of euro	2012	2011
Financial assets available-for-sale	65	84
Loans and advances	68	72
Other financial assets	5	11
Interest income on financial assets not at fair value through profit or loss	**138**	**167**
Derivative financial instruments	15	18
Financial assets held for trading	10	9
Financial assets at fair value through profit or loss	56	61
Interest income on financial assets at fair value through profit or loss	**81**	**88**
Total	**219**	**255**

6. Interest expense

In millions of euro	2012	2011
Due to customers and banks	138	150
Other interest expenses	1	1
Interest expense on financial assets not at fair value through profit or loss	**139**	**151**
Derivative financial instruments	50	54
Interest expense on financial assets at fair value through profit or loss	**50**	**54**
Total	**189**	**205**

7. Fee and commission income

In millions of euro	2012	2011
Management fees	22	30
Other fee and commission income	2	2
Total	**24**	**32**

8. Fee and commission expense

In millions of euro	2012	2011
Distribution and maintenance fees	2	3
Other fee and commission expenses	-	1
Total	**2**	**4**

9. Results on financial assets held for trading

In millions of euro	2012	2011
Results on debt securities	10	-2
Results on equity securities	-8	13
Results on derivative financial instruments	-7	-10
Results on foreign currencies	-	-3
Total	**-5**	**-2**

The results on equity securities include EUR 0.3 million in dividends received in 2012 (2011: EUR 1.7 million).

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

In millions of euro	2012	2011
Results on debt instruments	36	-4
Results on equity securities	7	-6
Total	**43**	**-10**

The results on financial assets at fair value through profit or loss rose mainly due to unrealized gains on debt instruments that benefited from historically low market interest yields and tightened credit spreads.

11. Results on financial assets available-for-sale

In millions of euro	2012	2011
Results on debt instruments	14	3
Results on equity securities	4	-
Total	**18**	**3**

Gains on debt instruments mainly result from the sale of earlier impaired ABSs. Upon the sale of earlier impaired ABSs, the accumulated impairment losses of those titles amounted to EUR 25 million.

12. Other income

In millions of euro	2012	2011
Release account balances from unknown beneficiaries	1	2
Total	**1**	**2**

13. Employee benefits expense

Employee benefits expenses over 2012 are nil. On 31 March 2011, the last entity with staff was transferred to Oddo & Cie.

14. Administrative expenses

In millions of euro	2012	2011
Lump-sum recharge	53	53
Foreign offices	-	1
Other expenses	3	4
Total	**56**	**58**

The lump-sum recharge concerns personnel, housing and ICT expenses. These expenses are incurred by affiliate Robeco Nederland B.V. for the Dutch activities and recharged based on a consistently applied cost allocation model. Robeco Nederland B.V. is legally the employer of personnel, recharging related expenses to the Bank. On average, the lump-sum recharge contains 287 FTEs (2011: 305 FTEs) direct and indirect personnel, apart from housing and ICT expenses.

15. (Reversal of) impairment loss

The (reversal of) impairment loss relates predominantly to asset-backed securities. Based on the economic circumstances and the market situation in 2012 and 2011, we made an assessment of all our investment portfolios. The outcome of this in-depth analysis resulted in 2012 in no new titles being impaired as well as the reversal of earlier impairment losses of 2 asset-backed securities (EUR 7 million; 2011: nil) and the recognition of fair value changes of earlier impaired instruments (EUR 6 million net gain; 2011: EUR 6 million net loss) in the income statement. Value adjustments on credits to customers regard net additions to the mortgage provisions.

In millions of euro	**2012**	**2011**
Impairment of financial assets available-for-sale:		
- asset-backed securities (earlier impaired)	1	7
- other debt securities (earlier impaired)	1	-
Reversal of impairment of financial assets available-for-sale:		
- asset-backed securities	-7	-
Positive fair value changes of financial assets available-for-sale:		
- asset-backed securities (earlier impaired)	-8	-1
Value adjustments on credits to customers:		
- loans and advances	1	-
- fair value through profit or loss	1	-
Total	**-11**	**6**

16. Result from group companies

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

17. Income tax

In millions of euro	**2012**	**2011**
Income statement		
Current year	-16	-1
Income tax reported in the income statement	**-16**	**-1**
Statement of comprehensive income		
Unrealized loss on financial assets available-for-sale	-20	1
Income tax charged directly to comprehensive income	**-20**	**1**

The reconciliation between income tax expense and accounting result for the years 2012 and 2011 is as follows:

In millions of euro	**2012**	**2011**
Operating result before tax	**64**	**5**
Income tax at statutory tax rate: 25.0%	-16	-1
Result from group companies (tax exempt)	0	0
Income tax reported in income statement	**-16**	**-1**
Effective tax rate	**24.5%**	**23.4%**

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

NOTES TO THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION

18. Cash and balances with central banks

This item comprises EUR 65 million in mandatory reserves at central banks (2011: EUR 142 million). EUR 62 million was held on average from 12 December 2012 to 16 January 2013 (EUR 135 million from 14 December 2011 to 18 January 2012) to satisfy regulatory liquidity requirements set by the Dutch central bank and is therefore restricted.

19. Due from banks

In millions of euro	**2012**	**2011**
Bank balances available on demand	590	671
Cash collateral paid	23	25
Broker positions	2	13
Total	**615**	**709**

Broker positions result from the differences between trade and settlement dates of transactions.

20. Derivative financial instruments

In millions of euro	**2012**			**2011**		
	Notional/ Contract	**Fair value**		**Notional/ Contract**	**Fair value**	
		Assets	**Liabilities**		**Assets**	**Liabilities**
Total return swaps	102	1	102	120	1	121
Interest rate swaps	1,322	15	75	2,333	17	160
Swaptions	-	1	1	-	2	2
Credit default swaps	56	0	0	38	0	0
Foreign currency forwards	163	1	0	173	0	3
Total		**18**	**178**		**20**	**286**

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

Positive fair values represent the cost incurred by the Bank in replacing all transactions with a receivable if all counterparties were to default. Negative fair values represent the cost incurred by counterparties in replacing all transactions if the Bank were to default. Positive and negative fair values are included separately in the statement of financial position. Derivative financial instruments become favorable (assets) or unfavorable (liabilities) upon movements in the underlying risk factors, such as interest rates or foreign currency rates. The total contract size or notional of derivative financial instruments held, the extent they are favorable or unfavorable and hence the fair values of derivative financial instruments may vary significantly.

21. Financial assets held for trading

In millions of euro	**2012**	**2011**
Debt securities	195	114
Equity securities	290	334
Total	**485**	**448**

Financial assets held for trading include EUR 161 million (2011: EUR 194 million) held to back total return swaps entered into with Rabobank and other financial institutions, and to back structured notes issued by the Bank to meet specific investment objectives of note holders bearing the investment risk arising from financial assets held for trading.

22. Financial assets at fair value through profit or loss

In millions of euro	**2012**	**2011**
Mortgage portfolio	-	695
Government bonds	396	404
Bank bonds	350	469
Other debt securities	206	188
Equity securities	53	43
Total	**1,005**	**1,799**

Government bonds, bank bonds and other debt securities are managed as one portfolio. Although the interest rate risk for this portfolio is largely hedged by interest rate swaps, the Bank decided not to apply hedge accounting. In late 2012, the mortgage portfolio (notional amount: EUR 600 million) was repurchased at net book value by the originator together with the accompanying saving deposits and interest rate swap. This package formed part of the fair value portfolio on which the Bank applied the fair value option.

23. Financial assets available-for-sale

In millions of euro	**2012**	**2011**
Government bonds	946	975
Bank bonds	1,061	993
Asset-backed securities	587	688
Other debt securities	348	321
Equity securities	59	63
Total	**3,001**	**3,040**

Accrued interest on impaired available-for-sale assets totals EUR 0.1 million at 31 December 2012 (2011: EUR 0.3 million).

24. Loans and advances

In millions of euro	**2012**	**2011**
Mortgages	841	898
Private sector loans	639	776
Public sector loans	291	329
Other loans and advances	43	54
Total	**1,814**	**2,057**

Accrued interest on impaired loans and advances at 31 December 2012 and 2011 was negligible. For details on the loan loss allowance, reference is made to the loan loss allowance table in Note 37, Credit risk section. The Bank holds collateral relating to mortgages consisting of residential properties.

25. Financial assets held-to-maturity

In millions of euro	**2012**	**2011**
Government bonds	51	97
Bank bonds	4	17
Total	**55**	**114**

26. Other assets

In millions of euro	2012	2011
Interest receivable and accrued income	84	93
Capitalized structuring fee	5	8
Other assets	8	12
Total	**97**	**113**

27. Due to banks

In millions of euro	2012	2011
Balances available on demand	734	1,153
Broker positions	3	34
Cash collateral received	1	-
Total	**738**	**1,187**

Balances available on demand refer to saving accounts through third-party distributors. Cash collateral received regards bank balances held for counterparty risk arising from derivative transactions.

28. Due to customers

In millions of euro	2012	2011
Savings available on demand	5,315	6,124
Savings not available on demand	91	66
Other amounts due to customers	-	4
Total	**5,406**	**6,194**

Savings available on demand refer to savings accounts from private and small business customers. Savings not available on demand regard savings in relation to mortgages ("bankspaarhypotheken") provided by Obvion, a Rabobank subsidiary.

29. Issued securities

In millions of euro	2012	2011
Issued securities at fair value through profit or loss	162	192
Issued securities at amortized cost	1	2
Total	**163**	**194**

At 31 December 2012, the notional amounts total EUR 175 million (2011: EUR 208 million). The Bank issued structured notes with principal protection (notional: EUR 62 million; fair value: EUR 62 million) and without principal protection (notional: EUR 113 million; fair value: EUR 101 million). All notes are linked to the Bank's private equity, commodity trading and fixed income capabilities. The Bank has observed no credit events in 2012 and 2011 that affected the fair value of issued securities.

30. Deferred tax liabilities

In millions of euro	2012	2011
At 1 January	**-**	**-**
Addition from current income tax	7	-
At 31 December	**7**	**-**

Deferred tax liabilities regard differences between the fiscal and commercial value of available-for-sale assets.

31. Other liabilities

In millions of euro	2012	2011
Accrued interest payable	93	110
Creditors	7	18
Total	**100**	**128**

32. Subordinated loans

Two loans with variable interest rates, totaling EUR 38 million (2011: EUR 38 million), are granted to the Bank by Rabobank Nederland. The loans are subordinated to all other present and future liabilities. Their term is indefinite and subject to a five-year notice period. The loans can only be repaid once the Dutch central bank removes the subordination in writing.

Average variable interest rates	Notional amounts	2012	2011
Rabobank Nederland	EUR 26 million	1.17%	1.73%
Rabobank Nederland	EUR 12 million	1.17%	1.73%

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

The authorized share capital amounts to EUR 1 million (2011: EUR 1 million), consisting of 200,000 shares with a nominal value of EUR 5 each, of which EUR 340,340 is fully paid in. The number of shares has not changed. The Shareholder is entitled to receive dividend when declared and to vote on a one vote per share basis at Robeco Direct N.V.'s Shareholder's Meetings.

34. Non-controlling interests

In millions of euro	2012	2011
At 1 January	**0**	**1**
Changes in assets and liabilities (minority shareholders)	3	-1
Result for the year attributable to non-controlling interests	0	0
At 31 December	**3**	**0**

Non-controlling interests relates to minority shares in Robeco Asian Stars Equities of 28% and Kentyde Diversified Fund of 9% (2011: Robeco Asian Stars Equities of 4%).

35. Employee benefits

In the Netherlands, the Bank does not employ personnel itself: Robeco Nederland B.V. is legally the employer of personnel, recharging related expenses to the Bank based on a consistently applied cost allocation model. Robeco Nederland B.V. grants contributory pension benefits based on an average-pay scheme to personnel upon reaching the age of 65. The defined benefit plan comprises a retirement pension scheme, a surviving dependents' pension scheme and a disability pension scheme. It only applies to salaries up to EUR 76,323 (2011: EUR 75,010). A defined contribution plan applies to salaries exceeding that amount.

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

For the disclosure of the financial recognition of the employee benefits plan and the assumptions underlying the calculation of the employee benefits obligation, the Bank refers to the Annual report 2012 of its parent Robeco Groep N.V., which is published on the website www.robeco.com.

36. Contingent liabilities

Capital commitments
The Bank has entered into a commitment to repurchase specific bonds if requested by the bondholders. It can unwind these securities with a nominal amount of EUR 280 million (2011: EUR 343 million) without incurring a loss. At 31 December 2012, the Bank has EUR 539 million (2011: EUR 580 million) in irrevocable credit facilities relating to mortgages, that are all secured by customers' assets. At year-end, the Bank has capital commitments of EUR 37 million with respect to co-investments in private equity funds (2011: EUR 49 million).

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

In millions of euro		2012		2011
	Carrying amount	**Notional**	**Carrying amount**	**Notional**
Financial assets:				
- fair value through profit or loss	152	145	88	86
- available-for-sale	365	343	295	285
- held-to-maturity	51	50	52	50
Total	**568**	**538**	**435**	**421**

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

Deposit guarantee scheme
The purpose of the Dutch deposit guarantee scheme is to provide security to account holders in the event of a bank failure. The scheme guarantees deposits for a maximum amount of EUR 100,000 per private person per bank, irrespective of the number of accounts. In case of a joint account with two persons, it applies per private person as a maximum. The scheme covers all savings accounts in the name of private persons, but not investments in funds, shares or bonds. In case of a bank failure, the Dutch central bank provides advance payments to account holders for the balances covered by the deposit guarantee scheme. The total advances by the Dutch central bank are refunded by all banks operating in the Netherlands based on a cost allocation scheme reduced for any proceeds generated from the wind-down of the failed credit institution.

37. Financial risk management objectives and policies

37.1 Introduction

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

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

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

37.2 Credit risk

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

An overall limit in terms of economic capital applies to credit risk. With respect to most credit exposures, capital requirement calculations are based on internal models for probability of default, loss given default, exposure at default and maturity. With respect to securitizations, the Bank applies the Rating Based approach of the Basel II Securitization Framework. For equity exposures (mostly co-investments), the Simple Risk Weight approach is used. For immaterial portfolios (non-retail mortgages and corporate bonds), the Bank applies the Standardized Approach. The overall economic capital limit is complemented by controls aimed at preventing concentration risk in the portfolio. The controls relate to exposure by issuer, issue and sector. In addition, the portfolio size of corporates, mortgages and asset-backed securities is contained by a strict limit and control structure. Transactions may only be undertaken in authorized products to secure correct processing in front, mid and back office systems.

The Bank's management receives credit risk reports on a weekly basis. The Asset and Liability Committee receives monthly credit risk reports containing a detailed overview of the different types of exposures and corresponding capital requirements as well as an analysis of the changes in credit risk exposures. The report also includes a description of market developments.

The maximum credit risk exposure for items in the statement of financial position, including derivative financial instruments, is shown gross before mitigation using master netting and collateral agreements. Where financial instruments are measured at fair value, the amounts shown represent the current credit risk exposure, but not the maximum exposure that could arise in the future due to fair value changes.

In millions of euro	**Notes**	**2012**	**2011**
Cash and balances with central banks	18	65	142
Due from banks	19	615	709
Derivative financial instruments	20	18	20
Financial assets at fair value through profit or loss	22	1,005	1,799
Financial assets available-for-sale	23	3,001	3,040
Loans and advances	24	1,814	2,057
Financial assets held-to-maturity	25	55	114
		6,573	**7,881**
Contingent liabilities – credit-related obligations:			
- irrevocable credit facilities	36	539	580
- capital commitments	36	37	49
Total		**7,149**	**8,510**

<u>Risk concentrations of the maximum exposure to credit risk</u>

Risk concentration is managed and monitored by counterparty. At year-end, the largest credit exposure to one counterparty or client is EUR 1,484 million (2011: EUR 1,491 million) on Rabobank Nederland, which is included in the line Financial institutions.

In millions of euro	2012		2011	
Central governments and central banks	2,317	32.4%	2,733	32.1%
Financial institutions	2,057	28.8%	2,292	26.9%
Corporates	596	8.3%	488	5.8%
Retail	1,434	20.1%	2,154	25.3%
Equity	158	2.2%	155	1.8%
Securitizations	587	8.2%	688	8.1%
Total	**7,149**	**100.0%**	**8,510**	**100.0%**

Exposure to Southern European and Irish sovereigns

Given the unstable situation in European bond markets, the Bank closely monitors its positions on various European sovereigns. The below table represents the (indirect) exposure to Southern European and Irish sovereigns and indicates, by country, notional amounts and fair values and the weighted remaining duration.

In millions of euro	IFRS category	Notionals	Fair values	Duration
Ireland	FVPL	45	46	0.3 years
Ireland	AFS	5	5	4.5 years
Italy	FVPL	89	91	2.8 years
Italy	AFS	10	10	1.6 years
At 31 December 2012		**149**	**152**	**2.0 years**

Collateral and other credit enhancements

The amount and type of collateral required depends on the assessed counterparty's credit risk. Procedures are in place regarding the acceptability of types of collateral and valuation parameters. The main type of collateral received is mortgages on residential properties for retail lending. For counterparty risk arising from derivative transactions, adequate measures are in place like daily margining and cash collateral exchange. Management monitors the market value of collateral and requests additional collateral in accordance with the underlying agreement, if necessary. The obtained collateral is deemed to be sufficiently convertible into cash.

Credit quality by class of financial asset

Credit quality of financial assets is managed by applying the Rabobank Risk Rating and in certain cases external credit ratings, reflecting the counterparty's probability of default in a one-year period. High-grade assets have a minimal risk to default. Standard-grade assets are adequate to good in terms of credit quality. Sub-standard grade and Past due but unimpaired assets are vulnerable to defaults.

At 31 December 2012, the fair value of residential mortgages totals EUR 834 million (2011: EUR 1,418 million including the repurchased mortgage portfolio as described in Note 22). The effect of overcollateralization for individual assets is eliminated in these amounts. Should a residential mortgage client face financial difficulties, the Bank is able to apply mitigating measures to address these. At year-end 2012, the financial impact hereof, to the extent not already recognized in the loan loss allowance, was deemed to be negligible.

In millions of euro	Neither past due nor impaired			Past due but not impaired	Individually impaired	Total
	High	Standard	Sub-standard			
Cash and central banks	65	-	-	-	-	**65**
Due from banks	613	2	-	-	-	**615**
Financial assets:						
- fair value thr. profit or loss	775	177	-	-	-	**952**
- available-for-sale	2,727	188	2	-	24	**2,941**
- government bonds	*932*	*14*	-	-	-	***946***
- bank bonds	*1,037*	*23*	-	-	-	***1,060***
- asset-backed securities	*489*	*72*	*2*	-	*24*	***587***
- other securities	*269*	*79*	-	-	-	***348***
- loans and advances	1,145	647	16	3	3	**1,814**
- held-to-maturity	55	-	-	-		**55**
At 31 December 2012	**5,380**	**1,014**	**18**	**3**	**27**	**6,443**

In millions of euro	Neither past due nor impaired			Past due but not impaired	Individually impaired	Total
	High	Standard	Sub-standard			
Cash and central banks	142	-	-	-	-	**142**
Due from banks	707	2	-	-	-	**709**
Financial assets:						
- fair value thr. profit or loss	1,027	698	1	23	6	**1,755**
- available-for-sale	2,740	202	3	-	31	**2,976**
- government bonds	*952*	*23*	-	-	-	***975***
- bank bonds	*907*	*85*	-	-	-	***992***
- asset-backed securities	*621*	*33*	*3*	-	*31*	***688***
- other securities	*260*	*61*	-	-	-	***321***
- loans and advances	1,301	747	6	3	-	**2,057**
- held-to-maturity	114	-	-	-	-	**114**
At 31 December 2011	**6,031**	**1,649**	**10**	**26**	**37**	**7,753**

Loan loss allowance

In millions of euro	Loans and advances	Fair value thr. profit or loss	2012	Loans and advances	Fair value thr. profit or loss	2011
At 1 January	**-**	**1**	**1**	**2**	**1**	**3**
Additions	1	2	**3**	-	-	**-**
Write-offs/releases	-	-3	**-3**	-2	-	**-2**
At 31 December	**1**	**-**	**1**	**-**	**1**	**1**

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

In millions of euro	Days past due				Total
	<30	31-60	61-90	>90	
Loans and advances	1	1	-	1	**3**
At 31 December 2012	**1**	**1**	**-**	**1**	**3**
Financial assets at fair value through profit or loss	18	3	2	-	**23**
Loans and advances	1	1	-	1	**3**
At 31 December 2011	**19**	**4**	**2**	**1**	**26**

37.3 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 Bank's asset and liability management activities. The sensitivity of trading book positions to interest rate changes is measured, monitored and controlled as integral part of market risk. Interest rate risk is part of the Pillar II capital adequacy assessment.

Interest rate risk is measured through the Value at Risk of equity on a mark-to-market (fair value) basis. Value at Risk is calculated based on historical simulation, seven years' pricing history, a 99% one-tailed confidence level and a 1-month holding period for all investment books, except for trading books. The Value at Risk at 31 December 2012 (99% confidence level, 1-month holding period) amounts to EUR 6.5 million (2011: EUR 3.6 million) versus a EUR 15 million limit, excluding trading positions included in the market risk Value at Risk.

Given the positions in the investment book, Value-at-Risk calculations give senior management insight in the potential loss threshold of EUR 6.5 million at year-end and the (inverse) 1% probability that this threshold is exceeded due to extreme interest rate movements during the holding period. Main benefit of the historical simulation approach is the non-reliance on statistical assumptions for price and interest rate changes; main disadvantage is the relative importance of the defined sample period and the implicit assumption that a seven-year history is representative for the next holding period. From a risk management perspective, Value-at-Risk calculations are therefore complemented by trading controls. Delta vectors are calculated that represent the absolute change in the equity's market value upon a 1 basis point shock in a single maturity (time bucket) of the yield curve. Level control is implemented to control the overall level of deltas. Curvature control is in place to detect positions that have an extreme barbell character. Barbell positions tend to be duration-neutral. Finally, steepness control restricts an unequal distribution of positive and negative deltas over time buckets.

Additional risk measures applied by the Bank are:

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

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

The tables below summarize the Bank's exposure to interest rate risk and contain the Bank's assets and liabilities measured at carrying amounts, categorized by the earlier of contractual repricing and maturity dates. The off-balance sheet gap represents the net notional amount of interest-rate sensitive derivative financial instruments. The line items Due to banks, Due to customers, Other liabilities and Subordinated loans are part of the IAS 39 item Other financial liabilities. Expected repricing and maturity dates do not differ significantly from the contractual dates, except for the maturity of EUR 845 million (2011: EUR 900 million) in Loans and advances and EUR 6,055 million (2011: EUR 7,343 million) in Due to customers and Due to banks (up to 1 month), of which 80.0% (2011: 77.9%) represent savings account balances, considered by the Bank as a relatively stable core source of funding of its operations.

At 31 December 2012 *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	65	-	-	-	-	-	**65**
Due from banks	613	-	-	-	-	2	**615**
Financial assets:							
- derivative financial instruments	4	3	8	1	-	2	**18**
- held for trading	-	-	86	28	81	290	**485**
- fair value through profit or loss	27	59	97	465	295	62	**1,005**
- available-for-sale	297	573	307	1,580	178	66	**3,001**
- loans and advances	566	201	143	685	219	-	**1,814**
- held-to-maturity	-	5	50	-	-	-	**55**
Other assets	-	-	-	-	-	97	**97**
Total assets	**1,572**	**841**	**691**	**2,759**	**773**	**519**	**7,155**
Due to banks	736	-	-	-	-	2	**738**
Derivative financial instruments	28	2	44	1	-	103	**178**
Due to customers	5,315	-	-	-	91	-	**5,406**
Issued securities	-	-	-	1	-	162	**163**
Other liabilities	-	-	-	-	-	100	**100**
Subordinated loans	-	38	-	-	-	-	**38**
Total liabilities	**6,079**	**40**	**44**	**2**	**91**	**367**	**6,623**
- on-balance sheet	-4,507	801	647	2,757	682	152	**532**
- off-balance sheet	392	24	520	-518	-418	-	**-**
Interest-sensitivity gap	**-4,115**	**825**	**1,167**	**2,239**	**264**	**152**	**532**

At 31 December 2011 *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	142	-	-	-	-	-	**142**
Due from banks	696	-	-	-	-	13	**709**
Financial assets:							
- derivative financial instruments	4	4	9	-	2	1	**20**
- held for trading	-	-	1	73	40	334	**448**
- fair value through profit or loss	61	35	130	916	608	49	**1,799**
- available-for-sale	408	539	224	1,742	56	71	**3,040**
- loans and advances	642	232	133	772	277	1	**2,057**
- held-to-maturity	-	45	13	56	-	-	**114**
Other assets	-	-	-	-	-	113	**113**
Total assets	**1,953**	**855**	**510**	**3,559**	**983**	**582**	**8,442**
Due to banks	1,153	-	-	-	-	34	**1,187**
Derivative financial instruments	113	10	39	-	2	122	**286**
Due to customers	6,127	8	2	12	41	4	**6,194**
Issued securities	-	-	-	2	-	192	**194**
Other liabilities	-	-	-	-	-	128	**128**
Subordinated loans	-	38	-	-	-	-	**38**
Total liabilities	**7,393**	**56**	**41**	**14**	**43**	**480**	**8,027**
- on-balance sheet	-5,440	799	469	3,545	940	102	**415**
- off-balance sheet	460	952	434	-747	-1,099	-	**-**
Interest-sensitivity gap	**-4,980**	**1,751**	**903**	**2,798**	**-159**	**102**	**415**

37.4 Liquidity risk

The Bank is exposed to daily calls on its available cash resources from overnight deposits, maturing deposits and other financial instruments, non-maturity retail saving accounts, guarantees, commitments and margin calls on cash-settled derivative financial instruments. The Bank does not maintain cash resources to meet all these needs as experience shows that withdrawals of funds (mainly retail savings) usually go 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 and on an ad-hoc basis, if needed.

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

Management monitors its clients' cash flow patterns on a daily basis and the liquidity position on a monthly basis. The Asset and Liability Committee receives a monthly liquidity risk report in which daily, weekly and monthly liquidity indicators are shown for normal and stressed circumstances. The report contains assessments on potential clients' behavior and the most recent insight in the marketability of financial assets held. The analysis made is supplementary to liquidity reports prepared for regulatory purposes. As part of the regular process in 2012, the internal scenarios were reviewed taking market conditions and regulations into consideration.

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

At 31 December 2012 *In millions of euro*	**On demand**	**Up to 1 month**	**1-3 months**	**3-12 months**	**1-5 years**	**Over 5 years**	**No maturity**	**Total**
Cash/balances central banks	65	-	-	-	-	-	-	**65**
Due from banks	591	24	-	-	-	-	-	**615**
Financial assets:								
- held for trading	-	-	-	72	25	91	290	**478**
- fair value through profit or loss	-	-	56	107	464	269	53	**949**
- available-for-sale	-	82	68	356	2,286	161	59	**3,012**
- loans and advances	-	19	71	144	563	1,015	-	**1,812**
- held-to-maturity	-	-	5	50	-	-	-	**55**
Other assets	-	39	29	67	427	168	-	**730**
Total financial assets	**656**	**164**	**229**	**796**	**3,765**	**1,704**	**402**	**7,716**
Due to banks	-	738	-	-	-	-	-	**738**
Due to customers	4,346	969	-	-	-	91	-	**5,406**
Issued securities	-	-	-	34	1	140	-	**175**
Other liabilities	-	99	-	3	16	11	-	**129**
Subordinated loans	-	-	-	-	-	38	-	**38**
Total financial liabilities	**4,346**	**1,806**	**-**	**37**	**17**	**280**	**-**	**6,486**
Financial assets	-	2	4	3	13	1	-	**23**
Financial liabilities	-	2	1	47	89	52	-	**191**
Gross-settled derivatives	**-**	**-**	**3**	**-44**	**-76**	**-51**	**-**	**-168**
Commitments/guarantees	576	-	-	-	-	-	-	576
Net financial assets/liabilities	**-4,266**	**-1,642**	**232**	**715**	**3,672**	**1,373**	**402**	**486**

At 31 December 2011 *In millions of euro*	**On demand**	**Up to 1 month**	**1-3 months**	**3-12 months**	**1-5 years**	**Over 5 years**	**No maturity**	**Total**
Cash/balances central banks	142	-	-	-	-	-	-	**142**
Due from banks	671	38	-	-	-	-	-	**709**
Financial assets:								
- held for trading	-	-	-	1	77	37	334	**449**
- fair value through profit or loss	-	3	16	110	645	870	43	**1,687**
- available-for-sale	-	38	36	294	2,345	287	63	**3,063**
- loans and advances	-	51	74	175	693	1,044	2	**2,039**
- held-to-maturity	-	-	45	13	54	-	-	**112**
Other assets	-	48	37	161	580	260	-	**1,086**
Total financial assets	**813**	**178**	**208**	**754**	**4,394**	**2,498**	**442**	**9,287**
Due to banks	-	1,187	-	-	-	-	-	**1,187**
Due to customers	4,906	1,225	9	1	4	33	-	**6,178**
Issued securities	-	-	-	7	44	157	-	**208**
Other liabilities	-	117	1	-	10	-	-	**128**
Subordinated loans	-	-	-	-	-	38	-	**38**
Total financial liabilities	**4,906**	**2,529**	**10**	**8**	**58**	**228**	**-**	**7,739**
Financial assets	-	1	3	1	10	6	-	**21**
Financial liabilities	-	1	6	19	121	147	-	**294**
Gross-settled derivatives	**-**	**-**	**-3**	**-18**	**-111**	**-141**	**-**	**-273**
Commitments/guarantees	629	-	-	-	-	-	-	**629**
Net financial assets/liabilities	**-4,722**	**-2,351**	**195**	**728**	**4,225**	**2,129**	**442**	**646**

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

The Bank maintains a portfolio of highly marketable and diverse assets, a major part of which is assumed to be easily liquidated in the event of an unforeseen interruption of cash flow. Moreover, the Bank maintains a statutory deposit with the Dutch central bank equal to 1% of customer deposits. In addition, a relatively large cash position is held with Rabobank Nederland. In accordance with the Bank's policy, the liquidity position is assessed and managed under a variety of scenarios, giving due consideration to stress factors relating to both the market in general and the Bank in particular.

37.5 Currency risk

The Bank is exposed to the impact of fluctuations in the prevailing foreign currency rates on its financial position and cash flows. The Management Board sets limits on the level of exposure by currency and in total, which are monitored on a daily basis (trading financial instruments) or a monthly basis for non-trading currency exposures as part of managing translation risks. There were no significant exposures in foreign currencies at reporting date. Currency risk capital requirements at 31 December 2012 total EUR 3.6 million (2011: EUR 4.3 million).

37.6 Market risk

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

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

The Value at Risk of a trading portfolio is the maximum loss in that portfolio in a given holding period at a particular confidence level, assuming that positions cannot be adjusted during the holding period. At a confidence level of 97.5%, for example, the daily Value-at-Risk figure represents the threshold for the potential trading loss that will not be exceeded in 195 out of 200 trading days. The main objective of Value-at-Risk calculations is to provide senior management with insight in this loss threshold and the probability (5 out of 200 days) of exceeding that threshold. To attain this objective, the Value-at-Risk methodology is able to represent risk in equivalent units across products traded, permitting consolidation and effective comparison of risk factors across the various trading activities. Several Value-at-Risk figures are calculated: (i) Value at Risk (97.5% confidence interval, one-day close-out period) for limit-setting and daily monitoring purposes and (ii) the Value at Risk (99% confidence interval, one-day holding period) is backtested against hypothetical and actual results on a daily basis to demonstrate model integrity. The Value at Risk at 31 December 2012 (97.5% one-tailed confidence level, one-day holding period) amounts to EUR 0.4 million (2011: EUR 0.8 million) versus a limit of EUR 1.6 million.

Main benefit of the historical simulation approach is that it does not rely on statistical assumptions (what is known as a normal distribution for daily returns of trading portfolio assets). The main disadvantage is the relative importance of the sample period and the implicit assumption that the 260 historical scenarios are representative for the next holding period. Moreover, Value at Risk is meant for 'normal' circumstances. Therefore, Value-at-Risk calculations are complemented by trading controls, stress testing and operational restrictions, designed to 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. Note that limits are more important in terms of excess/change procedures than trading controls. Transactions may only be undertaken in authorized products to secure correct processing through front-, mid- and back-office systems. Limits and trading controls are monitored for excesses on a daily basis. Changes in limits and trading controls as well as excesses require approval from the Head of Global Risk Management, the Asset and Liability Committee or Risk Committees on Rabobank group level, depending on the scope or severity.

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

37.7 Fair value of financial instruments

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

With respect to financial instruments carried at fair value, market prices or rates are used to determine the fair value where an active market exists (such as a recognized stock exchange), as it is the best evidence of the fair value of a financial instrument. If no active market price or rate is available, fair values are estimated using present value or other valuation techniques, using inputs based on market conditions existing at reporting date.

Values derived from applying these techniques are significantly affected by the chosen valuation model and the made underlying assumptions regarding factors such as amounts and timing of future cash flows, discount rates, volatility and credit risk. For the valuation of options in structured products, a (standard) option valuation model is applied in combination with a 'Volatility-observing rule' and allows for a differentiation of volatilities for different option maturities. This initial Volatility Rule methodology is set by the Valuation Committee.

In millions of euro	31 December 2012		31 December 2011	
	Carrying amount	Fair value	Carrying amount	Fair value
Cash and balances with central banks	65	65	142	142
Due from banks	615	615	709	709
Derivative financial instruments	18	18	20	20
Financial assets held for trading	485	485	448	448
Fin. assets at fair value through profit or loss	1,005	1,005	1,799	1,799
Financial assets available-for-sale	3,001	3,001	3,040	3,040
Loans and advances	1,814	1,846	2,057	2,093
Financial assets held-to-maturity	55	56	114	116
Financial assets	**7,058**	**7,091**	**8,329**	**8,367**
Due to banks	738	738	1,187	1,187
Derivative financial instruments	178	178	286	286
Due to customers	5,406	5,406	6,194	6,194
Issued securities	163	162	194	193
Subordinated loans	38	38	38	38
Financial liabilities	**6,524**	**6,523**	**7,899**	**7,898**

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

1. Trading financial instruments, financial instruments designated at fair value through profit or loss and derivative financial instruments are measured at fair value by reference to quoted market prices when available. If quoted market prices are not available, the fair value is estimated on the basis of appropriate discounted cash flow models and option valuation models.
2. Financial instruments classified as available-for-sale are measured at fair value by reference to quoted market prices when available. If quoted market prices are not available, the fair value is estimated on the basis of appropriate discounted cash flow models and option valuation models.
3. The fair value of on-demand deposits and savings accounts with no specific maturity is assumed to be equal to the amount payable on demand at reporting date (i.e., their carrying amounts at that date).
4. The carrying amount of cash and cash equivalents as well as other assets maturing within 12 months is assumed to approximate their fair values. This assumption is applied to cash and cash equivalents and the short-term elements of all other financial instruments.
5. The fair value of variable-rate financial assets is based on the carrying amount until maturity. Changes in the credit quality of loans within the portfolio are not taken into account in determining the fair value. The

impact of credit risk is recognized separately by use of an allowance which is determined by an individual assessment of loans as to whether objective evidence of impairment exists. The fair value of the loans is reduced by this allowance.

6. The fair value of fixed-rate loans and mortgages at amortized cost is estimated using discounted cash flow models based on current market rates offered on similar loans. Changes in the credit quality of loans within the portfolio are not taken into account in determining the fair value. The impact of credit risk is recognized separately by use of an allowance which is determined by an individual assessment of loans as to whether objective evidence of impairment exists. The fair value of the loans is reduced by this allowance.

The tables hereafter show the methods used to determine the fair value of financial instruments carried at fair value. Level-1 financial instruments are valued against quoted prices in active markets. The fair value of Level-2 financial instruments is calculated with valuation techniques using market-observable input data, whereas the valuation techniques for Level-3 financial instruments apply non-market-observable input data.

At 31 December 2012 *In millions of euro*	**Level 1**	**Level 2**	**Level 3**	**Total**
Financial assets				
- derivative financial instruments:	-	18	-	**18**
- interest rate swaps	-	*15*	-	***15***
- other derivatives	-	*3*	-	***3***
- held for trading:	64	233	188	**485**
- debt securities	*63*	*132*	-	***195***
- equity securities	*1*	*101*	*188*	***290***
- fair value through profit or loss:	965	39	1	**1,005**
- government bonds	*396*	-	-	***396***
- bank bonds	*350*	-	-	***350***
- other debt securities	*179*	*27*	-	***206***
- equity securities	*40*	*12*	*1*	***53***
- available-for-sale:	2,412	512	77	**3,001**
- government bonds	*946*	-	-	***946***
- bank bonds	*1,061*	-	-	***1,061***
- asset-backed securities	*58*	*512*	*17*	***587***
- other debt securities	*347*	-	*1*	***348***
- equity securities	-	-	*59*	***59***
Financial liabilities				
- derivative financial instruments:	-	178	-	**178**
- total return swaps	-	*102*	-	***102***
- interest rate swaps	-	*75*	-	***75***
- other derivatives	-	*1*	-	**-**
- issued securities:	-	96	67	**163**
- fair value through profit or loss	-	*96*	*67*	***163***

At 31 December 2011 *In millions of euro*	Level 1	Level 2	Level 3	Total
Financial assets				
- derivative financial instruments:	-	20	-	**20**
- interest rate swaps	-	*17*	-	***17***
- other derivatives	-	*3*	-	***3***
- held for trading:	56	206	186	**448**
- debt securities	*47*	*67*	-	***114***
- equity securities	*9*	*139*	*186*	***334***
- fair value through profit or loss:	1,064	726	9	**1,799**
- mortgage portfolio	-	*695*	-	***695***
- government bonds	*404*	-	-	***404***
- bank bonds	*460*	-	*9*	***469***
- other debt securities	*163*	*25*	-	***188***
- equity securities	*37*	*6*	-	***43***
- available-for-sale:	2,327	614	99	**3,040**
- government bonds	*975*	-	-	***975***
- bank bonds	*993*	-	-	***993***
- asset-backed securities	*39*	*614*	*35*	***688***
- other debt securities	*320*	-	*1*	***321***
- equity securities	-	-	*63*	***63***
Financial liabilities				
- derivative financial instruments:	-	286	-	**286**
- total return swaps	-	*118*	-	***118***
- interest rate swaps	-	*160*	-	***160***
- other derivatives	-	*8*	-	***8***
- issued securities:	-	109	83	**192**
- fair value through profit or loss	-	*109*	*83*	***192***

Transfers of financial instruments between fair value hierarchy levels

In millions of euro	2012	2011
Transfers from Level 1 to Level 2		
Financial assets available-for-sale – asset-backed securities	39	90
Transfers from Level 2 to Level 1		
Financial assets available-for-sale – asset-backed securities	56	39

This year, ten asset-backed securities moved from Level 2 to Level 1, because recent trades in active markets were observed. Moreover, one asset-backed security (carrying amount: EUR 2 million) transferred from Level 3 to Level 1 this year, as a recent trade in an active market was noted. Four asset-backed securities transferred from Level 1 to Level 2, because their fair values were obtained applying valuation techniques with market-observable inputs as they ceased to be actively traded. Last year, one asset-backed security (carrying amount 2011: EUR 4 million) transferred from Level 1 to Level 3, because it ceased to be actively traded and its valuation incorporated non-market-observable inputs, of which the effect on its price was significant.

Certain asset-backed securities (carrying amount 2012: EUR 9 million; 2011: EUR 16 million) transferred from Level 2 to Level 3, as the effect of non-market observable inputs on prices calculated by the valuation models increased from minor to significant, while other asset-backed securities (carrying amount 2012: EUR 20 million; 2011: EUR 30 million) transferred from Level 3 to Level 2, because the effect of non-market observable inputs on their prices calculated by valuation models decreased from significant to minor.

For Level-3 trading financial assets, the Bank may adjust its latest valuation to reduce the time lag between the period of valuation and the availability of additional information from independent fund managers at reporting date. The fair value sensitivity of Level-3 financial assets mainly comprises trading and co-investment equities and shows that a 5% movement in the valuation of the underlying investment funds results in a EUR 12 million fair value variance (2011: EUR 11 million).

Movements in Level-3 financial instruments at fair value

In millions of euro	Available-for-sale			Fair value through profit or loss			Trading
	Asset-backed securities	Other debt securities	Equity securities	Bank bonds	Equity securities	Issued securities	Equity securities
At 1 January 2012	**35**	**1**	**63**	**9**	**-**	**-83**	**186**
Fair value results:							
- *Income statement*	*8*	-	-	-	-	*9*	*-4*
- *Oth. comprehensive inc.*	*1*	-	-	-	-	-	-
Purchases	-	-	-	-	1	7	12
Sales and redemptions	-14	-	-4	-9	-	-	-6
Transfer to Level 1/2 *	-22	-	-	-	-	-	-
Transfer from Level 1/2 *	9	-	-	-	-	-	-
At 31 December 2012	**17**	**1**	**59**	**-**	**1**	**-67**	**188**
At 1 January 2011	**50**	**2**	**63**	**-**	**-**	**-97**	**161**
Fair value results:	-3	-1	3	-1	-	-2	9
- *Income statement*	*-1*	*-1*	-	*-1*	-	*-2*	*9*
- *Oth. comprehensive inc.*	*-2*	-	*3*	-	-	-	-
Purchases	-	-	1	10	-	17	49
Sales and redemptions	-2	-	-4	-	-	-1	-33
Transfer to Level 2 *	-30	-	-	-	-	-	-
Transfer from Level 1/2 *	20	-	-	-	-	-	-
At 31 December 2011	**35**	**1**	**63**	**9**	**-**	**-83**	**186**

* Once a year, transfers from and to Level 3 are determined at 31 December.

Results on Level-3 financial instruments

In millions of euro	2012		2011	
	Realized	Unrealized	Realized	Unrealized
Fair value gains/(losses):	7	6	4	2
- *available-for-sale*	*8*	-	-	-
- *fair value through profit or loss*	*-2*	*11*	-	*-3*
- *held for trading*	*1*	*-5*	*4*	*5*
Impairment loss	-	-2	-	-3
Reversal of impairment loss	-	2	-	1
Total	**7**	**6**	**4**	**-**

37.8 Capital

The Bank determines and manages its regulatory capital as required by the local regulator based on the Basel II Pillar-1 requirement. When allocating economic capital to financial risk types, the requirements from the Dutch central bank regarding regulatory capital are taken into account. On 31 December 2012, the Bank's equity totals EUR 525 million (2011: EUR 415 million), with the BIS II ratio amounting to 22.8% (2011: 18.0%). The minimum required statutory ratio set by the Dutch central bank is 8%. As prescribed, certain adjustments have been made to the IFRS-based result and reserves.

The Bank considers itself sufficiently capitalized. Recent assessments learned that the Bank exceeded the stringent Basel III capital requirements in 2012, except for liquidity coverage ratio (LCR). However, meeting this requirement is within reach of the Bank's management through disposal of part of the investment portfolio. Moreover, it was decided not to reduce the Bank's equity in light of both the economic circumstances and the migration to Basel III.

In millions of euro	**2012**	**2011**
Issued share capital	0	0
Share premium	245	245
Retained earnings (excluding result for the year)	207	200
Non-controlling interests	3	0
Deduction securitizations (50%)	-10	-11
IRB shortfall (50%)	-1	-1
Core Tier 1 capital *	**444**	**433**
Available-for-sale reserve (equity securities with positive fair value changes)	14	17
Available-for-sale reserve (exchange differences)	-	1
Subordinated loans	38	38
Deduction securitizations (50%)	-10	-11
IRB shortfall (50%)	-1	-2
Tier 2 capital *	**41**	**43**
Total available capital *	**485**	**476**
Regulatory capital *	170	212
Risk-weighted assets *	1,741	1,717
Core Tier 1 capital ratio	20.9%	16.4%
BIS II ratio *	22.8%	18.0%

* Figures at 31 December 2012 and 2011 as reported to the Dutch central bank.

Risk-weighted assets are based on credit risk, market risk and operational risk calculations as defined by the Dutch central bank under Basel II and Basel III requirements.

38. Related parties

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

Subsidiaries *	**Country of**	**Equity interest**	
Included in the consolidated financial statements	**incorporation**	**2012**	**2011**
Ethias Protection Plus II	Luxembourg	-	100%
Kentyde Diversified Fund	Cayman Islands	91%	-
Robeco Asian Stars Equities	Luxembourg	72%	96%
Robeco Global Aggressive Equities	Luxembourg	100%	-
Robeco Pension Matching Portfolio	Luxembourg	100%	-
Robeco Pension Return Portfolio	Luxembourg	100%	-

* All these subsidiaries are funds temporary controlled by the Bank due to seed capital activities.

<u>Transactions with related parties</u>

In millions of euro	**2012**	**2011**
Income statement regarding related parties		
Operating income	8	54
Operating expenses	53	54
Operating result before tax regarding related parties	**-45**	**-**
Statement of financial position regarding related parties		
Assets	1,616	1,585
Liabilities	526	1,188

Related party transactions regard distribution income received from and operating costs charged by Robeco group entities. In addition, interest income and results on derivative financial instruments are realized on transactions entered into with Rabobank for EUR 2 million (2011: EUR 4 million). Interest expenses related to Rabobank (EUR 0.4 million; 2011: EUR 1 million) concern amongst other things interest paid on subordinated loans.

The assets shown consist mainly of investments, derivative financial instruments, cash and short-term deposits, for which the Bank has relationships with Rabobank to an amount of EUR 1,608 million (2011: EUR 1,565 million). Liabilities of EUR 176 million (2011: EUR 822 million) relate to loans granted by Rabobank as well as total return swaps entered into with Rabobank.

Terms and conditions

Sales to and purchases from related parties are made at arm's length prices. Outstanding receivables and payables at year-end are unsecured and interest-free, with settlements in cash. The Bank has no provision for doubtful debts due from related parties (2011: no provision), because the risks involved are considered not to be material. This assessment is made annually by examining the financial position of related parties and the markets wherein they operate.

Remuneration of key management personnel

Both the Management Board and Supervisory Board are acknowledged as key management on account of their authority in and responsibility for the planning, directing and controlling of the Bank's activities. The Management Board is not entitled to salaries and benefits from the Bank, as it is employed by Robeco Nederland B.V., which forms part of Robeco Groep N.V. The total remuneration of the Bank's Management Board paid during the year amounts to EUR 2.2 million (2011: EUR 1.6 million) and includes deferred payments of granted remuneration of previous years. This amount is partially charged to the Bank, as the Management Board performs also activities on behalf of Robeco Groep N.V. and its subsidiaries. Of the performance-related remuneration granted, 18% is short term (2011: 18%). Outstanding loans to Management Board members total EUR 0.5 million (2011: EUR 0.5 million). The interest and redemption conditions of these loans are in conformity with conditions observable in the market.

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

39. Events after the reporting date

On 19 February 2013, ORIX Corporation ('ORIX'), Rabobank Nederland and Robeco Groep N.V. announced that ORIX is acquiring approximately 90.01% of the shares in Robeco Groep N.V. from Rabobank Nederland. ORIX and Rabobank Nederland have also agreed that banking activities will be transferred to Rabobank Nederland, which will be further detailed in the period prior to closing. Closing of the transaction is subject to legal and regulatory approvals, which are expected to be completed in the second half of 2013.

In 2012, the Bank chose to apply for the possibility to hold its clients' fund investments for its own account following the adaption of the Dutch Giro Securities Transactions Act. Holding the clients' securities was until then done by Stichting Effectengiro Robeco Direct ("STERD"), a foundation legally separate from the Bank. As a result, STERD transferred the clients' fund investments to the Bank in February 2013. As of 31 December 2012, STERD had a contingent liability to transfer securities to clients, worth EUR 3.2 billion.

On 1 February 2013, SNS Reaal was nationalized by the Dutch State. To share the costs of this nationalization, the Ministry of Finance announced it will impose a one-off EUR 1 billion levy on Dutch banks in 2014. Each bank's contribution will be proportionate to its share in total deposits guaranteed under the deposit guarantee scheme at 1 February 2013. Robeco Direct's market share approximates 1%.

40. Segment information

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

The Bank's current operating segments are:

- Retail Banking: Banking activities and distribution services;
- Structured Finance: Structuring, co-investment and seeding activities.

Segmentation 2012 *In millions of euro*	**Notes**	**Retail Banking**	**Structured Finance**	**Total**
Income statement				
Interest income	5	210	9	219
Interest expense	6	-180	-9	-189
Fee and commission income	7	23	1	24
Fee and commission expense	8	-1	-1	-2
Results on financial assets held for trading	9	-7	2	-5
Results on financial assets at FV through profit or loss	10	35	8	43
Results on financial assets available-for-sale	11	14	4	18
Other	12	1	-	1
Net operating income		**95**	**14**	**109**
Operating expenses	13-15			-45
Operating result before tax				**64**
Income tax	17			-16
Result for the period				**48**
Statement of financial position				
Segment assets		6,932	223	7,155
Total assets		**6,932**	**223**	**7,155**
Segment liabilities		6,438	192	6,630
Total equity				525
Total equity and liabilities		**6,438**	**192**	**7,155**
Other segmental information				
Net interest, fee and commission income:	5-8			
- External		233	10	243
- Domestic		*233*	*11*	*244*
- Foreign		*-*	*-1*	*-1*
Other material non-cash items:				
- (Reversal of) impairment loss	15	13	-1	12

Segmentation 2011 *In millions of euro*	Notes	Retail Banking	Structured Finance	Total
Income statement				
Interest income	5	249	6	255
Interest expense	6	-196	-9	-205
Fee and commission income	7	29	3	32
Fee and commission expense	8	-2	-2	-4
Results on financial assets held for trading	9	-11	9	-2
Results on financial assets at FV through profit or loss	10	-6	-4	-10
Results on financial assets available-for-sale	11	-	3	3
Other income	12	2	-	2
Net operating income		**65**	**6**	**71**
Operating expenses	13-15			-67
Result from group companies	16			1
Operating result before tax				**5**
Income tax	17			-1
Result for the period				**4**
Statement of financial position				
Segment assets		8,151	291	8,442
Total assets		**8,151**	**291**	**8,442**
Segment liabilities		7,759	268	8,027
Total equity				415
Total equity and liabilities		**7,759**	**268**	**8,442**
Other segmental information				
Net interest, fee and commission income:	5-8			
- External		278	9	287
- Domestic		*275*	*9*	*284*
- Foreign		*3*	-	*3*
Other material non-cash items:				
- (Reversal of) impairment loss	15	-6	-	-6
- Result from group companies	16	1	-	1

NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

41. Net cash flows used in operating activities

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

42. Net cash flows from investing activities

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

43. Cash and cash equivalents

In millions of euro	**Notes**	**2012**	**2011**
Cash and balances with central banks	18	65	142
Due from other banks – available on demand	19	590	671
Total		**655**	**813**

COMPANY FINANCIAL STATEMENTS 2012
Robeco Direct N.V.

COMPANY INCOME STATEMENT
for the year ended 31 December

In millions of euro	Notes	2012	2011
Interest income		219	255
Interest expense		189	205
Net interest income		**30**	**50**
Fee and commission income		24	29
Fee and commission expense		2	4
Net fee and commission income		**22**	**25**
Results on financial assets held for trading		-5	-2
Results on financial assets at fair value through profit or loss		42	-9
Results on financial assets available-for-sale		18	3
Other income		1	1
Net operating income		**108**	**68**
Administrative expenses		56	57
(Reversal of) impairment loss		-11	6
Operating expenses		**45**	**63**
Result from group companies		-	1
Operating result before tax		**63**	**6**
Income tax		-16	-1
Income from investments in subsidiaries (after tax)	47	0	0
Result for the year	45	**47**	**5**

COMPANY STATEMENT OF COMPREHENSIVE INCOME
for the year ended 31 December

In millions of euro	Notes	2012	2011
Result for the year		**47**	**5**
Net unrealized results on financial assets available-for-sale		109	-5
Realized gains and losses on financial assets available-for-sale reclassified to the income statement on disposal	11	-18	-3
(Reversal of) impairment loss of financial assets available-for-sale	15	-13	6
Income tax effect	17	-20	1
Other comprehensive income		**58**	**-1**
Exchange differences on translation of foreign operations		-1	1
Other items		3	-
Other comprehensive income for the year, net of taxes		**60**	**-**
Total comprehensive income for the year, net of taxes		**107**	**5**

COMPANY STATEMENT OF FINANCIAL POSITION

at 31 December

In millions of euro	Notes	2012	2011
ASSETS			
Cash and balances with central banks		65	142
Due from banks		603	707
Derivative financial instruments		18	20
Financial assets held for trading		485	448
Financial assets at fair value through profit or loss		985	1,790
Financial assets available-for-sale		3,001	3,040
Loans and advances		1,814	2,057
Financial assets held-to-maturity		55	114
Investments in subsidiaries	47	28	11
Other assets		97	113
Total assets	46	**7,151**	**8,442**
EQUITY AND LIABILITIES			
Due to banks		738	1,187
Derivative financial instruments		178	286
Due to customers		5,406	6,194
Issued securities		163	194
Deferred tax liabilities		7	-
Other liabilities		99	128
Subordinated loans		38	38
Total liabilities		**6,629**	**8,027**
Issued share capital		0	0
Share premium		245	245
Available-for-sale reserve		22	-36
Foreign currency translation reserve		-	1
Retained earnings		255	205
Total equity	48	**522**	**415**
Total equity and liabilities	46	**7,151**	**8,442**

COMPANY STATEMENT OF CHANGES IN EQUITY

for the year ended 31 December 2012 and 2011

In millions of euro	1 January 2012	Result for the year	Other comprehensive income	Total comprehensive income	31 December 2012
Issued share capital	**0**	-	-	**-**	**0**
Share premium	**245**	-	-	**-**	**245**
Available-for-sale reserve	**-36**	-	58	**58**	**22**
Foreign currency translation reserve	**1**	-	-1	**-1**	**-**
Retained earnings	**205**	47	3	**50**	**255**
Total equity (company statements)	**415**	**47**	**60**	**107**	**522**
Adjustment (net of taxes):					
Income from investments in subsidiaries:					
- 2012	**-**	1	-1	**0**	**0**
- previous years	**0**	-	-	**-**	**0**
Total equity (consolidated statements)	**415**	**48**	**59**	**107**	**522**

In millions of euro	1 January 2011	Result for the year	Other comprehensive income	Total comprehensive income	31 December 2011
Issued share capital	**0**	-	-	**-**	**0**
Share premium	**245**	-	-	**-**	**245**
Available-for-sale reserve	**-35**	-	-1	**-1**	**-36**
Foreign currency translation reserve	**0**	-	1	**1**	**1**
Retained earnings	**200**	5	-	**5**	**205**
Total equity (company statements)	**410**	**5**	**0**	**5**	**415**
Adjustment (net of taxes):					
Income from investments in subsidiaries:					
- 2011	**-**	-1	-	**-1**	**-1**
- previous years	**1**	-	-	**-**	**1**
Total equity (consolidated statements)	**411**	**4**	**0**	**4**	**415**

COMPANY STATEMENT OF CASH FLOWS

for the year ended 31 December

In millions of euro	Notes	2012	2011
Operating activities			
Operating result before tax		62	6
Adjustments for:			
- Impairment loss/reversal of impairment loss		-12	6
- Result from financial assets (excluding dividends received)		-36	10
- Result from group companies		-	-1
Other movements from operations:			
- Change in operating assets		-14	351
- Change in operating liabilities		-1,398	-474
- Income tax paid		-15	-1
Net cash flows used in operating activities		**-1,413**	**-102**
Investing activities			
Purchase of:			
- investments in subsidiaries, net of cash acquired	47	-28	-19
- financial assets at fair value through profit or loss		-200	-295
- financial assets available-for-sale		-578	-1.193
- loans and advances		-239	-352
- financial assets held-to-maturity		-	-3
Proceeds from:			
- sale of investments in subsidiaries, net of cash sold	47	6	13
- sale/redemption of financial assets at fair value through profit or loss		1,038	253
- sale/redemption of financial assets available-for-sale		707	1,597
- sale/redemption of loans and advances		481	476
- sale/redemption of financial assets held-to-maturity		58	110
Net cash flows from investing activities		**1,245**	**587**
Net movement in cash and cash equivalents		**-168**	**485**
Cash and cash equivalents at 1 January		811	326
Cash and cash equivalents at 31 December		**643**	**811**
Cash flows from interests and dividends			
Interest received		258	291
Interest paid		172	-207
Dividends received		0	2

NOTES TO THE COMPANY FINANCIAL STATEMENTS

44. General accounting policies

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

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

44.1 Investments in subsidiaries

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

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

45. Income statement – reconciliation and disclosures

Income statement - 2012 *In millions of euro*	**Company statement**	**Subsidiaries**	**Consolidated statement**	**Notes**
Interest income	219	-	219	5
Interest expense	189	-	189	6
Net interest income	**30**	**-**	**30**	
Fee and commission income	24	-	24	7
Fee and commission expense	2	-	2	8
Net fee and commission income	**22**	**-**	**22**	
Results on financial assets held for trading	-5	-	-5	9
Results on financial assets at FV through profit or loss	42	1	43	10
Results on financial assets available-for-sale	18	-	18	11
Other income	1	-	1	12
Net operating income	**108**	**1**	**109**	
Administrative expenses	56	-	56	14
(Reversal of) impairment loss	-11	-	-11	15
Operating expenses	**45**	**-**	**45**	
Operating result before tax	**63**	**1**	**64**	
Income tax	-16	-	-16	17
Income from investments in subsidiaries after tax	0	0	-	
Result for the year	**47**	**1**	**48**	

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

46. Statement of financial position – reconciliation and disclosures

Statement of financial position - 31 December 2012 *In millions of euro*	**Company statement**	**Subsidiaries**	**Consolidated statement**	**Notes**
Cash and balances with central banks	65	-	65	18
Due from banks	603	12	615	19
Derivative financial instruments	18	-	18	20
Financial assets held for trading	485	-	485	21
Financial assets at fair value through profit or loss	985	20	1,005	22
Financial assets available-for-sale	3,001	-	3,001	23
Loans and advances	1,814	-	1,814	24
Financial assets held-to-maturity	55	-	55	25
Investments in subsidiaries	28	-28	-	47
Other assets	97	-	97	26
Total assets	**7,151**	**4**	**7,155**	
Due to banks	738	-	738	27
Derivative financial instruments	178	-	178	20
Due to customers	5,406	-	5,406	28
Issued securities	163	-	163	29
Deferred tax liabilities	7	-	7	30
Other liabilities	99	1	100	31
Subordinated loans	38	-	38	32
Total equity (attributable to the equity holder)	522	0	522	48
Non-controlling interests	-	3	3	34
Total equity and liabilities	**7,151**	**4**	**7,155**	

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

47. Investments in subsidiaries

In millions of euro	**2012**	**2011**
At 1 January	**11**	**28**
Acquisitions of seedings and co-investments	28	19
Divestments of seedings and co-investments	-6	-13
Transfer to financial assets held for trading	-5	-24
Foreign currency translation results	-	1
At 31 December	**28**	**11**

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

48. Equity

The authorized share capital amounts to EUR 1 million (2011: EUR 1 million), consisting of 200,000 shares with a nominal value of EUR 5 each, of which EUR 340,340 is fully paid in. The number of shares did not change in 2012. The Shareholder is entitled to receive dividends when declared and to vote on a one vote per share basis at Robeco Direct N.V.'s Shareholder's Meetings.

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

It is proposed to add the result for the year (EUR 47 million) to retained earnings. For the amount that revaluation reserves are negative, Section 2:390 of the Dutch Civil Code restricts the distribution of capital out of retained earnings for that same amount.

49. Contingent liabilities

Capital commitments
The Bank has entered into a commitment to repurchase specific bonds if requested by the bondholders. It can unwind these securities with a nominal amount of EUR 280 million (2011: EUR 343 million) without incurring a loss. At 31 December 2012, the Bank has EUR 539 million (2011: EUR 580 million) in irrevocable credit facilities relating to mortgages that are all secured by customers' assets. At year-end, the Bank has capital commitments of EUR 37 million with respect to co-investments in private equity funds (2011: EUR 49 million).

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

In millions of euro		**2012**		**2011**
	Carrying amount	**Notional**	**Carrying amount**	**Notional**
Financial assets:				
- fair value through profit or loss	152	145	88	86
- available-for-sale	365	343	295	285
- held-to-maturity	51	50	52	50
Total	**568**	**538**	**435**	**421**

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

Deposit guarantee scheme
The purpose of the Dutch deposit guarantee scheme is to provide security to account holders in the event of a bank failure. The scheme guarantees deposits for a maximum amount of EUR 100,000 per private person per bank, irrespective of the number of accounts. In case of a joint account with two persons, it applies per private person as a maximum. The scheme covers all savings accounts in the name of private persons, but not investments in funds, shares or bonds. In case of a bank failure, the Dutch central bank provides advance payments to account holders for the balances covered by the deposit guarantee scheme. The total advances by the Dutch central bank are refunded by all banks operating in the Netherlands based on a cost allocation scheme reduced for any proceeds generated from the wind-down of the failed credit institution.

50. Events after the reporting date

On 19 February 2013, ORIX, Rabobank Nederland and Robeco Groep N.V. announced that ORIX is acquiring approximately 90.01% of the shares in Robeco Groep N.V. from Rabobank Nederland. ORIX and Rabobank Nederland have also agreed that banking activities will be transferred to Rabobank Nederland, which will be further detailed in the period prior to closing. Closing of the transaction is subject to legal and regulatory approvals, which are expected to be completed in the second half of 2013.

In 2012, the Bank chose to apply for the possibility to hold its clients’ fund investments for its own account following the adaption of the Dutch Giro Securities Transactions Act. Holding the clients’ securities was until then done by Stichting Effectengiro Robeco Direct (“STERD”), a foundation legally separate from the Bank. As a result, STERD transferred the clients’ fund investments to the Bank in February 2013. As of 31 December 2012, STERD had a contingent liability to transfer securities to clients, worth EUR 3.2 billion.

On 1 February 2013, SNS Reaal was nationalized by the Dutch State. To share the costs of this nationalization, the Ministry of Finance announced it will impose a one-off, EUR 1 billion levy on Dutch banks in 2014. Each bank’s contribution will be proportionate to its share in total deposits guaranteed under the deposit guarantee scheme at 1 February 2013. Robeco Direct’s market share approximates 1%.

Rotterdam, 9 April 2013

Supervisory Board Robeco Direct N.V.

Management Board Robeco Direct N.V.

OTHER INFORMATION

Articles of Association rules governing the appropriation of result

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

RESPONSIBILITY STATEMENT

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

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

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

Rotterdam, 9 April 2013

Management Board Robeco Direct N.V.

Leni M.T. Boeren, Chairman

Hester W.D.G. Borrie

Peter T.N. Bruin

INDEPENDENT AUDITOR’S REPORT

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

Report on the financial statements

We have audited the accompanying financial statements 2012 of Robeco Direct N.V., Rotterdam (as set out on pages 16 to 66). The financial statements consist of the consolidated financial statements and the company financial statements. The consolidated financial statements comprise the consolidated statement of financial position as at 31 December 2012, the income statement, the statements of comprehensive income, changes in equity and cash flows for the year then ended and notes, comprising a summary of the significant accounting policies and other explanatory information. The company financial statements comprise the company statement of financial position as at 31 December 2012, the company income statement, the company statements of comprehensive income, changes in equity and cash flows for the year then ended and the notes.

Management’s responsibility

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

Auditor’s responsibility

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

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

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

Opinion with respect to the financial statements

In our opinion, the financial statements give a true and fair view of the financial position of Robeco Direct N.V. as at December 31, 2012 and of its result for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union and with Part 9 of Book 2 of the Dutch Civil Code.

Report on other legal and regulatory requirements

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

Amsterdam, 9 April 2013

Ernst & Young Accountants LLP

signed by Kees de Lange